



**2022**

**ANNUAL  
REPORT**



**Wayne Cooperative**  
Insurance Company





# TO OUR POLICYHOLDERS

Business continuity and disaster recovery have always been top priorities to us. Over the past several years, the COVID-19 pandemic has shown us just how important it is to have proper plans in place to be able to withstand any type of event.

In 2022, to further support our objectives, we set up a colocation (“colo”) site with a third party. A colo site allows a company to house servers and other hardware or equipment at a data center facility. Should operations at the main office be interrupted, the colo site acts as an additional backup for restoring and resuming our operations.

What does this mean for you? Should the company undergo a business interruption event, we have the processes and procedures in place to be able to continue to serve our policyholders in their time of need.

This was a major step forward for the Company and just one of our accomplishments this past year. The following report provides an overview of 2022, including financial results and highlights, and where our focus is for the upcoming year.

## 2022 overview

2022 proved to be a challenging year as can be seen in the table below. Direct losses incurred, including salvage and subrogation, increased \$886,910 (8.35%) from \$10,619,429 in 2021 to \$11,506,339. This was its highest point over the past five years.

However, despite this increase, net losses incurred decreased \$188,892 (-1.87%) from \$10,127,247 to \$9,938,355. This is due to the Company's ceded loss recovery from reinsurers of \$1,567,984, an increase of \$1,075,802 (218.58%) over the prior year.

The increase in direct losses incurred and ceded loss recovery was primarily due to a single farmowner casualty claim with direct losses incurred totaling over \$800,000.

Due to the increase in ceded loss recovery, the Company's net loss retention rate, the percentage of losses retained by the Company, decreased from 95.37% in 2021 to 86.37% in 2022, its lowest in the past five years.

This also caused reinsurance recovery rates to increase; ceded loss to direct loss from 4.63% to 13.63% and ceded loss to ceded premium from 21.93% to 66.15%, both highs in the past five years.

The Company's ceded premiums have also increased year-over-year, driven by the premium base and additional reinsurance on mechanical breakdown and facultative coverage for large farm equipment and livestock schedules.

Losses Incurred	Accounting Year					
	2018	2019	2020	2021	2022	5-Year
Direct Losses Incurred	7,869,594	9,122,593	8,924,850	10,619,429	11,506,339	48,042,805
Ceded Loss Recovery	779,149	458,485	452,484	492,182	1,567,984	3,750,284
Net Losses Incurred	7,090,445	8,664,108	8,472,366	10,127,247	9,938,355	44,292,521
Net Loss Retention Rate	90.10%	94.97%	94.93%	95.37%	86.37%	92.19%
Ceded Premium	1,882,402	1,899,284	2,026,999	2,244,192	2,370,280	10,423,157
<b>Reinsurance Recovery Rate</b>						
Ceded Loss to Direct Loss	9.90%	5.03%	5.07%	4.63%	13.63%	7.81%
Ceded Loss to Ceded Premium	41.39%	24.14%	22.32%	21.93%	66.15%	35.98%

## Other financial results

Total policy count in 2022 declined -1.88%. While the homeowners line experienced modest growth of 0.68%, the dwelling/farm fire, farmowners, mobile homeowners, commercial multi-peril, and landlord package lines experienced negative growth rates of -1.71%, -0.79%, -4.82%, -3.06%, and -6.11% respectively. Our policy retention rate decreased from 88.21% to 87.84%.

Although overall policy count decreased, premiums for the fire, allied lines, private flood, farmowners, homeowners, inland marine, and mechanical breakdown lines of business increased.

In particular, the homeowners line increased \$538,080 (7.04%) to \$8,186,296 due to exposure growth from inflation indexed policies and new submissions valued at replacement cost. The inland marine line increased \$195,355 (13.61%) due to insuring larger farms with higher equipment and livestock limits.

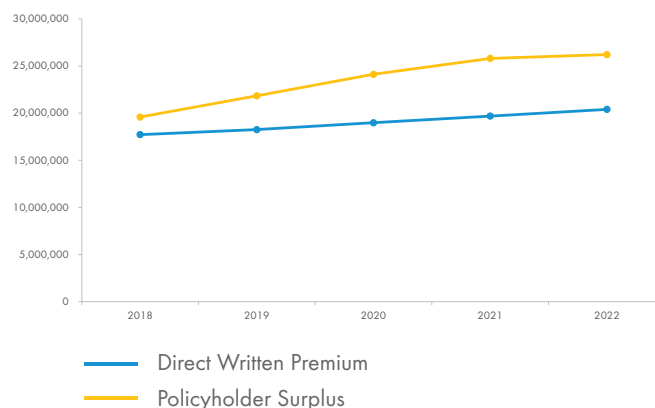
With no rate changes implemented in 2022, premium growth was a direct result of increased policy limits and additional policy coverages on new and current policies. Overall, rate levels have remained very stable. The last appreciable rate change was to the landlords line in 2016.

Total direct written premium (DWP) continued to modestly grow in 2022, increasing \$712,248 (3.62%) to \$20,398,834. We also saw another year of growth in policyholder surplus (PHS) which increased \$402,677 (1.56%) to \$26,208,035.

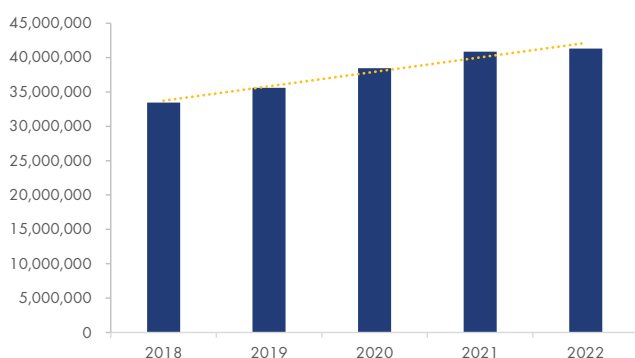
Since 2018, DWP has increased 15.10% from \$17,723,270 to \$20,398,834 and policyholder surplus has increased 33.84% from \$19,581,855 to \$26,208,035.

In this time, our gross leverage ratio (direct written premium/policyholder surplus) has improved from having \$110 of policyholder surplus for every \$100 of premium to having \$128 of policy surplus for every \$100 of premium.

### DWP VS. POLICYHOLDER SURPLUS (2018-2022)



### TOTAL INVESTED ASSETS (2018-2022)

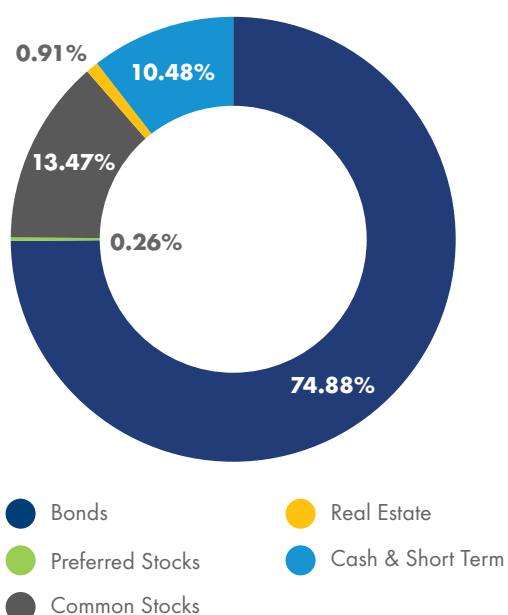


A net underwriting gain of \$364,214 was augmented by investment and other income totaling \$1,444,097, resulting in a pre-tax net income of \$1,808,311.

Total admitted assets increased \$361,805 (0.80%) to \$45,792,496. The growth can be attributed to increases in the bond portfolio and cash and short-term investments. Total invested assets increased \$431,314 (1.06%) to \$41,292,942.

Our investment portfolio consisted primarily of diversified high grade fixed income securities. The book value of the bond portfolio totaled \$30,920,429. It was a \$942,263 (3.14%) increase from 2021 and represents 74.88% of the total portfolio, up from 73.37% in 2021.

### INVESTED ASSETS CONCENTRATION



We returned a 2.55% net yield on our invested assets. U.S. two-year treasury rates increased from 0.73% to 4.41% and ten-year rates increased from 1.52% to 3.88% year-over-year. Despite facing challenging investment environments, our net yield has remained very stable since 2018, ranging from 2.55 to 3.08.

The equity portfolio of preferred and common stocks decreased \$1,157,020 (-16.95%) to \$5,667,742. This is a result of:

- selling \$1,121,445 in various equities and ETFs
- realizing a capital gain of \$225,788
- purchasing \$759,939 in various equities and ETFs
- sustaining \$795K in market losses

This reduced common stocks from 16.44% to 13.47% of invested assets.

Total cash and short-term investments increased \$661,591 (18.04%) to \$4,328,524, representing 10.48% of invested assets as compared to 8.97% in 2021.



	<b>2021</b>	<b>2022</b>
<b>DIRECT PREMIUMS EARNED</b>	<b>100.00</b>	<b>100.00</b>
<b>EXPENSES</b>		
<b>Reinsurance Costs</b>	<b>11.57</b>	<b>11.82</b>
<b>Loss &amp; Loss Adjusting Expenses</b>		
Net Losses	52.37	49.67
Net Loss Adjusting Expenses		
Net Outside Adjustment Costs	3.06	2.17
In-House Adjustment Costs	4.49	4.27
<b>Total Loss Adjustment</b>	<b>7.55</b>	<b>6.44</b>
<b>Total Loss &amp; Loss Adjustment</b>	<b>59.92</b>	<b>56.11</b>
<b>Underwriting Expenses</b>		
Net Agency Commissions	18.13	17.18
Salary, Payroll Tax & Benefits	7.49	7.66
Operations	4.68	4.76
Taxes, Licenses & Fees	0.69	0.65
<b>Total Underwriting Expenses</b>	<b>30.99</b>	<b>30.25</b>
<b>NET UNDERWRITING GAIN/(LOSS)</b>	<b>(2.48)</b>	<b>1.82</b>

## Where does your premium dollar go?

As a policyholder, you may wonder how the premium you pay to the Company is utilized. We think it's important that you know.

For every premium dollar received, the following company expenses are deducted:

- reinsurance costs;
- loss and loss adjusting expenses; and
- underwriting expenses.

Reinsurance costs are the ceded premiums that the Company incurs for its various reinsurance programs. As reinsurance costs have steadily increased, the portion of your premium dollar allocated to this expense has also increased.

The largest variability, and the typical driver of a net underwriting gain or loss, comes from total loss and loss adjusting expenses. As a portion of the premium dollar, the total decreased from 59.92 in 2021 to 56.11 in 2022. This is reflective of the decrease in net losses incurred from \$10,127,247 in 2021 to \$9,938,355 in 2022.

After including a modest decrease in total underwriting expenses between 2021 and 2022, from 30.99 to 30.25, the end result is 1.82 of the premium dollar being allocated as a net underwriting gain in 2022. This is compared to a (2.48) net underwriting loss in 2021.

Direct Written Premium

\$19.6M / **\$20.4M**

Policyholder Surplus

\$25.8M / **\$26.2M**

Net Underwriting Gain/(Loss)

\$(480K) / **\$364K**

Admitted Assets

\$45.4M / **\$45.8M**

Pre-Tax Net Income

\$905K / **\$1.8M**

Combined Ratio

102.12% / **97.20%**

# Financial highlights

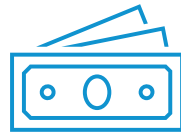
AT AND FOR THE YEAR ENDED DECEMBER 31

	2018	2019	2020	2021	2022
Direct Written Premium	17,723,270	18,250,489	18,977,447	19,686,586	<b>20,398,834</b>
Net Earned Premium	15,532,239	16,012,701	16,584,507	17,101,524	<b>17,644,245</b>
Direct Losses Incurred	7,869,594	9,122,593	8,924,850	10,619,429	<b>11,506,339</b>
Net Losses Incurred	7,090,445	8,664,108	8,472,366	10,127,247	<b>9,938,355</b>
Net Loss Adjusting Services	420,914	457,305	422,667	592,200	<b>433,561</b>
Net Underwriting Gain/Loss	2,024,184	493,142	1,095,002	(480,032)	<b>364,214</b>
Total Other Income	255,100	506,260	194,711	268,620	<b>288,683</b>
Net Investment Gain/Loss	959,203	1,045,046	1,031,606	1,010,390	<b>1,023,397</b>
Realized Cap Gain/Loss	25,095	13,419	14,341	106,941	<b>132,017</b>
Net Income	3,263,582	2,057,867	2,335,660	905,919	<b>1,808,311</b>
Total Invested Assets	33,444,858	35,582,641	38,452,443	40,861,628	<b>41,292,942</b>
Total Admitted Assets	37,355,067	39,751,619	42,700,535	45,430,691	<b>45,792,496</b>
Policyholder Surplus	19,581,855	21,836,393	24,119,370	25,805,358	<b>26,208,035</b>
Policyholder Surplus Change	2,392,163	2,254,538	2,282,977	1,685,988	<b>402,677</b>
<b>Return Analysis</b>					
Net Yield on Invested Assets	3.02	3.08	2.83	2.58	<b>2.55</b>
Return on Average Equity	13.55	7.92	8.27	2.94	<b>5.71</b>
Return on Average Assets	7.17	4.39	4.56	1.70	<b>3.30</b>
Pre-Tax Operating ROAE (%)	17.18	9.73	10.39	3.18	<b>6.51</b>
<b>Ratio Analysis</b>					
Net Loss Ratio	45.65	54.11	51.09	59.22	<b>56.33</b>
Net LAE Ratio	7.99	8.01	7.72	8.54	<b>7.30</b>
Net Loss & LAE Ratio	53.64	62.11	58.80	67.76	<b>63.63</b>
Net Commission Ratio	19.00	19.31	19.53	20.11	<b>19.07</b>
Salaries & Benefits	7.78	8.54	8.57	8.31	<b>8.50</b>
Taxes, Licenses & Fees	0.81	0.79	0.76	0.76	<b>0.72</b>
Admin & Other Expense Ratio	5.09	5.43	4.99	5.19	<b>5.28</b>
Expense Ratio	32.68	34.08	33.85	34.36	<b>33.58</b>
Combined Ratio	86.32	96.20	92.65	102.12	<b>97.20</b>
Operating Ratio	80.14	89.67	86.43	96.21	<b>91.40</b>
Net Leverage Ratio (NWP/Avg PHS)	84.04	77.78	75.87	69.32	<b>70.06</b>

# RIDING FOR A CAUSE



**10  
RIDERS**



**\$13,186  
RAISED**



**FUNDRAISING  
TEAM**

On August 13, the WCICNY team participated in the **Bike MS: ROC the Great Lakes** cycling event in support of the National Multiple Sclerosis (MS) Society. Our team cycled routes ranging from 16 to 62.5 miles.

With the assistance of our agency representatives, business partners, and family and friends, our team raised \$13,186 to be donated to such an important cause. This greatly surpassed the \$10,000 goal our team had set and was the third highest fundraising total of all participating teams.

The money raised helps support funding for groundbreaking research as well as Society programs

and services that help ensure those with MS have access to the resources needed to live their best lives.

In addition to employees, we had agent representatives from the Stan Steele Agency, Inc. (Bloomfield, NY) and Van Parys Associates, Inc. (Palmyra, NY) join our team.

It felt so great to bring back our biennial charity cycling event after we missed 2020 due to COVID-19. We were extremely grateful for every donation we received to help support our team and the National MS Society.

We're all already looking forward to next time!





## Where is our focus moving forward?



### Agent Support Website

The development of a new agent support website has been a top priority for us and one of the main tech projects that has been in the works.

Mid 2022, a beta version of the website was released to a select group of agent representatives for testing and feedback.

In addition to an updated user interface, the new website expands users' capabilities and the features that are offered. While there will be a learning curve during the website rollout, we expect that it will become easier for agents to do business with us.



### Data Download

Data download has been one of the most sought after features by our agent representatives for many years. The feature simplifies the exchange of policy-related information between the Company and the agency by delivering data directly to agency management systems, providing a better experience for agents.

In 2023, the Company will be working with IVANs, a leader in digital insurance software, to begin the process of developing the infrastructure and implementing data download capabilities.



### Massprinting

To ensure that printed documents are of consistent high quality and to improve operational efficiencies, we are working on implementing a third-party print and mail solution.

By transferring this process, we will be able to reallocate our employees' time to other tasks and projects. This will result in improved customer service for both policyholders and agent representatives.

**JEFFREY W. RICE**

President & Chief Executive Officer

## Corporate Officers

### **JEFFREY W. RICE**

President & Chief Executive Officer

### **THOMAS J. LISENO**

Vice President Underwriting &  
Vice President Investment Management

### **LAURA M. HARRIS**

Vice President Consumer Affairs &  
Agency Marketing & Underwriter

### **MARSH J. HANCOCK**

Executive Vice President & Vice President Claims

### **BRYAN J. RICE**

Vice President Information Technology &  
Chief Technology Officer

### **HARLEY D. ROBERSON**

VP Accounting

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Owner - Finger Lakes Garage Door  
Director since 1994

### **KENNETH E. DISANTO, SECRETARY**

Retired Chief Engineer - Xerox  
Former Owner - The Brickoven Restaurant  
Director since 1996

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Owner - Keem Appeals, PLLC  
Assistant Conflict Defender - Livingston County  
Director since 2016

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Retired - Robert C. Oaks Ins. Agency & NYS Assemblyman  
Director since 2021

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President & CEO - Wayne Cooperative Ins. Co.  
Director since 1985

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Director since 2002

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Director since 1994

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EVP Lending - Lyons National Bank  
Director since 2007

### **JANE E. HUBBS**

Retired Manager - Rochester Community Savings Bank  
Director since 1987

### **GRETTA B. MILES**

Controller & Assistant Treasurer - Carrols Corporation  
Director since 2018

### **MICHAEL J. PALUMBOS**

Owner - Family Wealth & Legacy  
Director since 2010

### **WAYNE V. RICE, CHAIRPERSON & TREASURER**

Retired President & CEO - Wayne Cooperative Ins. Co.  
Director since 1979

### **WILLIAM M. THOMPSON, SR.**

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Director since 1992

### **MELANIE L. WICKHAM**

Partner - Pick 'n Patch LLC & RR Events LLC  
Director since 2011

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Bradley Keem  
Robert Oaks  
Steven Stasiukonis  
Melanie Wickham\*

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Robert Brisky  
Kenneth DiSanto\*  
Jane Hubbs  
Michael Palumbos  
Richard Wadsworth

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Kenneth DiSanto  
Bradley Keem\*  
Gretta Miles  
William Thompson, Sr.  
Melanie Wickham

\*Committee Chair

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Clair J. Britt, Jr.  
Gretta Miles\*  
William Thompson, Sr.  
Richard Wadsworth

### **FINANCE COMMITTEE**

Clair J. Britt, Jr.\*  
Kenneth DiSanto  
Robert Oaks  
Michael Palumbos  
Wayne Rice  
Melanie Wickham

### **EXECUTIVE COMMITTEE**

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Melanie Wickham