



2021
ANNUAL
REPORT



Wayne Cooperative
Insurance Company

To Our Policyholders

The world drastically changed in 2020 following the onset of the COVID-19 pandemic. As time moved on and 2021 began, it became clear that it would have long-lasting impacts and there would be no going back to the “normal” that we had known.

This past year, we continued to embrace the changes we made in the way that we were doing business. We continued to become more flexible.

While we could have made the decision to bring all employees back to an in-office environment, we chose to allow those who had started working from home to continue to do so. It would have been easy to revert to doing things the way they had always been done before, but we found that the shift to remote work didn't cause us to skip a beat. There was no need to go back, so we continued to look forward.

Although we continued to grow as a company over the past year, we also faced a lot of challenges along the way. The following report will provide you with a highlight of our year, both in and out of the office.



2021 overview

Claims activity by quarter was a bit more up and down in 2021 compared to recent years. While we typically see more fluctuation in Q1, all other quarters have remained relatively stable over the last several years.

As can be seen in the graph below, **Reported Claims by Quarter (2017-2021)**, the reported claim count throughout 2021 was higher in all quarters except Q2 when compared to previous years.

Total reported claims increased 32.71% from 1,009 in 2020 to 1,339 in 2021. Most notably, weather-related claims increased 69.52% from 456 in 2020 to 773 in 2021 as can be seen in the **Reported Claims by Type (2017-2021)** graph below.

Throughout the year, three separate weather events, including one winter storm and two windstorms, accounted for 329 (24.57%) of total reported claims. Two of the events were severe enough to exceed our reinsurance catastrophe retention of \$500,000 in losses.

Other reported claim types have remained relatively stable from year to year. There was a modest increase in general maintenance and liability claims and a modest decrease in fire, theft, and all other claims.

Despite the significant increase in reported claims in 2021, 79.46% of those claims were assigned to an in-

house adjuster. This was a modest decline from 82.06% in 2020.

Financial results

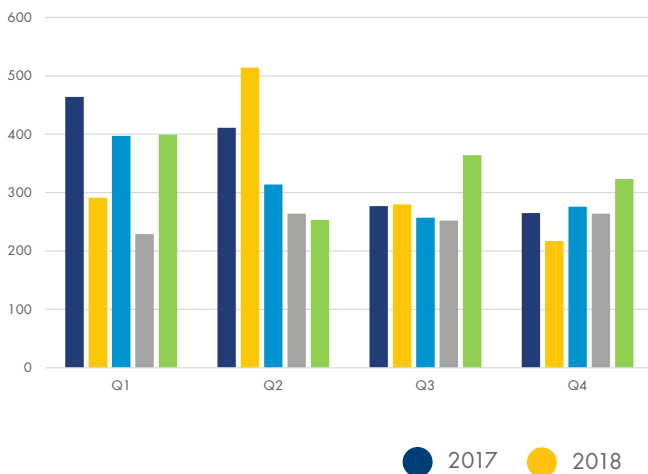
Direct written premium (DWP) continued to modestly grow in 2021, increasing \$709,139 (3.74%) to \$19,686,586. We also saw another year of significant growth in policyholder surplus (PHS) which increased \$1,685,988 (6.99%) to \$25,805,358.

Total policy count in 2021 grew by 0.20%. While the dwelling/farm fire, mobile homeowner, commercial multi-peril, and landlord package lines experienced negative growth rates of -2.08%, -0.94%, -3.28%, and -3.25% respectively, the farmowner and homeowner lines positively grew at 0.18% and 3.43% respectively. Our policy retention rate decreased from 88.41% to 88.21%.

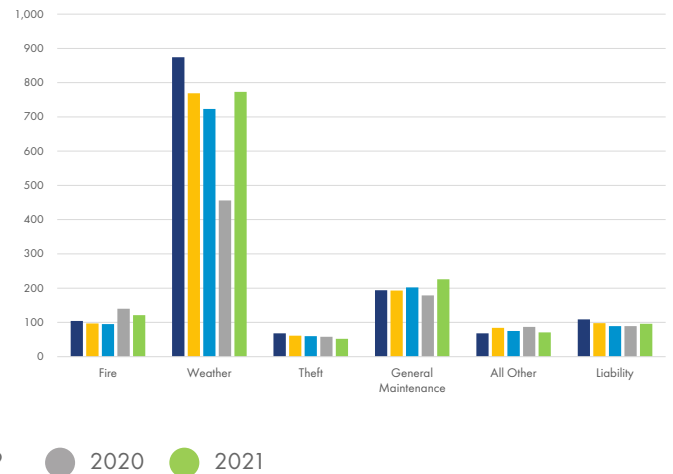
Premiums written increased amongst almost all lines of business, ranging from 1.10% to 14.20%. Only two lines, landlords and liability, had premium decreases of -1.87% and -2.23% respectively.

With no rate changes in 2021, premium growth was a direct result of increased policy limits, endorsements added to current policies, and policy count growth. Overall, rate levels have remained very stable. The last appreciable rate change was to the landlords line in 2016.

REPORTED CLAIM COUNT BY QUARTER (2017-2021)



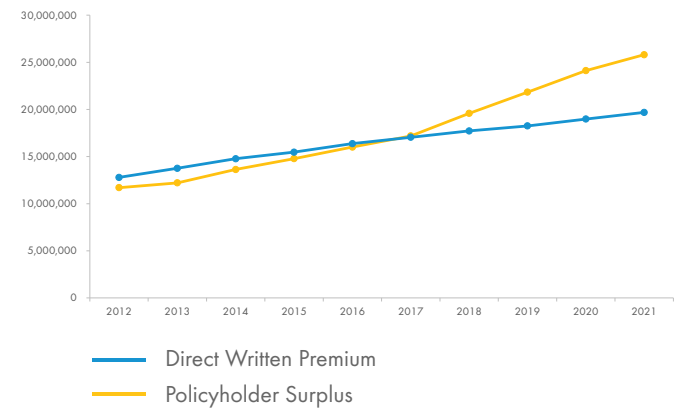
REPORTED CLAIM COUNT BY TYPE (2017-2021)



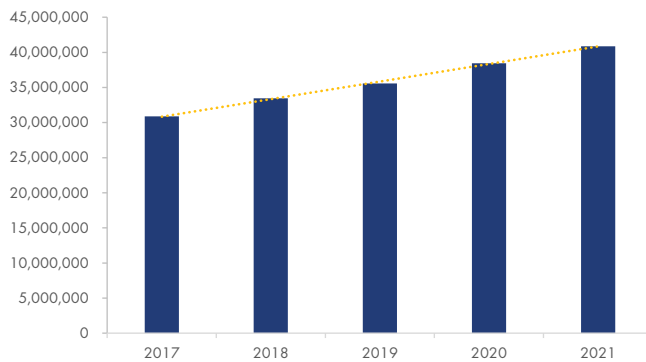
Since 2012, DWP has increased 53.90% from \$12,791,681 to \$19,686,586 and policyholder surplus has more than doubled from \$11,702,272 to \$25,805,358. After achieving a 1:1 ratio for DWP:PHS in 2017, we have continued to improve our gross leverage ratio (direct written premium/policyholder surplus) to 1:1.31, or 76.29.

Direct losses incurred, including salvage and subrogation, totaled \$10,619,429, an increase of \$1,694,579 (18.99%) from 2020. Our reinsurance program provided for \$492,182 in recoveries, 4.63% of total losses incurred. After reinsurance recoveries, net losses incurred totaled \$10,127,247.

DWP VS. POLICYHOLDER SURPLUS (2012-2021)



TOTAL INVESTED ASSETS (2017-2021)

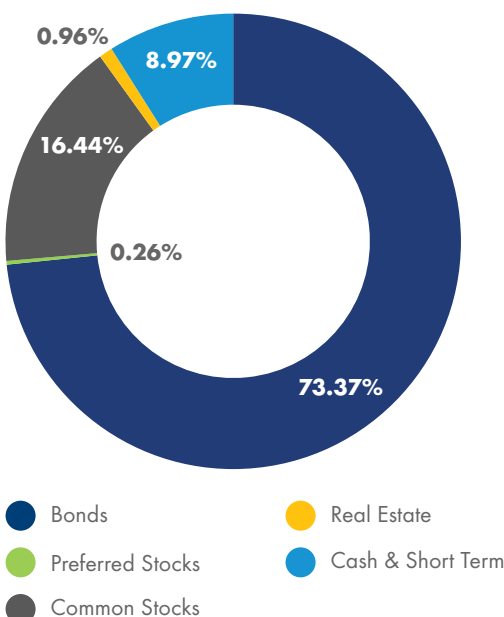


Despite a net underwriting loss of \$(480,032), this loss was mitigated by investment and other income, resulting in a pre-tax net income of \$905,919.

Total admitted assets increased \$2,730,156 (6.39%) to \$45,430,691. This growth can be strongly attributed to the growth in common stocks. Total cash and invested assets increased \$2,409,185 (6.27%) to \$40,861,628.

Our investment portfolio consisted primarily of diversified high grade fixed income securities. The book value of the bond portfolio totaled \$29,978,166. It was a \$271,896 (0.92%) increase from 2020 and represents 73.37% of the total portfolio.

INVESTED ASSETS CONCENTRATION



We returned a 2.58% net yield on our invested assets. U.S. Treasury short-term rates (2 Yr.) increased from 0.13% to 0.73% and long-term rates (10 Yr.) increased from 0.93% to 1.52% year-over-year. Our net yield has remained stable over the past five years even in the face of the challenging investment environment.

While other invested assets remained relatively stable, the equity portfolio of preferred and common stocks increased \$1,718,434 (33.65%) to \$6,824,762. In particular, common stocks increased \$1,762,004 (35.55%) to \$6,718,002 and grew to 16.44% of the total portfolio from 12.89%. Of the total increase in common stocks, \$1.1 MM is the direct result of market gains in the portfolio.

\$19,686,586

Direct Written Premium

\$25,805,358

Policyholder Surplus

\$(480,032)

Net Underwriting Gain/(Loss)

\$45,430,691

Admitted Assets

\$905,919

Pre-Tax Net Income

102.12%

Combined Ratio

Financial highlights

AT AND FOR THE YEAR ENDED DECEMBER 31

	2017	2018	2019	2020	2021
Direct Written Premium	17,045,510	17,723,270	18,250,489	18,977,447	19,686,586
Net Earned Premium	14,884,541	15,532,239	16,012,701	16,584,507	17,101,524
Direct Losses Incurred	9,078,493	7,869,594	9,122,593	8,924,850	10,619,429
Net Losses Incurred	8,029,155	7,090,445	8,664,108	8,472,366	10,127,247
Net Loss Adjusting Services	555,494	420,914	457,305	422,667	592,200
Net Underwriting Gain/Loss	440,707	2,024,184	493,142	1,095,002	(480,032)
Total Other Income	341,723	255,100	506,260	194,711	268,620
Net Investment Gain/Loss	835,031	959,203	1,045,046	1,031,606	1,010,390
Realized Cap Gain/Loss	28,846	25,095	13,419	14,341	106,941
Net Income	1,646,307	3,263,582	2,057,867	2,335,660	905,919
Total Invested Assets	30,868,353	33,444,858	35,582,641	38,452,443	40,861,628
Total Admitted Assets	34,861,136	37,355,067	39,751,619	42,700,535	45,430,691
Policyholder Surplus	17,189,692	19,581,855	21,836,393	24,119,370	25,805,358
Policyholder Surplus Change	1,180,711	2,392,163	2,254,538	2,282,977	1,685,988
Return Analysis					
Net Yield on Invested Assets	2.89	3.02	3.08	2.83	2.58
Return on Average Equity	6.85	13.55	7.92	8.27	2.94
Return on Average Assets	3.53	7.17	4.39	4.56	1.70
Pre-Tax Operating ROAE (%)	9.61	17.18	9.73	10.39	3.18
Ratio Analysis					
Net Loss Ratio	53.94	45.65	54.11	51.09	59.22
Net LAE Ratio	9.10	7.99	8.01	7.72	8.54
Net Loss & LAE Ratio	63.05	53.64	62.11	58.80	67.76
Net Commission Ratio	19.59	19.00	19.31	19.53	20.11
Salaries & Benefits	7.57	7.78	8.54	8.57	8.31
Taxes, Licenses & Fees	0.85	0.81	0.79	0.76	0.76
Admin & Other Expense Ratio	5.25	5.09	5.43	4.99	5.19
Expense Ratio	33.26	32.68	34.08	33.85	34.36
Combined Ratio	96.30	86.32	96.20	92.65	102.12
Operating Ratio	90.69	80.14	89.67	86.43	96.21
Net Leverage Ratio (NWP/Avg PHS)	90.38	84.04	77.78	75.87	69.32

Back out in the community

United Way Day of Caring

The pandemic had put a halt to some of the Company's normal volunteering efforts in 2020, but our employees were excited to get back out in the community in 2021.

In May, employees participated in the United Way Day of Caring, a day devoted to bringing volunteers together to help various local not-for-profit organizations.

In the below photo to the left, Tom, Laura and Lisa volunteered at The Arc Wayne in Newark where they assisted with spring cleanup, weeding, painting flower boxes, and mulch work.

In the below photo to the right, Tamra, Emily and Debbie volunteered at Sable Sands Sanctuary, Inc. in Lyons where they also assisted with planting, weeding, painting, and spring cleanup.

I'm extremely proud to have such devoted employees that care about the work that they do, both in and out of the office. It's very reflective of what a great staff the Company has.

We certainly look forward to the future opportunities we have to make a difference.



Local support

The Insurance Industry Charitable Foundation (IICF), a nonprofit organization that assists communities and enriches lives by uniting the collective strengths of the insurance industry to provide grants, volunteer service, and leadership, gave insurance companies the opportunity to nominate a charitable organization for a local grant. The foundation was offering ten local grants in the amount of \$2,500.

As a company, we provided a nomination for an organization in our community, The Arc of Wayne located in Newark. The Arc of Wayne was founded in 1964 by a group of parents, volunteers, and advocates to help provide more opportunities for children with intellectual and developmental disabilities.

It has now evolved into a private nonprofit, providing services to nearly 1,700 individuals of all ages through a variety of programs, including:

- Roosevelt Children's Center;
- residential;
- job placements;
- clinic;
- transportation; and more.

“We were very excited to receive notice that The Arc of Wayne’s application for funding had been approved as a result of our nomination.”

It was announced that the grant money received would be used for evaluation materials for Roosevelt Children's Center.

A positive outlook going into 2022.

Every year, the Company is evaluated and rated by A.M. Best, a global credit rating agency of insurer financial strength and creditworthiness. The credit rating indicates A.M. Best's opinion on the Company's ability to pay its claims, debts, and other financial obligations.

The rating process includes a Supplemental Rating Questionnaire (SRQ) and a comprehensive analysis of

both quantitative and qualitative information presented by our senior management team to A.M. Best analysts at an annual Rating Meeting.

The Rating Meeting presentation includes a thorough overview regarding the Company's:

- balance sheet strength;
- operating performance;
- business profile; and
- enterprise risk management program.

In 2018, we were very excited to receive a rating upgrade from B++ (Good) to A- (Excellent) with a stable outlook. It had taken us many years to reach an A- rating after the Company was downgraded in 2004 following a decline in operating performance as a result of severe fire losses and weather-related events.

We have now achieved yet another step forward following the Company's most recent Rating Meeting in August 2021. While we remain at A- (Excellent), the outlook was revised from Stable to Positive. The official announcement of the change was released by A.M. Best in October.

This step forward represents the highest rating the Company has ever achieved. It speaks volumes of the hard work and dedication of our employees, a team I am extremely proud of. I look forward to this positive outlook going into 2022 and where this will take us in the future.



JEFFREY W. RICE

President & Chief Executive Officer

Corporate Officers

JEFFREY W. RICE

President & Chief Executive Officer

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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

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ROBERT F. BRISKY

Owner - Park Lane, Finger Lakes Garage Door
Director since 1994

KENNETH E. DISANTO

Owner - Brickoven Restaurant
Director since 1996

BRADLEY E. KEEM

Owner - Keem Appeals
Director since 2016

ROBERT C. OAKS

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

JEFFREY W. RICE

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

WILLIAM M. THOMPSON, SR.

Retired Owner - Jackson Hewitt
Director since 1992

RICHARD A. WADSWORTH

Auditor - Gananda School District
Director since 1994

CLAIR J. BRITT, JR.

Executive Officer - Lyons National Bank
Director since 2007

JANE E. HUBBS

Retired Manager - Rochester Community Savings Bank
Director since 1987

GRETTA B. MILES

Controller - Carrols Corporation
Director since 2018

MICHAEL J. PALUMBOS

Owner - Family Wealth & Legacy
Director since 2010

WAYNE V. RICE*

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

MICHAEL A. VIRTS

Self-Employed - Real Estate Sales/Development
Director since 2013

MELANIE L. WICKHAM

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

*Chairman of the Board

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Bradley Keem
Robert Oaks
Michael Virts
Melanie Wickham

COMPENSATION COMMITTEE

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

RISK COMMITTEE

Clair J. Britt, Jr.
Kenneth DiSanto
Jane Hubbs
Bradley Keem*
Gretta Miles
William Thompson

*Committee Chair

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Robert Brisky
Clair J. Britt, Jr.
Gretta Miles*
William Thompson
Richard Wadsworth

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

EXECUTIVE COMMITTEE

Clair J. Britt, Jr.
Kenneth DiSanto
Jane Hubbs
Gretta Miles
Wayne Rice*