



Wayne Cooperative
Insurance Company

20
23

ANNUAL REPORT



To Our Policyholders

To say that the insurance industry as a whole faced a challenging environment in 2023 may be an understatement. Economic factors have caused significant impacts to the entire industry and to insurance companies of all sizes. One of the main economic drivers has been inflation.

As inflation has caused the cost of goods and services to rise, replacing or rebuilding property has become more expensive and labor costs have increased. The industry is also realizing the impact of social inflation on higher claim settlements for bodily injury losses. This has resulted in an overall increase in claim severity for both property and casualty claims.

Perhaps most notably, the industry experienced an unprecedented rise in reinsurance rates. Not only did costs increase, capacity decreased which made it

much more difficult to both find and secure necessary reinsurance coverage.

This has caused insurance companies to react in a variety of ways, including:

- tightening underwriting standards;
- increasing product rates;
- merging or creating affiliations with other companies;
- pulling out of geographic territories; and
- discontinuing to write certain lines of business.

The following report provides an overview of the Company's performance this past year. Despite the challenges noted above that the industry has been facing, I'm happy to say that we still managed to report a good year overall.



JEFFREY W. RICE
President & Chief Executive Officer

2023 overview

While 2022 had been a challenging year, 2023 really turned around for us. Direct losses incurred, including salvage and subrogation, decreased \$2,134,919 (-18.55%) from \$11,506,339 in 2022 to \$9,371,420 in 2023. This is primarily due to a decrease in loss payments of \$2,590,176 (-21.58%) from \$12,005,408 in 2022 to \$9,415,232 in 2023. Where did this significant decrease come from?



Fire-Related Claims Activity

Reported fire-related claims decreased by 17 (-15.31%) from 111 in 2022 to 94 in 2023. Despite only making up 9.18% of total reported claims, fire-related claims accounted for 53.93% of total loss payments in 2023.

Year-over-year, fire-related loss payments decreased \$830,970 (-14.06%) from \$5,908,883 in 2022 to \$5,077,913 in 2023.



Casualty Claims Activity

Reported casualty claims, including bodily injury and property damage to others, modestly increased by 4 (5.19%) from 77 in 2022 to 81 in 2023.

The largest impact was a decrease in casualty claim payments of \$1,818,679 (-75.67%) from \$2,403,463 in 2022 to \$584,784 in 2023. A single farmowner casualty claim payment that had been issued in 2022 accounted for \$1,000,000 (54.98%) of that difference.

Losses Incurred	Accounting Year					
	2019	2020	2021	2022	2023	5-Year
Direct Losses Incurred	9,122,593	8,924,850	10,619,429	11,506,339	9,371,420	49,544,631
Reinsurance Loss Recovery	458,485	452,484	492,182	1,567,984	542,841	3,513,976
Net Losses Incurred	8,664,108	8,472,366	10,127,247	9,938,355	8,828,579	46,030,655
Net Loss Retention Rate	94.97%	94.93%	95.37%	86.37%	94.21%	92.91%
Reinsurance Premium	1,899,284	2,026,999	2,244,192	2,370,280	3,070,551	11,611,306
Reinsurance Recovery Rate						
Ceded Loss to Direct Loss	5.03%	5.07%	4.63%	13.63%	5.79%	7.09%
Ceded Loss to Ceded Premium	24.14%	22.32%	21.93%	66.15%	17.68%	30.26%

The Company's reinsurance loss recovery, the amount received from its reinsurers, decreased \$1,025,143 (-65.38%) from \$1,567,984 in 2022 to \$542,841 in 2023. In addition to an \$800,000 recovery that was received in 2022 as a result of a single farmowner casualty claim, reinsurance program retentions were increased which made the Company responsible for higher limits before reinsurance would provide a recovery.

Overall, with reinsurance included, net losses incurred decreased \$1,109,776 (-11.17%) from \$9,938,355 in 2022 to \$8,828,579 in 2023. This resulted in the Company retaining 94.21% of losses incurred.

Other financial results

Total policy count in 2023 declined -1.09%. While the homeowners line, representing 47.67% of total policies at year-end, continued to grow at 1.43%, the dwelling/farm fire, farmowners, mobile homeowners, commercial multi-peril, and landlord package lines experienced negative growth rates of -2.92%, -1.04%, -2.93%, -1.83%, and -4.28% respectively.

The Company's total policy retention rate modestly decreased from 87.84% in 2022 to 87.34% in 2023. Overall, as can be seen in the table below, policy retention rates for each line of business have remained very stable year-over-year.

Lines of Business	Policy Retention Rate					
	2019	2020	2021	2022	2023	5-Year Avg.
Dwelling/Farm Fire	81.01%	81.44%	82.80%	83.98%	81.39%	82.12%
Farmowners	93.58%	94.89%	94.71%	93.87%	94.07%	94.22%
Homeowners	89.69%	91.07%	90.62%	89.85%	89.87%	90.22%
Mobile Homeowners	88.37%	91.73%	92.15%	89.99%	90.75%	90.60%
Commercial Multi-Peril	96.52%	90.42%	84.24%	88.23%	87.19%	87.32%
Landlords Package	85.10%	86.53%	85.76%	84.92%	84.20%	85.30%
Total	86.99%	88.41%	88.21%	87.84%	87.34%	87.76%

Although overall policy count decreased, premiums for the dwelling farm/fire, allied lines, private flood, farmowners, homeowners, landlord package, and inland marine lines of business increased.

The homeowners line increased \$801,146 (9.79%) to \$8,987,442 due to exposure growth from inflation indexed policies and new submissions valued at replacement cost.

In addition, the inland marine line increased \$149,099 (9.14%) to \$1,779,544. Equipment accounted for \$139,745 (93.73%) of that increase. The overall premium growth is attributable to an average rate increase of 5.00% across the inland marine classes of business that took effect in July and insuring larger farms with higher equipment limits.

For all other lines of business, premium growth was a direct result of increased policy limits and additional policy coverages on new and current policies.

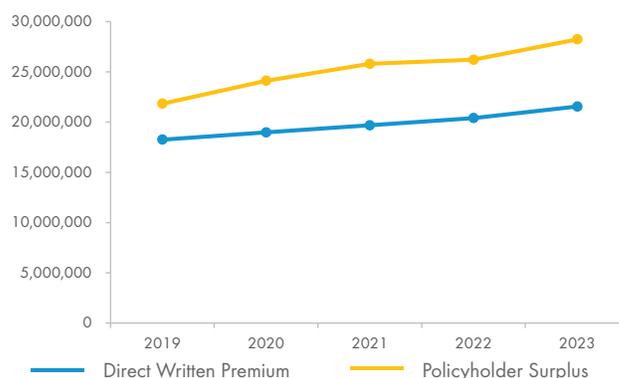
Total direct written premium (DWP) continued to grow in 2023, increasing \$1,148,300 (5.63%) to \$21,547,134. We also saw another year of strong

growth in policyholder surplus (PHS) which increased \$2,029,326 (7.74%) to \$28,237,361.

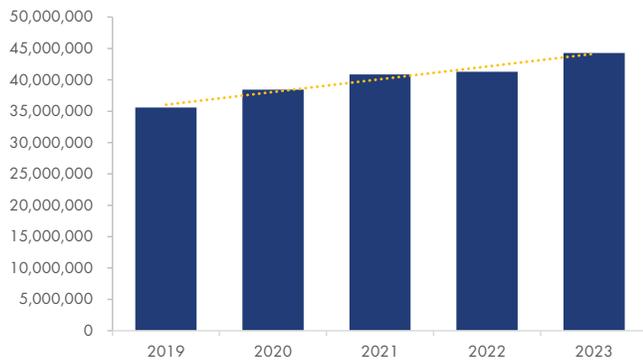
Since 2019, DWP has increased 18.06% from \$18,250,489 to \$21,547,134 and PHS has increased 29.31% from \$21,836,393 to \$28,237,361.

In this time, our gross leverage ratio (direct written premium/policyholder surplus) has improved from having \$120 of policyholder surplus for every \$100 of premium to having \$131 of policyholder surplus for every \$100 of premium.

DWP VS. POLICYHOLDER SURPLUS (2019-2023)



TOTAL INVESTED ASSETS (2019-2023)



Our investment portfolio consisted primarily of diversified high grade fixed income securities. The book value of the bond portfolio totaled \$32,903,001. It was a \$1,982,572 (6.41%) increase from 2022 and represents 74.30% of the total portfolio, down slightly from 74.88% in 2022.

We returned a 2.82% net yield on our invested assets. U.S. two-year treasury rates modestly decreased from 4.41% to 4.23% and ten-year treasury rates remained the same at 3.88% year-over-year. Despite facing challenging investment environments, our net yield has remained very stable since 2019, ranging from 2.55 to 3.08.

The equity portfolio of preferred and common stocks increased \$52,736 (0.93%) to \$5,720,478, representing 12.92% of the portfolio.

Total cash and short-term investments increased \$973,231 (22.48%) to \$5,301,755, representing 11.97% of invested assets as compared to 10.48% in 2022. This is a result of the following:

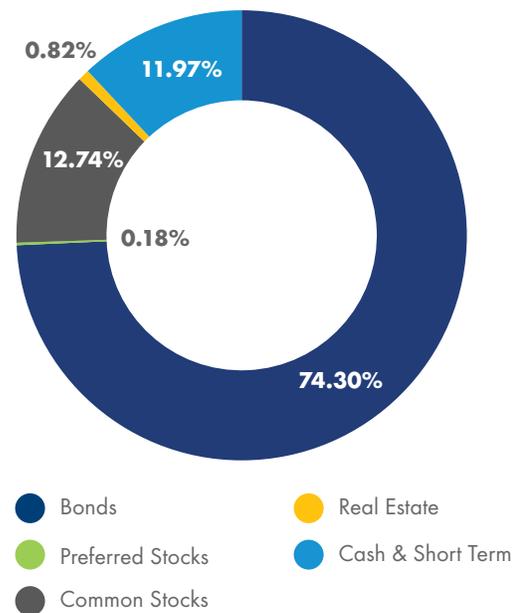
- favorable interest rates;
- a strong Q4 performance with a low amount of loss payments issued; and
- anticipation of a higher contingent commission due to agency representatives in January 2024; and
- increased reinsurance retentions.

A net underwriting gain of \$703,976 was augmented by investment and other income totaling \$1,483,842, resulting in a pre-tax net income of \$2,187,818.

Total admitted assets increased \$3,483,712 (7.61%) from \$45,792,496 in 2022 to \$49,276,208 in 2023. The growth can be attributed to increases in both the bond portfolio and cash and short-term investments.

Total invested assets increased \$2,993,299 (7.25%) from \$41,292,942 in 2022 to \$44,286,241 in 2023. Between 2019 and 2023, invested assets have increased \$8,703,600 (24.46%).

INVESTED ASSETS CONCENTRATION



	2022	2023
DIRECT PREMIUMS EARNED	100.00	100.00
EXPENSES		
Reinsurance Costs	11.82	14.66
Loss & Loss Adjusting Expenses		
Net Losses	49.67	42.25
Net Loss Adjusting Expenses		
Net Outside Adjustment Costs	2.17	1.50
In-House Adjustment Costs	4.27	4.87
Total Loss Adjustment	6.44	6.37
Total Loss & Loss Adjustment	56.11	48.62
Underwriting Expenses		
Net Agency Commissions	17.18	19.29
Salary, Payroll Tax & Benefits	7.66	8.52
Operations	4.76	4.88
Taxes, Licenses & Fees	0.65	0.63
Total Underwriting Expenses	30.25	33.35
NET UNDERWRITING GAIN/(LOSS)	1.82	3.37

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. Due to a hard reinsurance market, a period in the market cycle when premiums and pricing increase while capacity decreases, the Company's reinsurance costs increased \$696,217 (29.42%) from \$2,366,152 in 2022 to \$3,062,369 in 2023. This caused the portion of premium that's allocated to reinsurance costs to

increase by 2.84 (24.03%) from 11.82 to 14.66.

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 7.49 (-13.35%) from 56.11 in 2022 to 48.62 in 2023. This is primarily due to a decrease in net losses incurred from \$9,938,355 in 2022 to \$8,828,579 in 2023.

Primarily driven by a 2.11 (12.28%) increase in net agency commissions, total underwriting expenses increased by 3.10 (10.25%) from 30.25 in 2022 to 33.35 in 2023.

Overall, this resulted in 3.37 of the premium dollar being allocated as a net underwriting gain in 2023 as compared to a net underwriting gain of 1.82 in 2022.

Direct Written Premium

\$20.4M / **\$21.5M**

Policyholder Surplus

\$26.2M / **\$28.2M**

Net Underwriting Gain/(Loss)

\$364K / **\$704K**

Admitted Assets

\$45.8M / **\$49.2M**

Pre-Tax Net Income

\$1.8M / **\$2.2M**

Combined Ratio

97.20% / **94.69%**

Financial highlights

AT AND FOR THE YEAR ENDED DECEMBER 31

	2019	2020	2021	2022	2023
Direct Written Premium	18,250,489	18,977,447	19,686,586	20,398,834	21,547,134
Net Earned Premium	16,012,701	16,584,507	17,101,524	17,644,245	17,831,616
Direct Losses Incurred	9,122,593	8,924,850	10,619,429	11,506,339	9,371,420
Net Losses Incurred	8,664,108	8,472,366	10,127,247	9,938,355	8,828,579
Net Loss Adjusting Services	457,305	422,667	592,200	433,561	313,512
Net Underwriting Gain/Loss	493,142	1,095,002	(480,032)	364,214	703,976
Total Other Income	506,260	194,711	268,620	288,683	285,788
Net Investment Gain/Loss	1,045,046	1,031,606	1,010,390	1,023,397	1,191,490
Realized Cap Gain/Loss	13,419	14,341	106,941	132,017	6,564
Net Income	2,057,867	2,335,660	905,919	1,808,311	2,187,818
Total Invested Assets	35,582,641	38,452,443	40,861,628	41,292,942	44,286,241
Total Admitted Assets	39,751,619	42,700,535	45,430,691	45,792,496	49,276,208
Policyholder Surplus	21,836,393	24,119,370	25,805,358	26,208,035	28,237,361
Policyholder Surplus Change	2,254,538	2,282,977	1,685,988	402,677	2,029,326
Return Analysis					
Net Yield on Invested Assets	3.08	2.83	2.58	2.55	2.82
Return on Average Equity	7.92	8.27	2.94	5.71	6.37
Return on Average Assets	4.39	4.56	1.70	3.30	3.66
Pre-Tax Operating ROAE (%)	9.73	10.39	3.18	6.51	8.10
Ratio Analysis					
Net Loss Ratio	54.11	51.09	59.22	56.33	49.51
Net LAE Ratio	8.01	7.72	8.54	7.30	7.47
Net Loss & LAE Ratio	62.11	58.80	67.76	63.63	56.98
Net Commission Ratio	19.31	19.53	20.11	19.07	21.81
Salaries & Benefits	8.54	8.57	8.31	8.50	9.66
Taxes, Licenses & Fees	0.79	0.76	0.76	0.72	0.72
Admin & Other Expense Ratio	5.43	4.99	5.19	5.28	5.52
Expense Ratio	34.08	33.85	34.36	33.58	37.71
Combined Ratio	96.20	92.65	102.12	97.20	94.69
Operating Ratio	89.67	86.43	96.21	91.40	88.01
Net Leverage Ratio (NWP/Avg PHS)	77.78	75.87	69.32	70.06	68.59

Out with the old and in with the new



Underwriting document upload

Documents such as applications that may contain sensitive and personally identifiable information can now be uploaded through the website. This provides a secure means of transmission to help keep your information safe.



Claims reporting

Reporting a claim online has created a more efficient and streamlined process, especially during times of a catastrophe event. The faster we can receive, process, and set up claims, the faster we can begin working with our policyholders on settling their claim.



Invoice and payment history

The ability to see when an invoice has been generated and if/when a payment has been made allows the agent to provide additional customer service to policyholders without needing to contact us.

The rollout process for our new agent support website began in March after nearly a year of beta testing was conducted with a select group of agents. The beta period allowed us to receive feedback, make adjustments, and fix any bugs/issues that were found.

The development of a new agent support website, completed entirely by our own internal staff, had been a top priority for us and was one of the main tech projects we had been working on over the last several years. It was a complete overhaul, starting from the ground up. Releasing it to all agents was a big step forward for us.

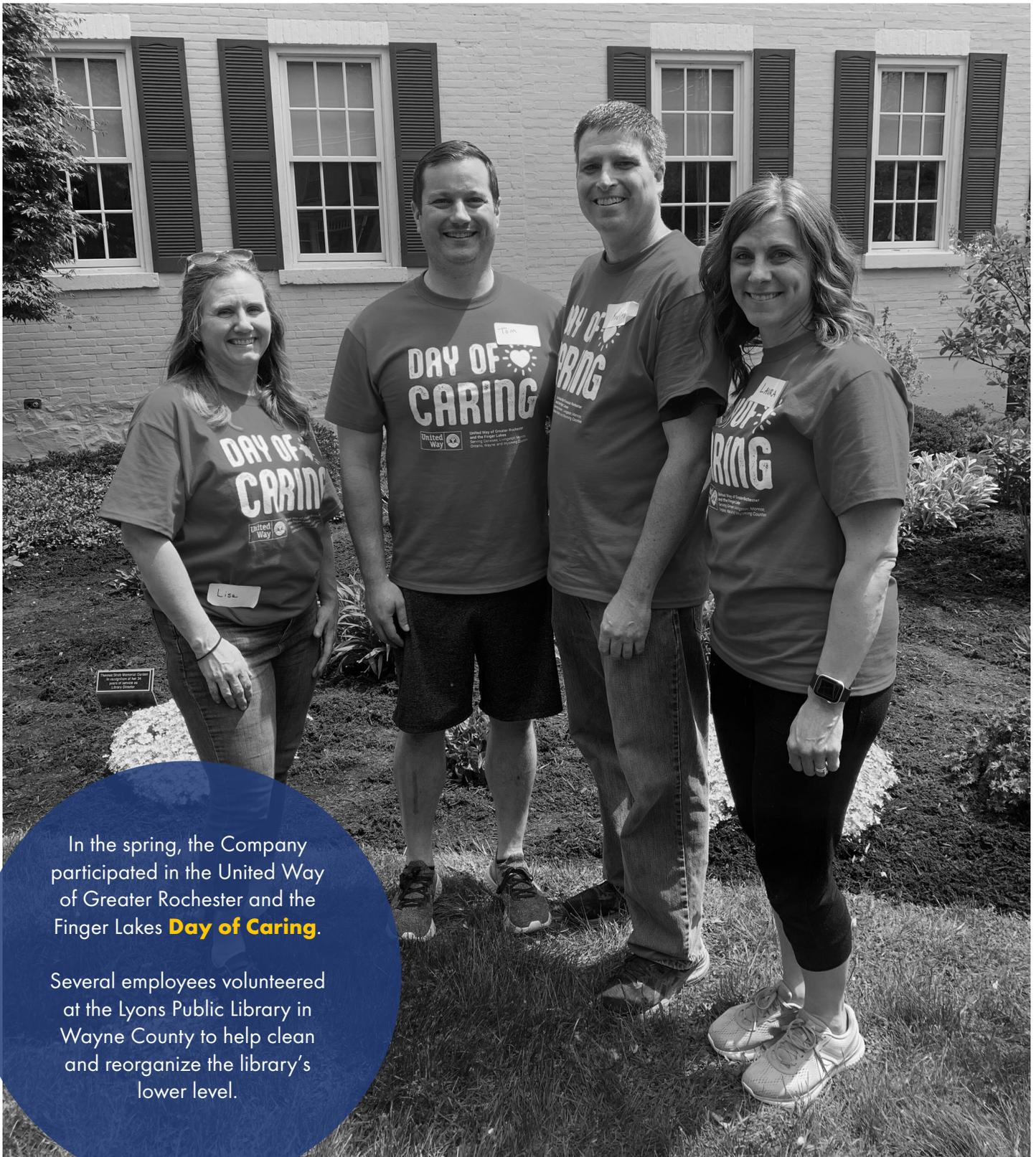
In addition to providing a more modern user interface, the new website has expanded users' capabilities as we introduced a number of brand new features that many of our agents had been asking us for.

Since its release, we've received a lot of positive feedback from our agents. By the end of August, we were able to transition all of our agents to the new website and officially say goodbye to the old website.

We've started changing the way that our agents are able to do business with us. Increasing the amount of available information and making processes as easy and streamlined as possible enhance your experience as a policyholder as well.

While our main focus has moved on to other projects, we still have future plans to continue enhancing the agent support website.

A day to give back to the community



In the spring, the Company participated in the United Way of Greater Rochester and the Finger Lakes **Day of Caring**.

Several employees volunteered at the Lyons Public Library in Wayne County to help clean and reorganize the library's lower level.



What lies ahead for us

The direction we're headed can best be summed up using these four words: **ease of doing business**.

We want it to be easy for our agents and policyholders to work with us. We want to make department processes easier and more efficient to enhance the overall experience. We want it to be an easy choice for our agents to recommend us and policyholders to select us to provide for their insurance needs.

How do we get there?



Data download

The data download process simplifies the exchange of policy-related information between the Company and the agency by delivering data directly to agency management systems. This creates a much easier process for agents to maintain up-to-date policy information in their systems.

This past year we began working with Ivans, a leader in digital insurance software, to start the process of developing the infrastructure needed to support the process. Now, this year, we're striving to begin implementation of the process.



Third-party printing & mailing

We're working on implementing a third-party print and mail solution that will help us improve operational efficiencies by making our processes easier and more streamlined.

Transferring this process to a third-party will also allow us to reallocate our employees' time to other tasks and projects. This will result in improved customer service for both policyholders and agent representatives.



Policy documents overhaul

To coincide with the shift to third-party printing and mailing, we're working on redesigning various policy documents such as invoices and cancellation notices.

Our goal is to create a more consistent and cohesive image while providing our policyholders with the necessary information in a format that's easier to read and understand.

Corporate Officers

JEFFREY W. RICE

President/Chief Executive Officer &
Chief Investment Officer

THOMAS J. LISENO

Chief Underwriting Offering &
Vice President Investment Management

LAURA M. HARRIS

Chief Consumer Affairs Officer &
Agency Marketing

SEAN P. CAMPBELL

Chief Risk Officer

MARSH J. HANCOCK

Vice President, Chief Operating Officer &
Chief Claims Officer

BRYAN J. RICE

Chief Technology Officer

HARLEY D. ROBERSON

Chief Accounting Officer

Board of Directors & Officers

ROBERT F. BRISKY, VICE CHAIRPERSON

Owner - Finger Lakes Garage Door
Director since 1994

KENNETH E. DISANTO, SECRETARY

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

GRETTA B. MILES

Vice President, Controller & Asst. Treasurer - Carrols Corp.
Director since 2018

MICHAEL W. PALUMBOS

Owner - Family Wealth & Legacy LLC
Director since 2010

WAYNE V. RICE, CHAIRPERSON & TREASURER

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

RICHARD A. WADSWORTH, ASST. SECRETARY

Auditor - Lyons & Gananda Central School Districts
Director since 1994

CLAIR J. BRITT, JR., ASST. TREASURER

EVP Lending - Lyons National Bank
Director since 2007

BRADLEY E. KEEM

Owner - Keem Appeals, PLLC
Assistant Conflict Defender - Livingston County
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

STEVEN D. STASIUKONIS

President - Secure Network Technologies, Inc.
Director since 2002

MELANIE L. WICKHAM

Owner - RR Events LLC
Partner - Flint Enterprises LLC
Employee - Pick 'n Patch
Director since 2011

Board Committees

NOMINATIONS & GOVERNANCE COMMITTEE

Bradley Keem
Robert Oaks
Michael Palumbos
Steven Stasiukonis
Melanie Wickham*

AUDIT COMMITTEE

Robert Brisky
Clair J. Britt, Jr.
Gretta Miles*
Steven Stasiukonis
Richard Wadsworth

COMPENSATION COMMITTEE

Robert Brisky
Kenneth DiSanto*
Robert Oaks
Michael Palumbos
Richard Wadsworth

FINANCE COMMITTEE

Clair J. Britt, Jr.*
Robert Oaks
Michael Palumbos
Wayne Rice
Richard Wadsworth

RISK COMMITTEE

Clair J. Britt, Jr.
Kenneth DiSanto
Bradley Keem*
Gretta Miles
Steven Stasiukonis
Melanie Wickham

EXECUTIVE COMMITTEE

Clair J. Britt, Jr.
Kenneth DiSanto
Bradley Keem
Gretta Miles
Wayne Rice*
Melanie Wickham

*Committee Chair