

# SUCCESSFULLY NAVIGATING CHALLENGES

THROUGH FOCUS, CONNECTION AND PERSEVERANCE

2022 Annual Report



Industry Shifts

Cultural Changes

Economic Downturn

Changing  
Weather Patterns

# Vision

Provide Peace of Mind for the People We Serve

# Mission

Insuring and Protecting Futures in Rural Communities



# Culture Statement

With our agents and policyholders at the center of all we do, we challenge ourselves and help each other to deliver on our promises, while growing a strong, healthy work family rooted in integrity, accountability and respect.

# Value Proposition

Through continually improving personal relationships, customized products and easy-to-use technology, we protect what matters most, instilling peace of mind and confidence for our customers. We care, and it shows in all we do.



## President's Address

I believe the strength of a company is measured largely by how it perseveres through difficult times, and I can say with certainty that 2022 put us to the test. This past year presented many challenges in the form of catastrophic weather losses, investment market turns, rising costs from inflation, supply chain shortages, reinsurance uncertainty, and transitions for our staff — just to mention a few. Although our financial results for 2022 reflect the many challenges we faced, we know that success is defined by more than the balance sheet and income statement. So, as we reflect on a challenging year, we acknowledge the difficulties, but also celebrate the many successes! I believe that we defied the odds last year by maintaining our focus, by strengthening our connections, and through relentless perseverance. Here are some highlights:

### Successfully Navigating Challenges

#### Through Focus

Despite the many challenges 2022 presented, our 243 dedicated employees stayed laser-focused on the objectives and initiatives identified in our 2025 Strategic Plan – **FAMI Forward 2025**. This focus allowed us to move FAMI Forward through continued investment in organizational capabilities, effective and efficient processes and serving our customers. Our ability to convert strategy to execution allowed us to deliver new data and technology solutions, while also advancing products and services. As just one example, our newly launched Net Promoter Score (NPS) tool will give our customers a stronger voice in how we can improve the customer experience. Also in 2022, we continued to focus on providing an Employee Engagement platform, allowing and encouraging all staff to share ideas to make us an even stronger company. Listening to our

customers and our employees is an important part of how we stay focused, especially amid challenges.

While the magnitude of economic headwinds slowed our progress toward achieving some financial targets in 2022, our ability to stay focused on execution positioned us to capture the best opportunities as the market evolves in the coming years. Our focus on profitable growth enabled financial performance that significantly outperformed the property and casualty industry. Our direct written premium reached an all-time high of \$243 million, growing more than 10%. This certainly reflects the ongoing confidence placed in us by our independent agents and our policyholders, and we are very grateful for that support. We also celebrate the reaffirmation of our AM Best financial strength rating of “A” Excellent, as well as all the solid financial results shown in this annual report.

#### Through Connection

While the pandemic created different challenges for all businesses, it also uncovered new capabilities for advancing technology and service to our customers. At Farmers Alliance, we discovered new ways to transact business and create new, virtual connections with our customers and each other.

Last year we leveraged what we learned in 2020 and 2021 to create a workplace flexibility model that improved work-life balance for all employees. Transitioning to our “hybrid” work model provided the flexibility to work from home or the office while preserving the connections and family culture that remain a critical part of our future success. Reinventing our office space created a more productive and collaborative environment. New technology now allows for enhanced virtual connections, open and transparent workspaces promote an inviting atmosphere, and new breakout areas encourage increased collaboration and provide workspace variety. Employee expectations continue to evolve, and we are committed to finding innovative solutions to meet those needs. Investing in our culture and our people remains a top priority in preserving strong connections with customers, our communities, and each other.

#### With Perseverance

As I said at the beginning of this message, I truly believe the strength of a company is measured by how it perseveres through challenging times. Farmers Alliance is very strong! Despite a record-breaking volume of catastrophe wind & hail losses (\$76 million), and record-high direct written premium,

the employees at Farmers Alliance lived up to our Mission: Insuring and Protecting Futures in Rural Communities. Staying calm and positive allowed us to come together as a team to ensure we met the needs of our customers, as well as achieve results well within our risk tolerances. An added bonus was witnessing the acts of kindness by our employees when our customers needed us most – our FAMI-ly is very special.

More evidence of our relentless perseverance was found in watching our Farmers Alliance team work to move our business forward, completing thirteen enterprise projects focused on delivering new solutions to our customers and employees. And finally, despite volatility in the investment markets, our perseverance and focus were evident in our investment diversification strategy, allowing us to minimize the financial impacts while positioning us for the upcoming year.

#### Key 2022 Metrics:

- Direct Written Premium: \$243M (+10.7%)
- AM Best reaffirmed “A” Excellent Rating
- Combined Ratio: 99.8%
- Expense Ratio: 28.9%

### A Bright Future Ahead

Despite the many challenges we faced in 2022, we have persevered through it all, successfully navigating these turbulent times. I could not be prouder of how everyone came together and responded. I am confident that through continued focus, strengthened connections, and our relentless perseverance, the future of Farmers Alliance is very bright. Thank you for your confidence and support.

– Brian D. Lopata  
President and Chief Executive Officer

# Financial Highlights

2022      2021

## Income Statement

Direct Written Premium	\$242,900,000	\$219,500,000
Net Underwriting Gain	(\$3,050,000)	\$10,174,000
Net Investment and Other Income	\$6,250,000	\$7,400,000
Net Income	\$2,350,000	\$13,550,000

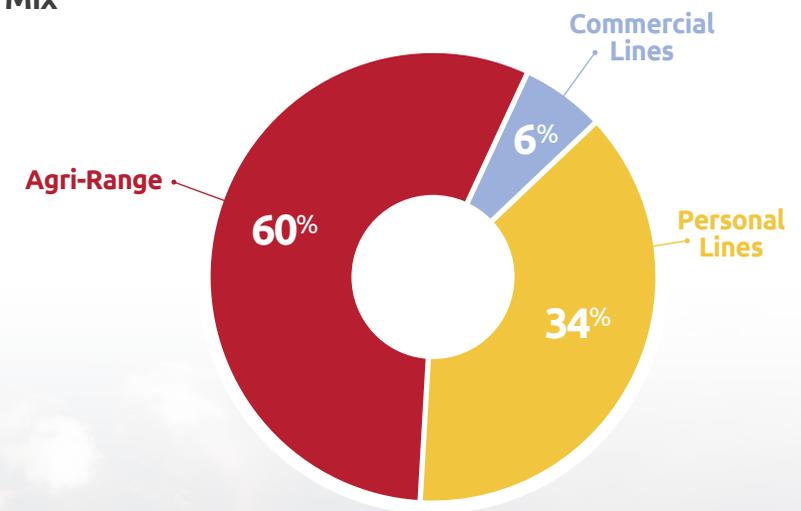
## Performance Indicators

Direct Written Premium Growth	10.7%	6.3%
Loss & Loss Adjusting Expense Ratio	70.9%	64.6%
Expense Ratio	28.9%	29.3%
Combined Ratio	99.8%	93.9%

## Balance Sheet

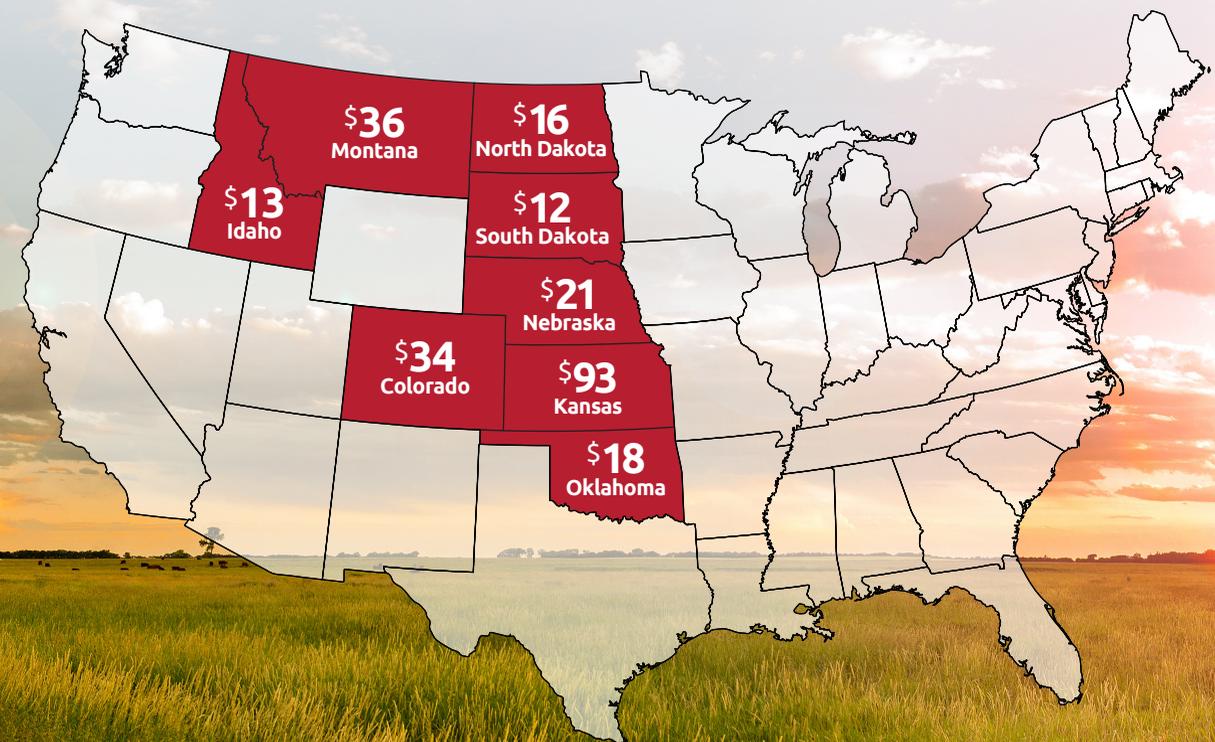
Total Invested Assets	\$353,550,000	\$366,733,000
Total Assets	\$418,150,000	\$418,940,000
Loss & Loss Adjusting Reserves	\$57,200,000	\$61,320,000
Unearned Premium Reserve	\$115,150,000	\$103,300,000
Total Liabilities	\$193,150,000	\$188,490,000
Policyholders' Surplus	\$225,000,000	\$230,450,000

## Premium Mix

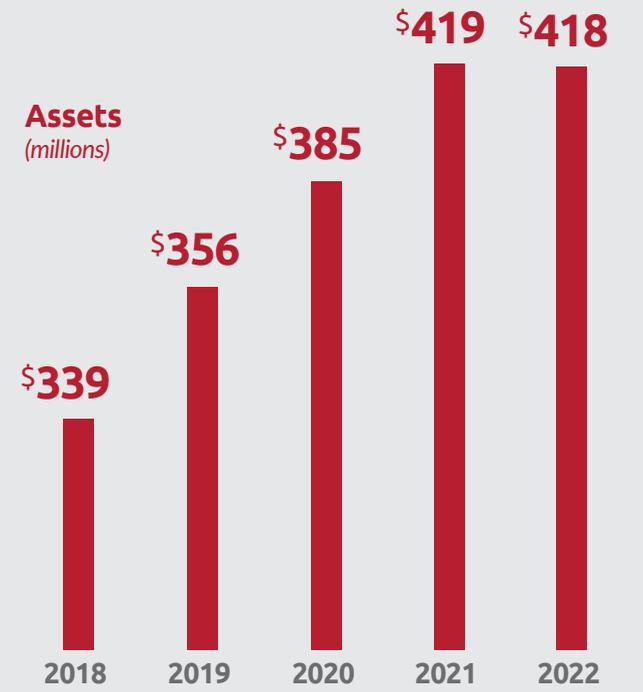
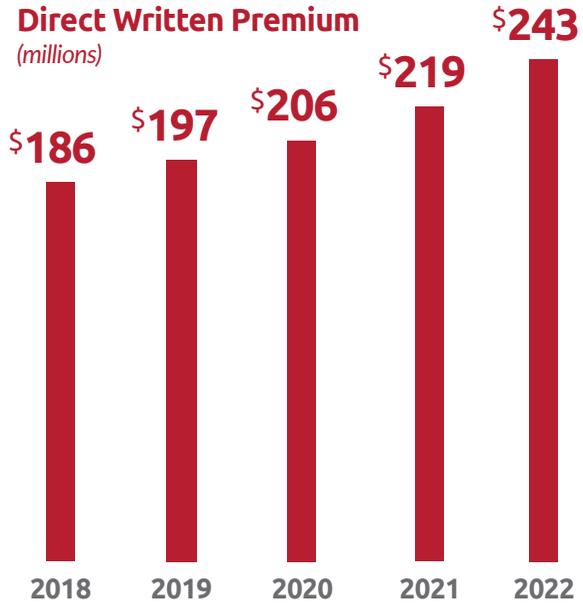


## Direct Written Premium by State

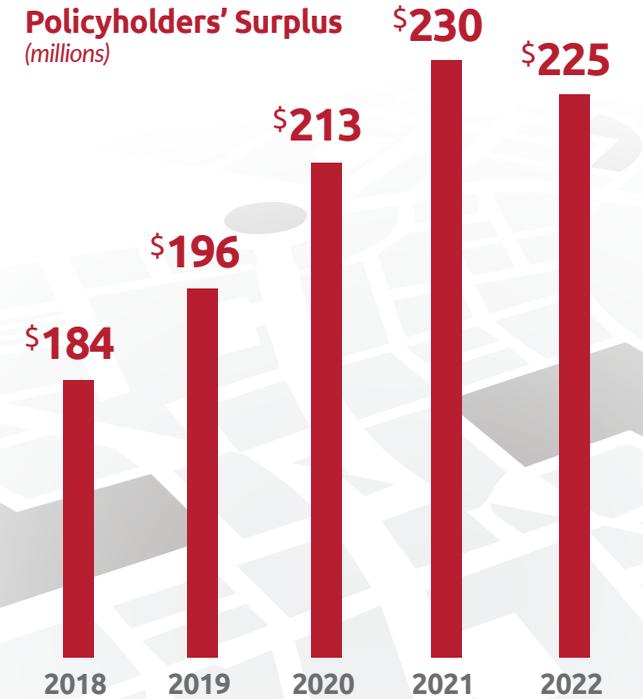
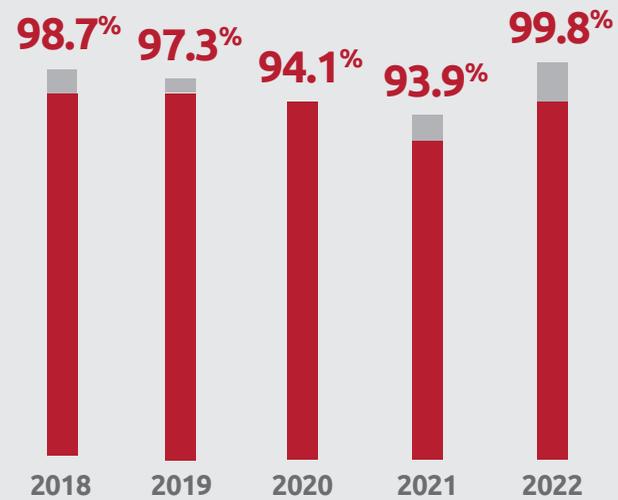
(millions)



# Financial Highlights



## Combined Ratio



■ Catastrophe Loss Impact

# Successfully Navigating Challenges

Faced with the chaos of new and unexpected challenges, it's important to have a beacon to follow. A reminder of why we do what we do. Our Farmers Alliance Mission and Vision provide that constant, guiding light. They remind us that we do it all...

## ... for our policyholders and agents

At Farmers Alliance, we fully understand that we only exist to serve our customers – our policyholders and our agents. During such a challenging year, we relied on each other to keep our entire team focused on the importance of taking care of our customers. In 2022 there were many extra opportunities to serve policyholders, as a record number of storms meant a record number of customers with claims. Those were very clear opportunities to serve, and the Farmers Alliance team was ready to meet the challenge. During 2022 agents also provided us with the chance to serve them through increased new business opportunities and in-person training and networking events. Being able to meet with our agency partners in person again is important to Farmers Alliance, allowing us to bring added value to our agents.



## ... for our communities

While maintaining a sharp focus on our customers, we never forget that our Mission calls us to Insure and Protect Futures in Rural Communities. Those are OUR communities. The places we live and work and raise our families. At Farmers Alliance, we found several ways to give back to our communities

– those near and those far. Continuing a long-standing tradition of support for the United Way, we had yet another successful employee campaign, raising \$115,000, along with our company match. We also volunteered hundreds of hours in communities across our 8-state territory – serving schools, youth activities, nursing homes, and non-profit groups. A highlight of our community connection was preparing 100 refugee backpacks for distribution through Church World Service and 100 disaster relief buckets for distribution through Convoy of Hope. Those projects were done in conjunction with our FAMI-ly REUNION and were knocked out in less than an hour on a blisteringly hot afternoon with everyone working together. It was amazing, and a highlight event for many employees.

## ... for each other

Leaning on each other was a key to Farmers Alliance's success in 2022. But that type of support is only possible when you're surrounded by caring, skilled professionals.

A hallmark of Farmers Alliance, the family-based culture provided the stable foundation needed to successfully navigate the year of challenges. As we supported and assisted each other, we also grew through training and development events and celebrated being back together after a long physical separation. From department gatherings to our all-employee FAMI-ly REUNION, it was reinforced that Farmers Alliance, and each Farmers Alliance employee, are all better when we are CONNECTED and TOGETHER. Our foundation grows stronger with each encounter, bringing hope and unlimited possibilities for the future.



## Quick Facts

**134**

Years in Business

**A**

AM Best Rating

**\$243**  
MILLION

Direct Written Premium

**852**

Agent Locations

**\$225**  
MILLION

Policyholders' Surplus

**\$115**  
THOUSAND

Donated to United Way

**70**  
THOUSAND

Policyholders

**8**

State Territory

**\$19**  
THOUSAND

Scholarships Awarded

**38**

New Agency  
Appointments

**\$25**  
THOUSAND

Employee Directed  
Community Donations

**17**

Agents Council  
Members

## Board of Directors



**Vincent R. Amanor-Boadu, PhD**

Agribusiness Economics & Management Professor  
Kansas State University



**L. Keith Birkhead**  
*Chairman of the Board*

President and CEO (Retired)  
Farmers Alliance Mutual Insurance Company



**Kirk Ketcherside**

Senior Advisor - Strategy (Retired)  
BP Energy Company



**Eric J. Larson**

Attorney at Law  
Bever Dye, L.C.



**Brian D. Lopata**

President and CEO  
Farmers Alliance Mutual Insurance Company



**Marilyn Pauly**

Vice Chairman (Retired)  
Commerce Bank Wichita



**Brett A. Reber**

Attorney at Law  
Managing Member  
Wise and Reber, L. C.



**Donald W. Schwegman**

Partner (Retired)  
Deloitte & Touche, LLP



**Ernest "Ernie" W. Weeks**

Senior Vice President (Retired)  
Preferred Mutual Insurance Company

## Corporate Leadership Team

**Brian D. Lopata**

President and  
Chief Executive Officer

**Ryan P. Hicks**

Senior Vice President  
Chief Human Resources Officer

**Natalie J. Collins**

Vice President  
EPMO & Innovation

**Andrew L. Edwardson**

Executive Vice President  
Chief Data & Technology Officer

**Randall L. Lutgen**

Senior Vice President  
Chief Underwriting Officer

**Tonya K. Schafer**

Vice President  
Product & Compliance

**Aaron J. Valentine**

Executive Vice President  
Chief Financial & Risk Officer

**John "Jack" M. Rader**

Senior Vice President  
Chief Marketing &  
Reinsurance Officer

**Brian S. Schmidt**

Vice President  
Claims

# Farmers Alliance

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