



THE EXECUTIVE EDITION OF THE

AGENTS'

COMMUNIQUE

A Year in Review with Kurt Foley

page 2

Progress in 2016
page 3

Looking Back...
and Forward
page 5

Top Performers YTD
from 2016
page 6



A Year in Review with Kurt Foley

Agency Partners,

We have now closed the books on 2016, which was an excellent year on many fronts and the finest on record as measured by the gain in policyholder protection of over \$31 million dollars. This gain was a combination of fantastic underwriting results and an above average year regarding our investment results.

During the year we were also recognized nationally, first by Conning as one of only 19 carriers in the nation in their study "Growth and Profit Leaders in Personal Lines Insurance; No Single Path to Success," and secondly, by Ward's 50, recognizing the top 50 property and casualty insurers in the country.

Here in the state of Michigan, we were recognized as the second company overall by the Michigan Association of Independent Agents (MAIA) as part of the biennial survey of IA companies by their membership. In PSM history, this was our highest biennial survey ranking to-date.

These results and recognitions could not have been accomplished without the expertise and support of our agency partners, we truly appreciate these relationships.

2016 Year-End Underwriting Results:

One of the brighter spots for 2016 was our growth in direct written premium of 6.7%, ending the year just north of \$221 million in overall DWP. The growth

came from all lines of business with our new commercial lines really gaining momentum growing over 30%!

The combined ratio ended at approximately 85.4%, which resulted in an underwriting gain of \$24.4 million. This was a 40% improvement compared to the same period last year where we experienced an underwriting gain of \$17.4 million. Looking closer at the combined ratio of 85.4%, losses incurred and loss adjustment expense made up 60.08% and underwriting expense made up 25.32%. As a reminder, a combined ratio of over 100% means that an insurance company is not producing enough revenue to cover the cost of incurred claims and operating expenses.

Our 2016 Agency Profit Sharing Plan paid out a record \$7.1 million! This profit award was shared by 191 of our agency partners which represents over 80% of our total number of agency relationships, also a record!

We recognize the professionalism and expertise you provide in the risk selection process (field underwriting) when placing business with our company. Your continued due diligence in alignment to our company underwriting philosophy is a critical element in determining our ability to achieve underwriting profitability, and we appreciate it!

Investment Results:

Fixed income securities continue to produce anemic yields due to the unprecedented and historic low interest rate environment we find ourselves in. However, our equity securities had an 11.26% return for the year, which we were very pleased with.

As a point of reference, our invested assets are currently structured with approximately 75% in fixed income & cash and 25% in equities (stocks, mutual funds, ETF's) and produced the following results:

Net Investment Income
(less capital gains tax):
\$12,499,198

Unrealized Gain/(Loss):
\$5,307,650

Bottom Line Results:

When you combine both areas of our operation (after tax) for underwriting and investments, we had a gain of \$31 million in policyholder protection for the year:

Underwriting:
\$24,447,230

Investments:
\$18,889,165

Federal Income Taxes:
\$(12,293,249)

Gain to Policyholder Protection:
\$31,043,146

Our total policyholder protection ended at \$323.5 million. Maintaining adequate capital to preserve long-term financial viability is paramount to PSM's objectives.

PSM is currently rated A+ "Superior" by A.M. Best Company and is in an excellent financial condition to meet our policyholder obligations.

As we turn the page and begin a new year, we fully recognize that we would not have been able to achieve any level of success without our agency partner's expertise and commitment. So on behalf of the whole PSMIC team we say "Thank You!"

If you have any questions or comments please let us know, we truly enjoy hearing from you.

Wishing you much success in 2017.

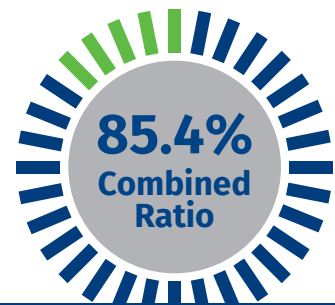
Kurt Foley, CIC
President & CEO
Pioneer State Mutual
Insurance Company

kfoley@psmic.com
810.600.3614



PIONEER
STATE MUTUAL

YEAR-END RESULTS FOR 2016:



AN INCREASE TO POLICYHOLDER PROTECTION OF \$31 MILLION

6.7%

GROWTH IN DIRECT WRITTEN PREMIUM

35.2%

COMMERCIAL LINES GROWTH IN DIRECT WRITTEN PREMIUM

9.7%

RETURN ON EQUITY

5,796

NET NEW POLICY COUNT OVER 2015
(NEARLY 4% GROWTH)

PERSONAL LINES:

5.4%

DIRECT WRITTEN PREMIUM GROWTH

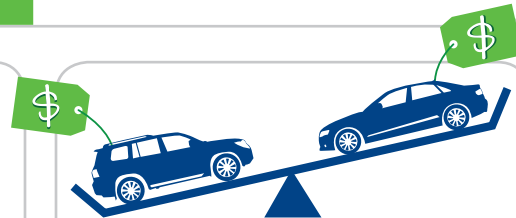
4,705

NEW PERSONAL LINES POLICIES

FARM:

4.5%

DIRECT WRITTEN PREMIUM GROWTH



103

POLICYHOLDERS

MADE A CHANGE USING THE NEW INSURED POLICY CHANGE TOOLS

(50% – AFTER HOURS)



AWARDS AND RECOGNITION

ONE OF
WARDS TOP 50

TOP 19 IN GROWTH AND PROFIT LEADERS IN THE
CONNING REPORT

A.M. BEST RATED
A+ SUPERIOR

RANKED #19
OF 762 STATE SPECIALIST P/C INSURANCE CARRIERS
BY INSURANCE JOURNAL

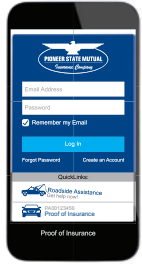
RANKED 2ND
OVERALL IN BIENNIAL AGENT SURVEY BY MAIA

4,645
MY PIONEER
ACCOUNTS CREATED



80%
OF OUR
AGENTS
RECEIVED
PROFIT
SHARING

8 NEW AGENCIES
APPOINTED



2,912
MOBILE APP
DOWNLOADS



7 NEW PERSONAL
LINES BROCHURES

**INSURING
MICHIGAN**
CAMPAIGN LAUNCHED



30
SOCIAL MEDIA
CUSTOMER SERVICE
INQUIRIES RESOLVED

**TWITTER, LINKEDIN
& INSTAGRAM** SOCIAL
MEDIA CHANNELS LAUNCHED

10 AGENT WEBSITES
CREATED WITH ITC



NEW IN THE AGENT PORTAL:

- MOBILE HOME: QUOTE/ISSUE
- DWELLING FIRE: QUOTE/ISSUE/ENDORSE
- PERSONAL LINES USER INTERFACE IMPROVEMENTS

QUOTE TO ISSUE LAUNCHED FOR:

- PACKAGE
- PROPERTY
- GENERAL LIABILITY
- UMBRELLA
- CRIME
- INLAND MARINE
- STANDALONE LIQUOR

30 LARGE LOSSES
HANDLED

23,841 CLAIMS
ADJUSTED

25 SCHOLARSHIPS
PROVIDED

OVER
13,000 HOMES
INSPECTED

\$11,100
DONATED TO FOOD BANK
OF EASTERN MICHIGAN
(EMPLOYEE CONTRIBUTIONS PLUS PIONEER MATCHING)

11
FUNDRAISING AND
VOLUNTEER EVENTS
FOR EMPLOYEES

\$7,661
DONATED TO CAMP QUALITY
USA/MICHIGAN
(EMPLOYEE CONTRIBUTIONS PLUS PIONEER MATCHING)

9
NEW PIONEER
EMPLOYEES HIRED

Looking Back... and Forward



This was an important year for Pioneer State Mutual, producing the best performance in our company's history. In 2016, our performance was strong. We maintained our historic profitability while also hitting our growth targets and were acknowledged by the industry. Many of you may be interested to know "how did you do it?" If only it were that easy! There is no silver bullet. Our performance was achieved as it always has been, intentionally with focus and discipline, one decision at a time. The road to achieving consistent results is not glamorous and often requires a lot of patience. It can almost be tedious with discipline over each decision, but over time we have found it can produce extraordinarily consistent results. Most importantly, we achieved results without compromising our core values.

Personal lines growth was beyond what we expected with Commercial Lines continuing to build momentum with both hitting profitability targets. We were fortunate to have several strategic agency appointments that will continue to help us meet our objectives. We also started to shift our marketing approach, again very intentionally, with more contemporary support to our agents, new social media channels, and tweaks to the look of our visual brand.

This was, most notably, an important year for our business in the area of customer experience. In support of agency efficiency, our agency portal is now automated with quote-to-issue capabilities on new business for small commercial, as well as dwelling fire and umbrella in Personal Lines. We launched our mobile app, making our customer facing portal, My Pioneer, available beyond the desktop and more convenient. Our biggest accomplishment in this area was the expansion of self-service options in My Pioneer allowing policyholders the ability to make changes to their own policy. Customers are now able to add, delete, or replace a vehicle which is a step in supporting our agency partners with undue service work, allowing more time for risk management. With virtually no marketing of this capability in the first month more than 50 transactions were initiated by policyholders. This validates the demand of our customers for increased convenience. At PSM, we don't consider ourselves bleeding edge but maybe leading-edge in this area in an effort to anticipate where the market is heading. We will continue to work toward this end.

Looking to 2017, we will continue to work on customer experience, developing additional self-service transactions for the policyholder. We consider this our single most important initiative. We also encourage and are supportive of our agencies as they too evolve from a technology standpoint. We will support our agencies in their evolution but, at the same time, we will not wait on the market. Customer demand is on the rise with new competitors emerging and as an industry we must respond in order to remain viable. We will continue

moving forward with discipline and focus as we have since 1908.

At Pioneer State mutual, we are earnest, authentic, and disciplined but, we are also spirited, kind, and one big family. We are generally not flashy, showy, or ready to announce every success from the top of the mountain. Some of you ask us, "Can you be bolder in your approach?" or suggest that we have more "swagger." We hesitate to do so because we know that one achievement doesn't produce success. We always pause to celebrate the individual victory but strive to dedicate our focus to every decision as if it is just important as the last. Our intention is to serve our agencies and policyholders to the best of our ability. That requires attention to every detail, every day, and we will continue to work toward that ideal. Our approach may not feel bold, but the results speak for themselves. Pioneer State Mutual is growing and well-capitalized for the future. Thank you for your continued partnership. We couldn't achieve this success without you.

All the best in the new year.

Julianne Chapman, CIC
VP & Chief Marketing Officer
Pioneer State Mutual
Insurance Company

jchapman@psmic.com
810.600.3616

PL New DWP

Quarter 4: 2016

1	VTC Insurance Group
2	Security First Associated Agency
3	Hallmark Agency
4	Alliance Financial & Insurance Agency
5	Ottawa Kent Insurance Agency
6	Emil Rummel Agency
7	Barker Weber Insurance Agency
8	Hartland Insurance Agency
9	First Independent-Descamps Agency
10	The Whims Insurance Agency
11	Lighthouse Insurance Group
12	Central Insurance Services Agency
13	Aitken & Ormond Insurance
14	Alpena Agency
15	Morris Insurance Group

CL New DWP

Quarter 4: 2016

VTC Insurance Group
Newaygo Insurance Agency
First Independent-Descamps Agency
Buchanan Agency
McCredie Insurance Agency
Action Insurance Service
Branch Insurance Agency
Ringnalda Tenhaken Insurance Group
David Chapman Agency
Duncan Insurance Agency
Russell & Schrader Insurance Agency
Reno Agency
Collins & Associates
Johnston Lewis Associates
Simmet Insurance Agency

TOP 20 Agents in DWP for 2016

1	Ottawa Kent Insurance Agency	11	Fred Haight Insurance Agency
2	Hallmark Agency	12	Morris Insurance Group
3	Brown & Brown of Michigan	13	First Independent-Descamps Agency
4	VTC Insurance Group	14	Gass-Becker Insurance Agency
5	Bois Insurance Agency	15	Branch Insurance Agency
6	Alpena Agency	16	Community Insurance Center
7	Emil Rummel Agency	17	Schumacher Agency
8	The Whims Insurance Agency	18	Aitken & Ormond Insurance
9	Security First Associated Agency	19	Rumsey Insurance Agency
10	Thumb Insurance Agency	20	Lighthouse Insurance Group

THE AGENT'S COMMUNIQUE:

The Agent's Communique is published quarterly by Pioneer State Mutual Insurance Company for our network of Independent Agents and employees.

Managing Editors:
 Julianne Chapman &
 Jason VanSteenburg

Graphic Designer:
 Jason Sabourin

Lead Writer / Editor:
 Alison Kangas