

A top-down view of a dark chocolate tray containing 48 individual chocolates arranged in a 6x8 grid. The chocolates are mostly milk chocolate with various decorative swirls and drizzles. A central square is reserved for a label with white text. The chocolates in the corners and sides feature white drizzles, while the central ones are plain or have simple swirls. One chocolate in the second row from the bottom is a distinct light yellow color.

Sweet

YEAR
ACUITY
2011 REPORT

GUMDROP FACTS

- February 15 is National Gumdrop Day.
- The Apollo 9 Command Module was called “Gumdrop” because of the blue cellophane wrapping in which the craft was delivered.
- You’d have to run a mile to burn off the 140 calories in 10 gumdrops.

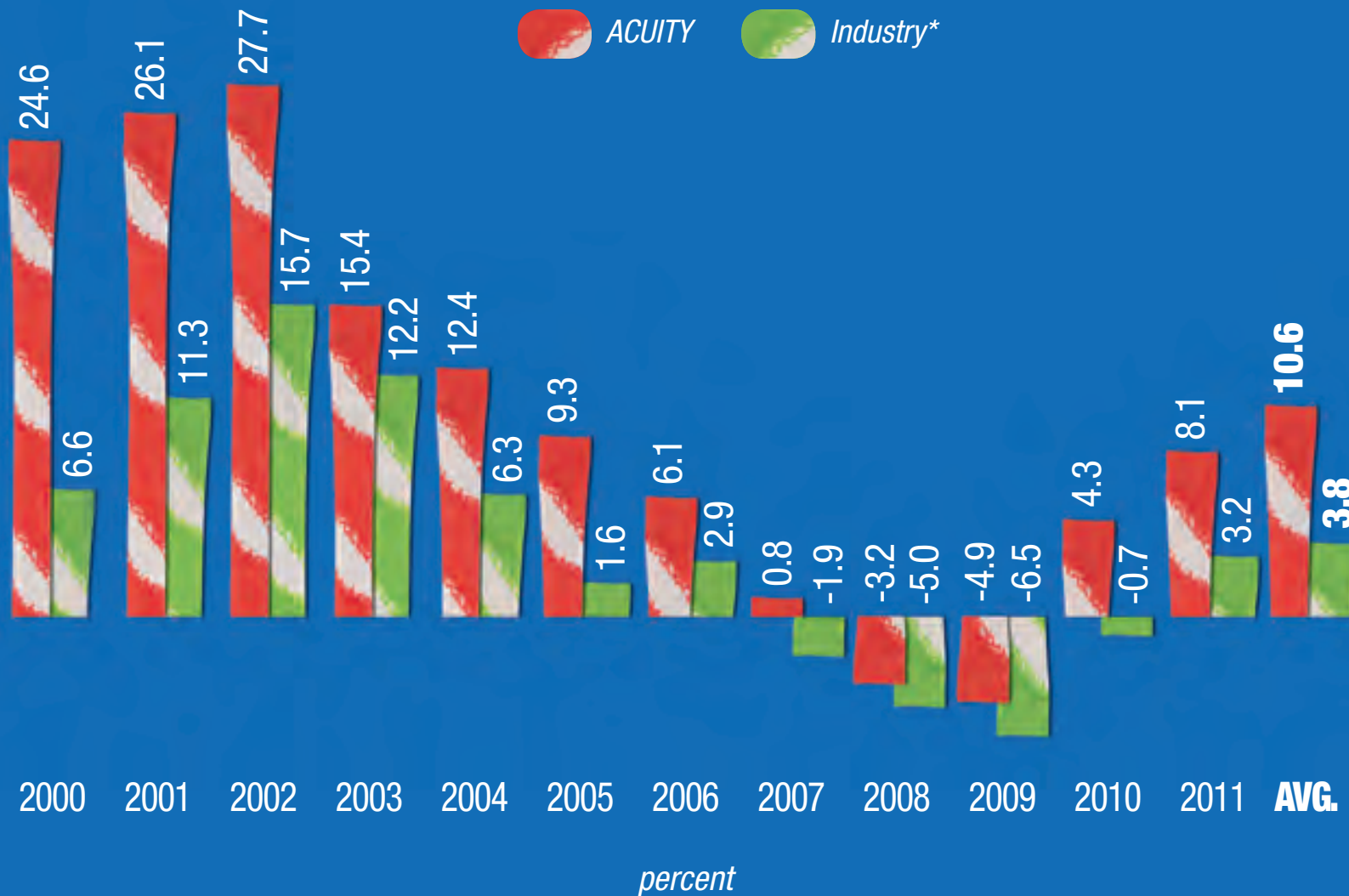


*“Acuity delivers the sweet life to our
agents and the insureds who
depend on us, year in and year out.”*

Ben Salzmann, President and CEO



WRITTEN PREMIUM GROWTH



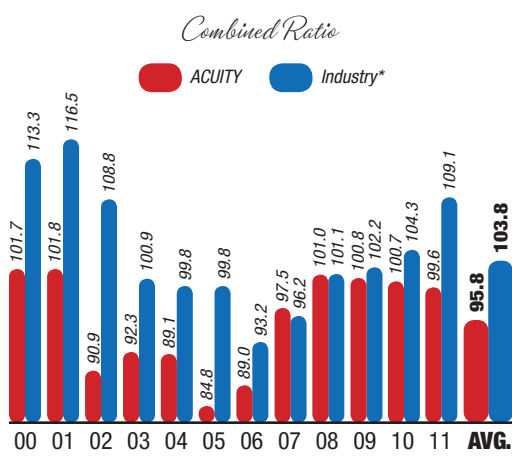
**Based on industry averages from Conning Research & Consulting, weighted by ACUITY's mix of business*

- 
- We lowered our combined ratio to 99.6, nearly 10 percentage points better than our peers.
 - Our premium growth was more than double that of the industry.
 - We were named the Best Mid-Sized Employer for the third time and the second consecutive year by the Great Place to Work Institute.

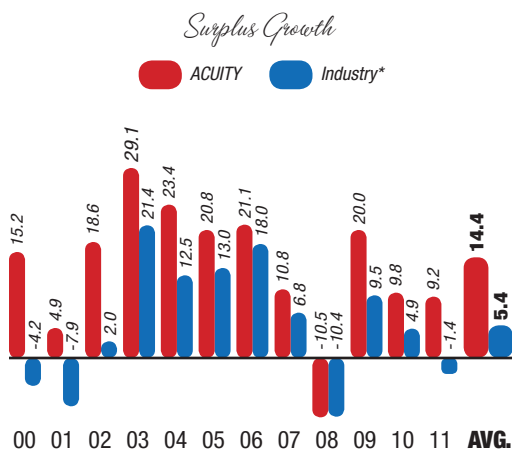


ACUITY AND THE SWEET LIFE

Some combinations just go well together: peanut butter and chocolate; growth and profit; easy to do business with and great to work for. We understand what our agents, customers, and employees need from their partner, insurer, and employer, and that's why life is sweet with *ACUITY*.



*Based on industry averages from Conning Research & Consulting, weighted by ACUITY's mix of business



*Based on industry averages from Conning Research & Consulting, weighted by ACUITY's mix of business (GAAP)

DUBBLE BUBBLE® FACTS

- Bubble gum was invented by Frank Fler in 1906 as “Blibbler Blubber,” but it was brittle. Fler employee Walter Diemer perfected the recipe in 1928, and it was branded Double Bubble.
- The original Double Bubble was pink because that was the only food coloring Diemer had. The color stuck.
- Double Bubble was included in ration kits for American soldiers serving in World War II.

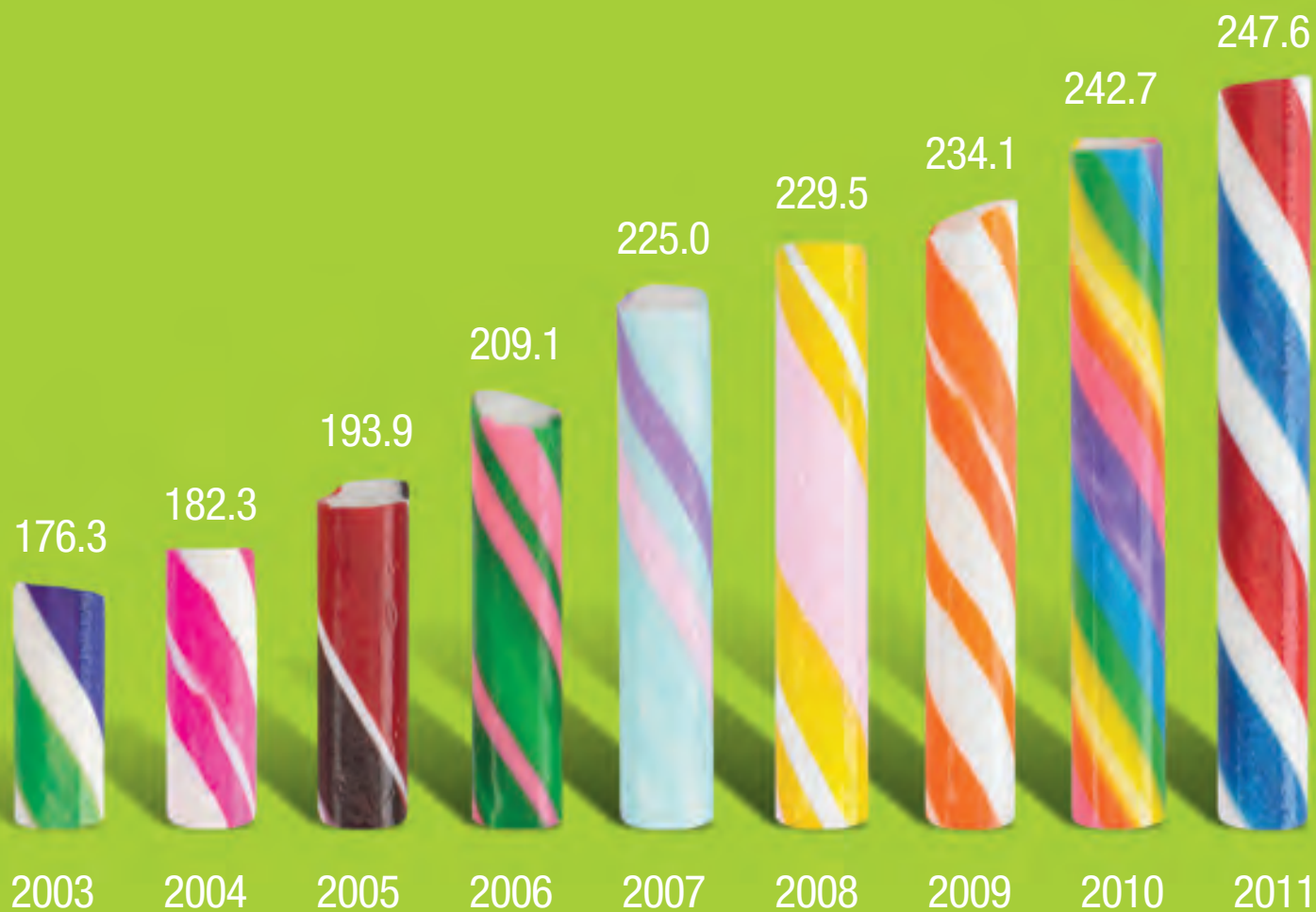


*“In 2011, our agents made life sweet with Acuity
by writing and renewing a record amount
of premium that shattered our expectations.”*

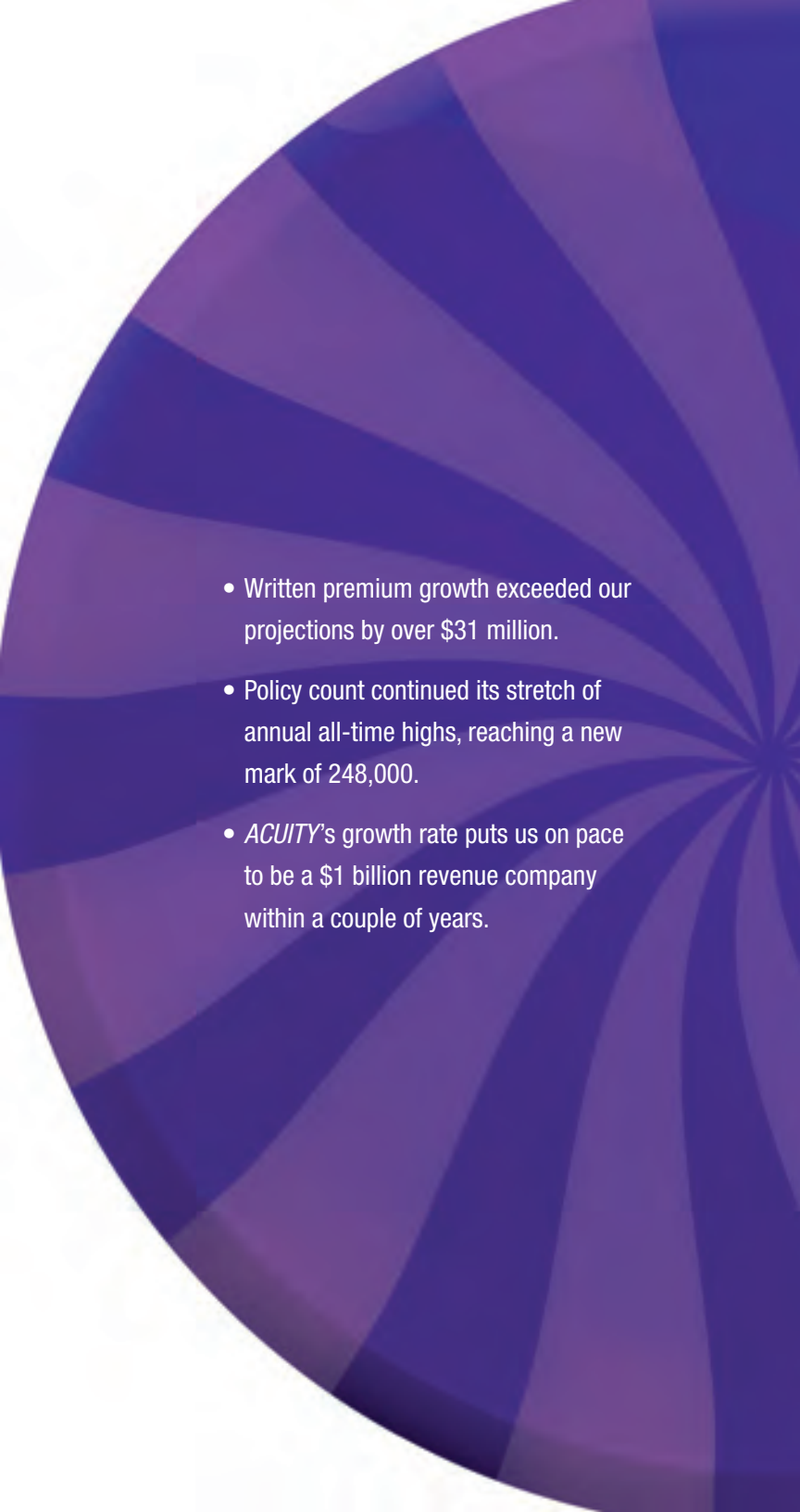
Wally Waldhart, Vice President - Sales and Communications



POLICIES IN FORCE

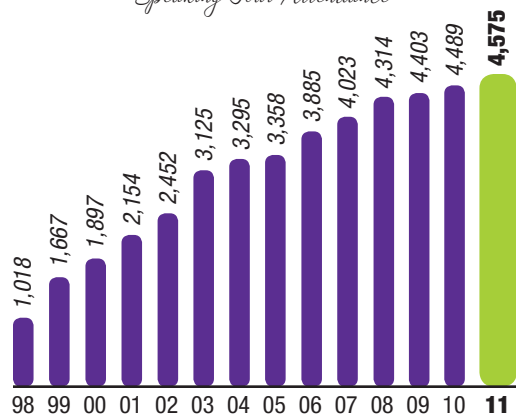


in thousands

- 
- Written premium growth exceeded our projections by over \$31 million.
 - Policy count continued its stretch of annual all-time highs, reaching a new mark of 248,000.
 - *ACUITY*'s growth rate puts us on pace to be a \$1 billion revenue company within a couple of years.



Speaking Tour Attendance



THE SWEET LIFE AND SALES

ACUITY delivers a tempting treat to agents in 20 states with

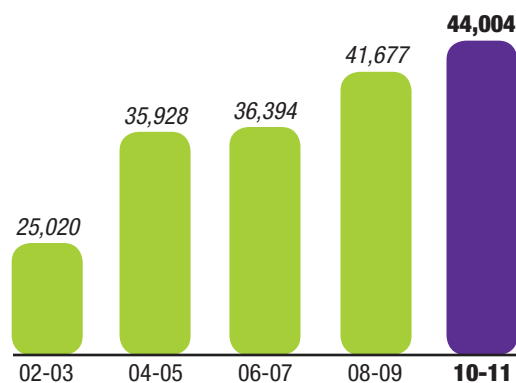
a perfect blend of products and pricing. In 2011, our sales

were red hot. We added more than \$63 million to our top

line, helping push our written premium to an

all-time high of \$840 million.

CE Credits Earned



TOOTSIE ROLL® FACTS

- Leo Hirshfield began production of Tootsie Rolls in New York City in 1896. The Tootsie Pop was introduced in 1931.
- The candy was named after Hirshfield's daughter, whose nickname was Tootsie.
- Tootsie Rolls were the first penny candy to be individually wrapped.



*“Agents hit the sweet spot with Acuity in 2011,
sending us a record number of quotes and
helping us reach an all-time high in policies written.”*

Ed Warren, Vice President - Commercial Lines



NEW BUSINESS WRITTEN PREMIUM

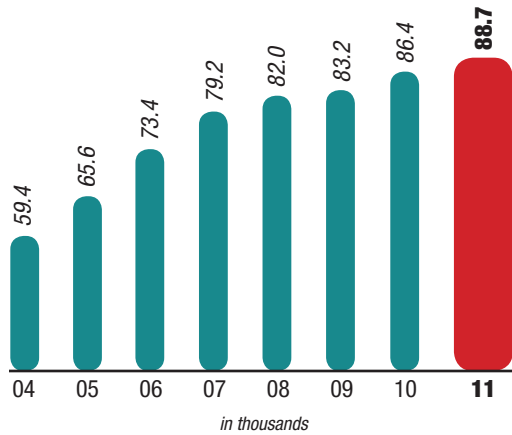


in millions of dollars

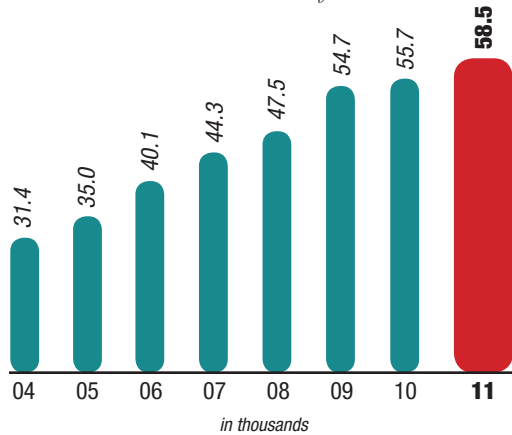
- 
- Commercial lines policy count ended the year at 88,703—an all-time high.
 - Agents hit the mark with the type of business they submitted, enabling us to achieve a quote success ratio of over 37% for the fourth consecutive year.
 - We recorded over \$100 million in new business premium for the second straight year.



Commercial Lines Policies In Force



Commercial Lines Quote Requests Received



SWEET COMMERCIAL LINES

Independent agents had an appetite for *ACUITY*'s delectable

commercial lines collection in 2011, helping us grow our

written premium by over 10%. Regardless of market

conditions, *ACUITY* is competitive and flexible to write

business, yet disciplined to stay

consistent and profitable.



LICORICE FACTS

- Licorice has a royal history: it was enjoyed by Caesar and Alexander the Great, and licorice supplies were found in King Tut's tomb.
- The licorice plant is actually a member of the pea family, but the glycyrrhizic acid from the plant's root is 50 times sweeter than sugar.
- Licorice has been an ingredient in shoe polish, lipstick, insulating board, and aftershave.

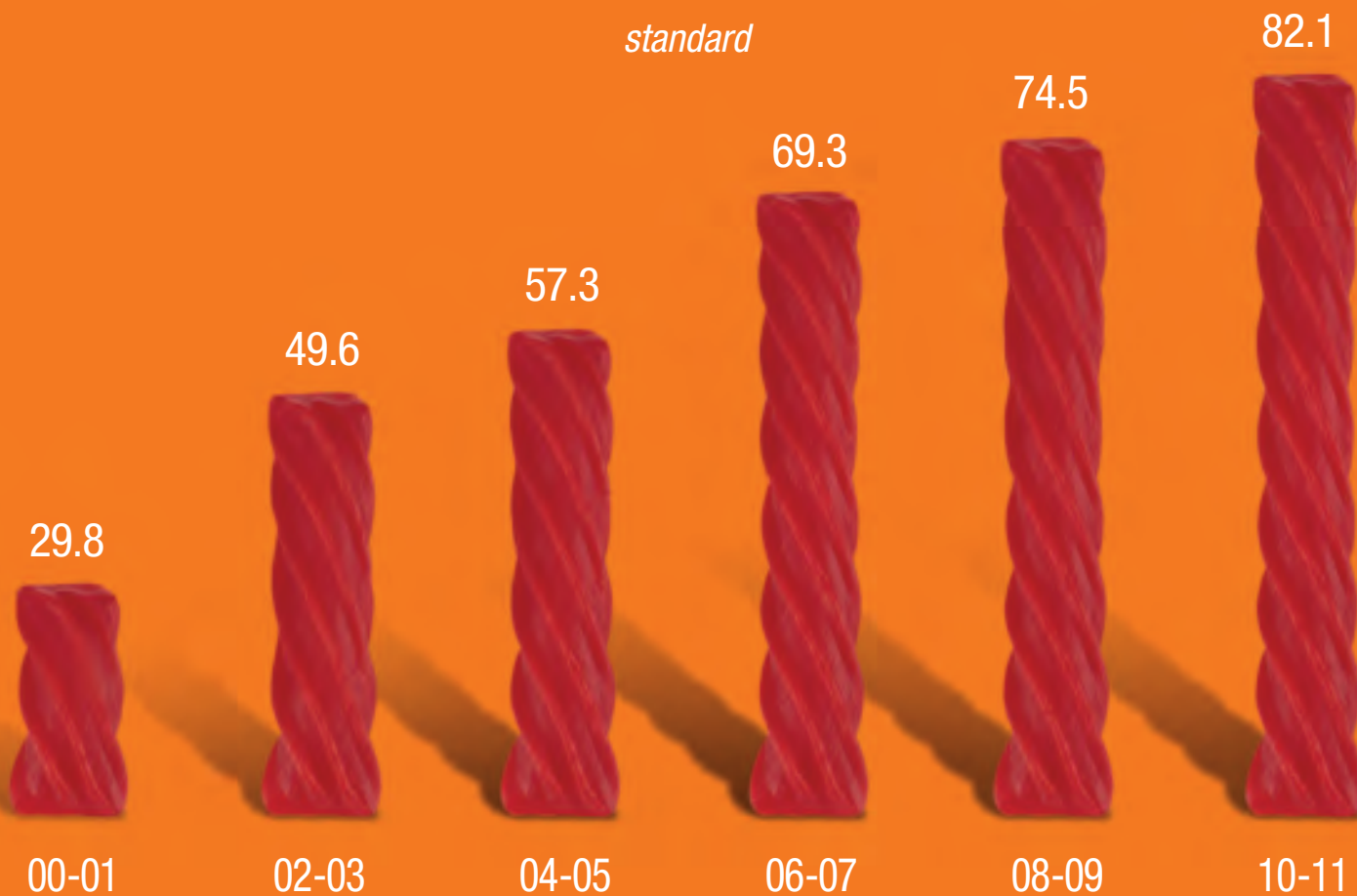


*“Carefully blended coverages, quality products,
unparalleled service, and competitive pricing were the
ingredients to Personal Lines growth in 2011.”*

Ed Felchner, Vice President - Personal Lines and Marketing



PERSONAL LINES NEW BUSINESS WRITTEN PREMIUM

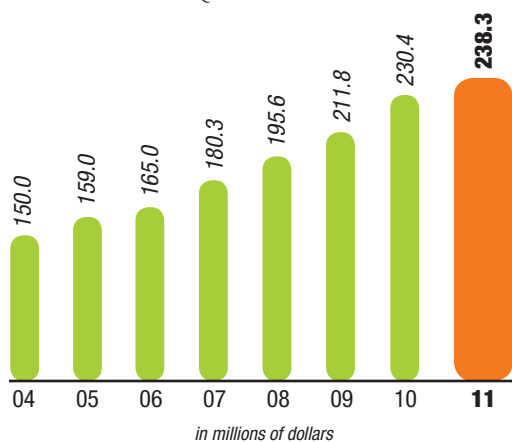


in millions of dollars

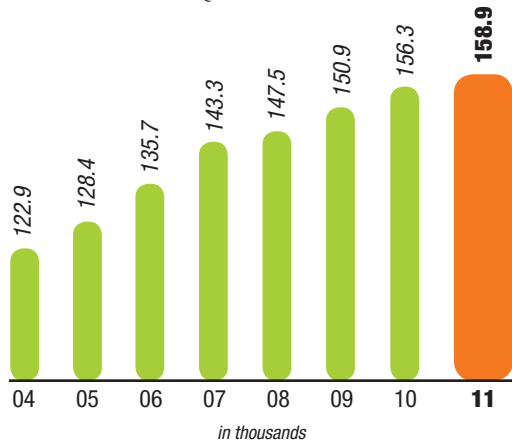
- 
- We increased our appetite for high value homes and made nonstandard drivers eligible for *ACUITY* Auto.
 - *ACUITY* created Essential, Enhanced, and Premier homeowners tiers to offer convenient, packaged coverages.
 - In 2011, we set a new record for policies in force at 158,880.



Personal Lines Written Premium



Personal Lines Policies In Force



PERSONAL LINES ARE SWEET

ACUITY sweetened the deal for agents and personal lines

customers in 2011 with expanded program eligibility and

an increased appetite for business. We wrote a near-record

amount of new business, reached an all-time high in

written premium, and capped off

15 straight years of growth.



CANDY CORN FACTS

- Each year, more than 35 million pounds of candy corn equaling 9 billion pieces will be produced—enough to circle the moon nearly 4 times.
- Halloween accounts for over 75% of candy corn production.
- Although the manufacturing process has been automated, the recipe for candy corn has remained unchanged since it was invented in the 1880s.



“Despite a sour storm season that battered our customers, Acuity maintained the highest standards of claim service and satisfaction.”

Jamie Loiacono, Vice President - Claims



CLAIMS SATISFACTION

96



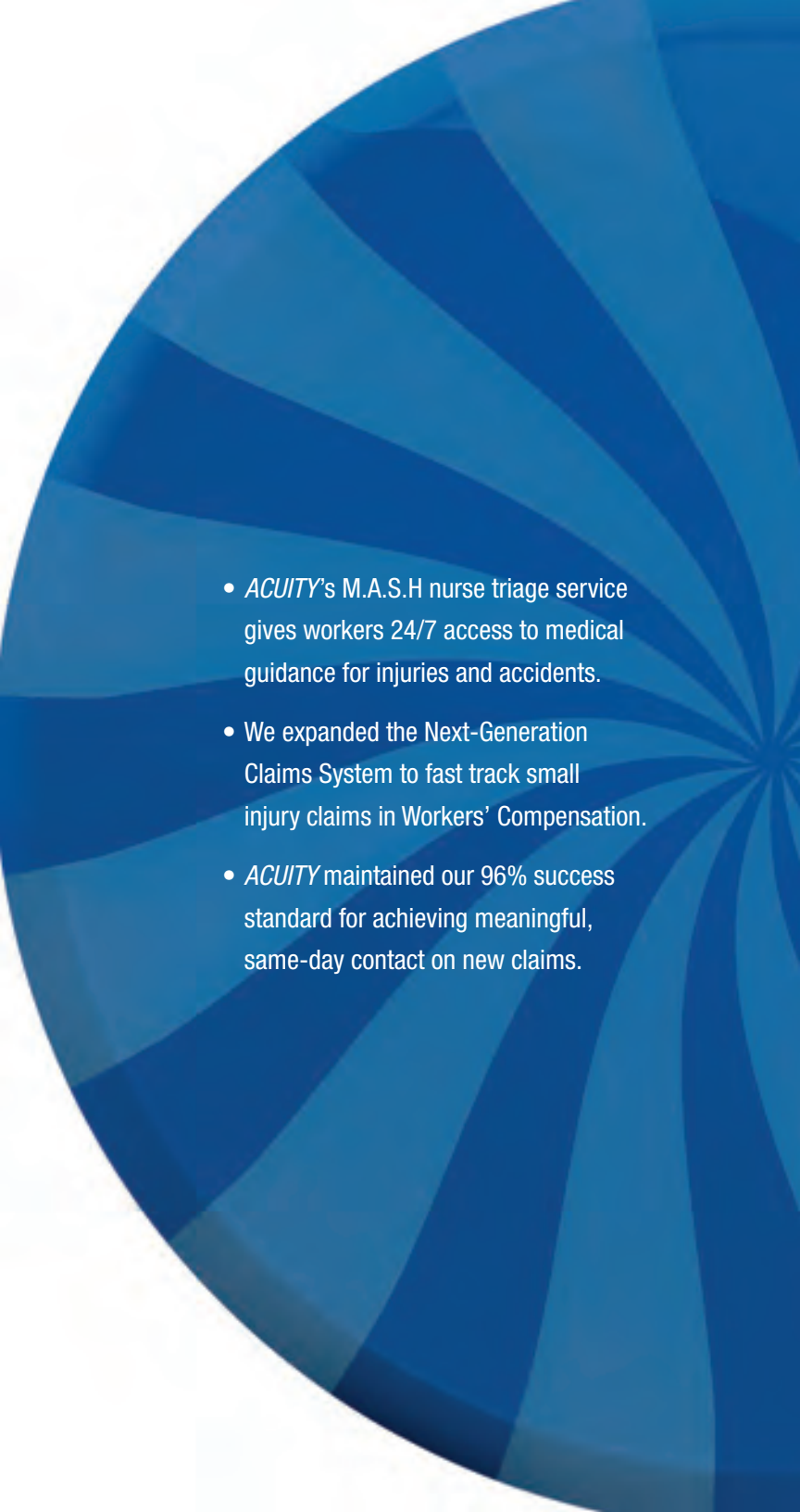
ACUITY

85



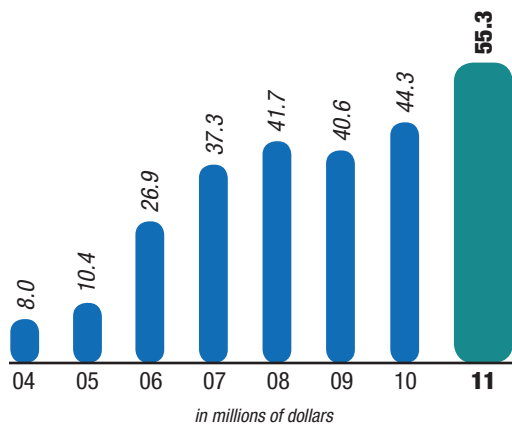
Industry

percent

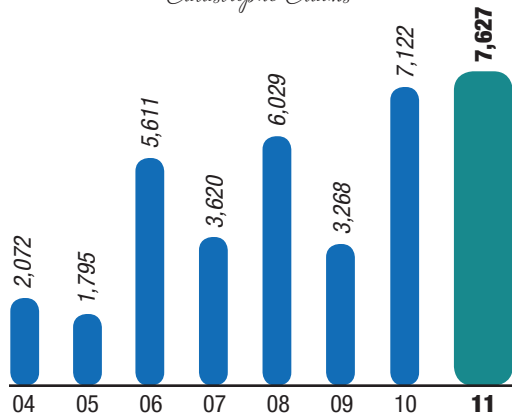
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- *ACUITY's* M.A.S.H nurse triage service gives workers 24/7 access to medical guidance for injuries and accidents.
 - We expanded the Next-Generation Claims System to fast track small injury claims in Workers' Compensation.
 - *ACUITY* maintained our 96% success standard for achieving meaningful, same-day contact on new claims.



Savings From Managed Care



Catastrophe Claims



CLAIMS AND THE SWEET LIFE

ACUITY puts the finest flavors into our claims service:

proactive catastrophe response, leading-edge technology, and

professionals whose commitment is second to none. While

helping rebuild shattered lives after loss, we handled a

record-high number of claims in 2011.



CANDY FACTS

- In the U.S., the Midwest and Northeast regions consume more candy than the South, Southwest, West, or Mid-Atlantic.
- Denmark has the highest per capita consumption of candy in the world at 36 pounds. The U.S. is at 25 pounds.
- Seven billion pounds of candy and chocolate are made in the U.S. every year.



“A carefully blended investment portfolio and strong sales growth combined to enhance our financial strength and stability.”

Wendy Schuler, Vice President - Finance



CASH FLOW

14.1



ACUITY

1.4



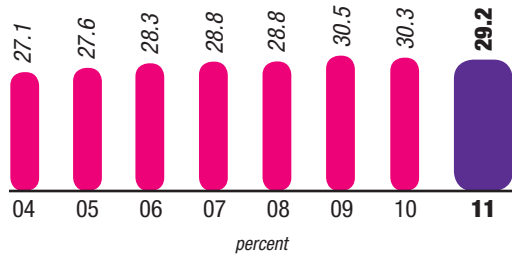
Industry

percentage of net written premium (GAAP)

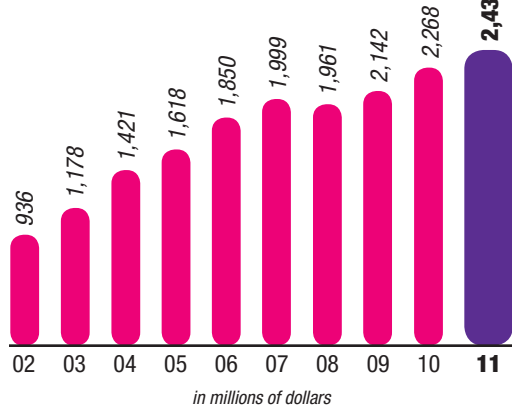
- 
- Other companies saw net losses, but *ACUITY* finished the year strong with \$56.1 million in net income (GAAP).
 - While other insurers faced rating downgrades, *ACUITY* maintained A+ ratings from both A.M. Best and Standard & Poor's.
 - In 2011, we generated a strong \$112.5 million in cash from operations (GAAP), up 17% from 2010.



Expense Ratio






*Total Assets
GAAP*



ACCOUNTING—A SWEET LIFE

There's no need to sugar coat our financial performance. In 2011, *ACUITY* grew assets and surplus to record levels while we outperformed peer companies in terms of net income, cash from operations, and cash flow as a percentage of net written premium.





Another Sweet

STATEMENT OF INCOME

For the Year Ending December 31, 2011

Underwriting income		\$769,831,489
Underwriting deductions		
Losses incurred	\$444,157,568	
Loss expenses incurred	76,463,024	
Underwriting expenses incurred	220,953,817	
Total underwriting deductions		741,574,409
Net underwriting gain		28,257,080
Investment income		
Net investment income earned	62,420,232	
Net realized capital gains (losses)	(2,551,728)	
		59,868,504
Other income		2,235,391
Net income (before dividends and taxes)		90,360,975
Policyholders' dividends		18,729,315
Net income (after dividends and before taxes)		71,631,660
Income taxes (including deferred)		15,536,191
NET INCOME		\$ 56,095,469



Statements do not reflect the consolidated operations of non-insurance subsidiaries and are presented on the basis of unconsolidated generally accepted accounting principles (GAAP).

Financial Year



COMPARATIVE STATEMENT OF CONDITION

December 31,	2011	2010
ASSETS		
Bonds	\$1,491,167,778	\$1,355,191,071
Stocks	389,663,515	348,441,145
Other invested assets	47,418,024	73,424,670
Premiums receivable	246,356,190	228,393,134
Cash and short term investments	36,441,972	45,466,063
Accrued interest and dividends	18,791,984	17,765,262
Property and equipment, net	57,631,816	59,248,333
Reinsurance recoverables	62,370,787	57,883,652
Deferred acquisition costs	70,633,651	66,365,976
Other miscellaneous assets	12,559,530	15,550,043
Total Assets	\$2,433,035,247	\$2,267,729,349
LIABILITIES AND SURPLUS		
Loss reserves	\$ 761,450,949	\$ 727,807,953
Unearned premium reserves	392,126,499	364,484,942
Loss adjustment expense reserves	191,595,321	189,028,046
Accrued expenses	86,372,398	80,272,926
Deferred income tax liability	18,692,841	3,604,875
Other miscellaneous liabilities	2,692,367	4,656,138
Total liabilities	1,452,930,375	1,369,854,880
Policyholders' surplus	980,104,872	897,874,469
Total Liabilities and Surplus	\$2,433,035,247	\$2,267,729,349

*A.M. Best Rated A+, Superior
Standard & Poor's Rated A+*



PEZ® CANDY FACTS

- PEZ was invented in 1927 by Eduard Haas, an Austrian anti-smoking advocate who marketed peppermint-flavored PEZ as a cigarette substitute.
- The candy gets its name from the German word for peppermint, "Pfefferminz."
- When the original concept failed, PEZ was reintroduced as a fruit-flavored candy dispensed from a children's toy with a cartoon head.

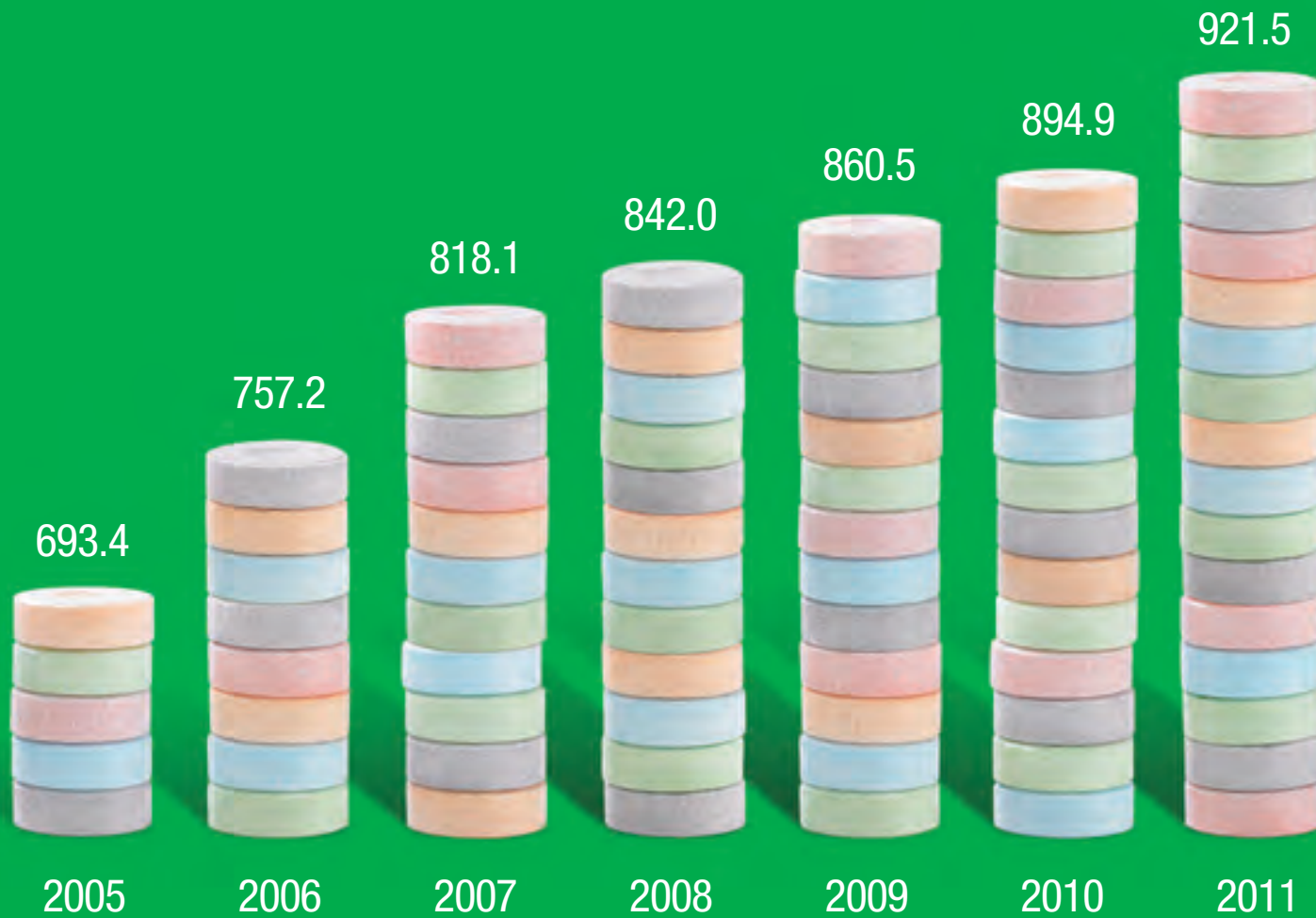


“Acuity offers such a wide variety of products and pricing for agents and policyholders; it’s like being a kid in a candy store.”

Pat Tures, Vice President - Actuarial and Strategic Information



UNITS IN FORCE



in thousands

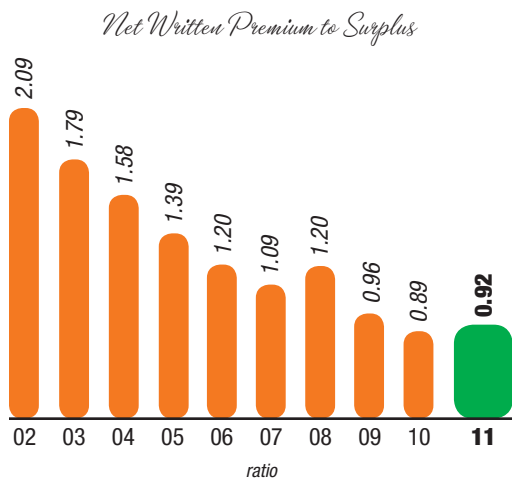
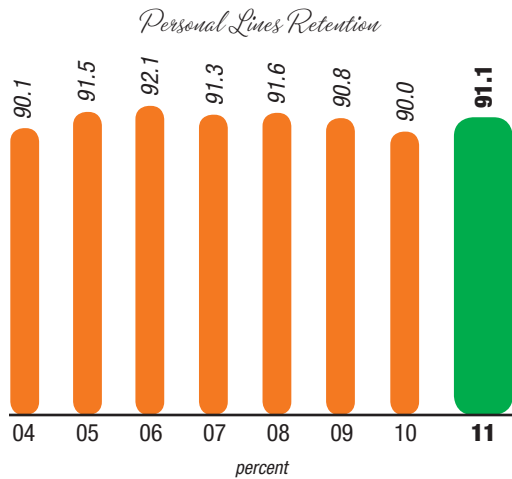
- 
- In personal lines, we introduced new strategies to attract those who are more likely to remain long-term customers.
 - In commercial lines, *ACUITY* added a financial scorecard rating component to achieve greater sophistication in rating.
 - We created over 100 new reports to put business intelligence in the hands of decision makers.



SWEETNESS OF ACTUARIAL

ACUITY rolled out a mouth-watering assortment of new pricing factors to deliver competitive, sustainable rates.

Precision pricing and predictive analytics allow us to select accounts that are the best fit and achieve stronger retention in both personal and commercial lines.



ROCK CANDY FACTS

- Early rock candy was colored red from cochineal, derived from insects, or blue, derived from indigo.
- The first rock candy sold in the U.S. was white rock candy crystals on a string.
- Rock candy was first grown on a stick, colored, flavored, and sold as a child's confection in the early 1970s.

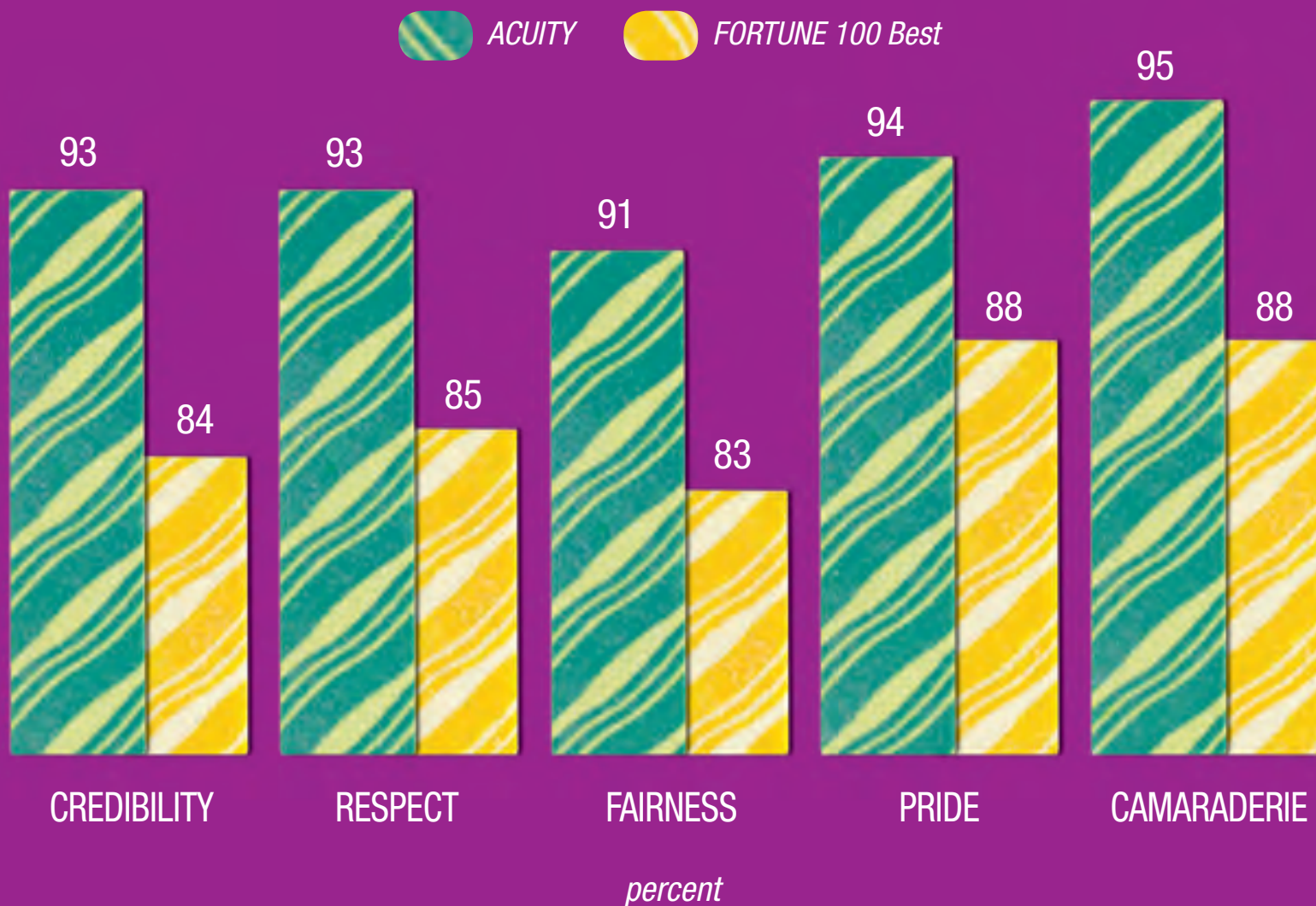


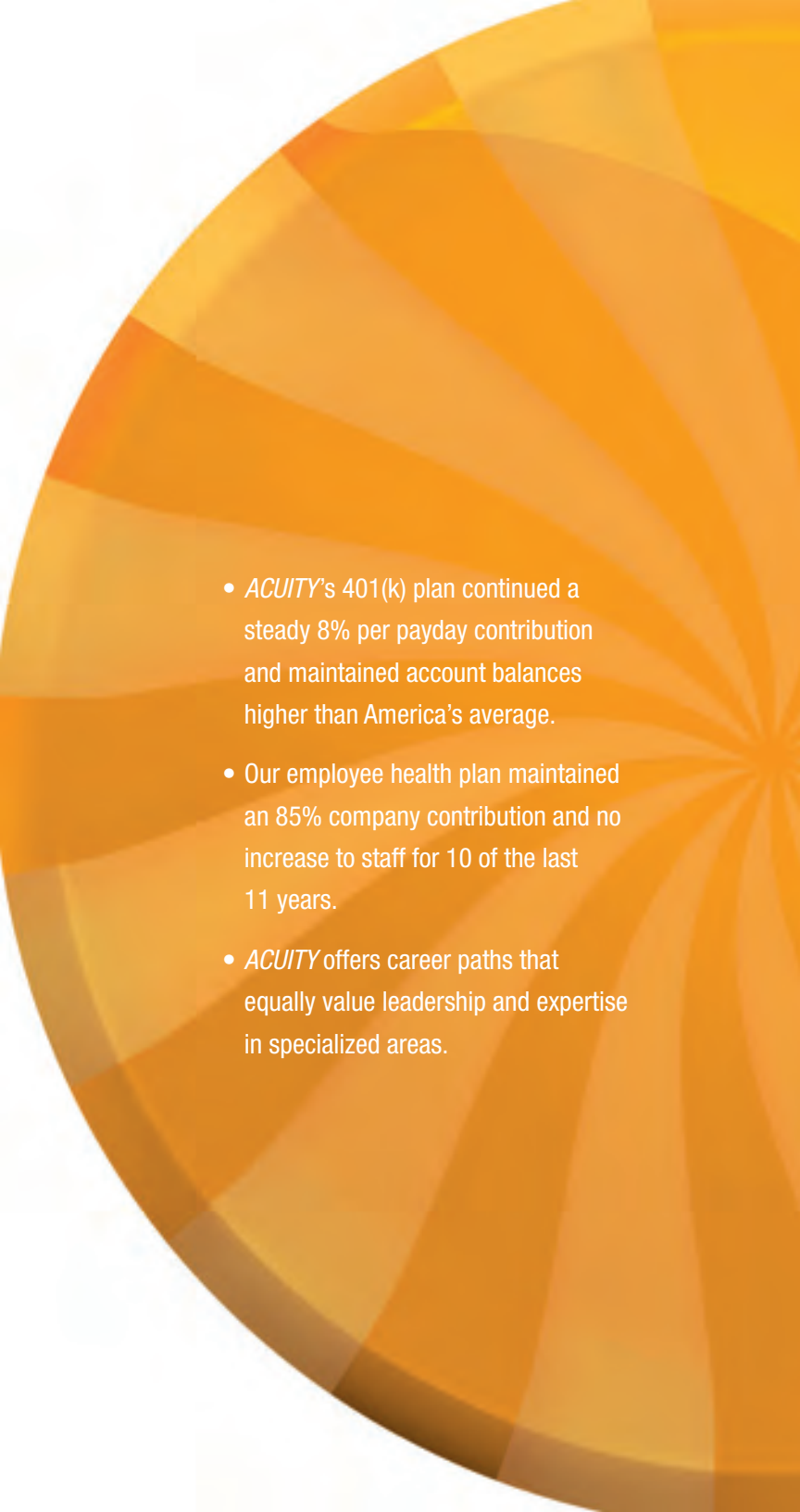
“It takes many ingredients to make a great workplace, but the most important is understanding there’s no substitute for treating people right.”

Lynn Coady, Vice President - Human Resources



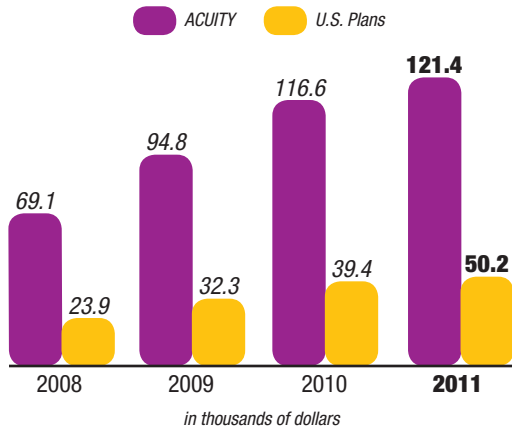
SCORES BY TRUST INDEX DIMENSION



- 
- *ACUITY's* 401(k) plan continued a steady 8% per payday contribution and maintained account balances higher than America's average.
 - Our employee health plan maintained an 85% company contribution and no increase to staff for 10 of the last 11 years.
 - *ACUITY* offers career paths that equally value leadership and expertise in specialized areas.



Average 401(k) Account Balance

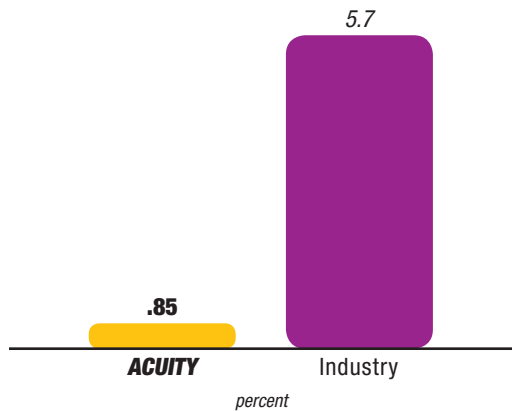


WORK AND THE SWEET LIFE

ACUITY's great workplace is all natural, created by 850 innovative employees pulling together for our company, agents, and customers. *ACUITY* offers an award-winning combination of training, staff investment, and career opportunity in a team-oriented climate that lets individuals balance work and personal lives.



Voluntary Turnover



GUMMI CANDY FACTS

- Although gummi candy is available in a variety of shapes, bears and worms are the most popular.
- Gummi bears were created in Germany in 1922 by candy maker Hans Riegel and were originally called “dancing bears.”
- Red is the most popular color of gummi candy.

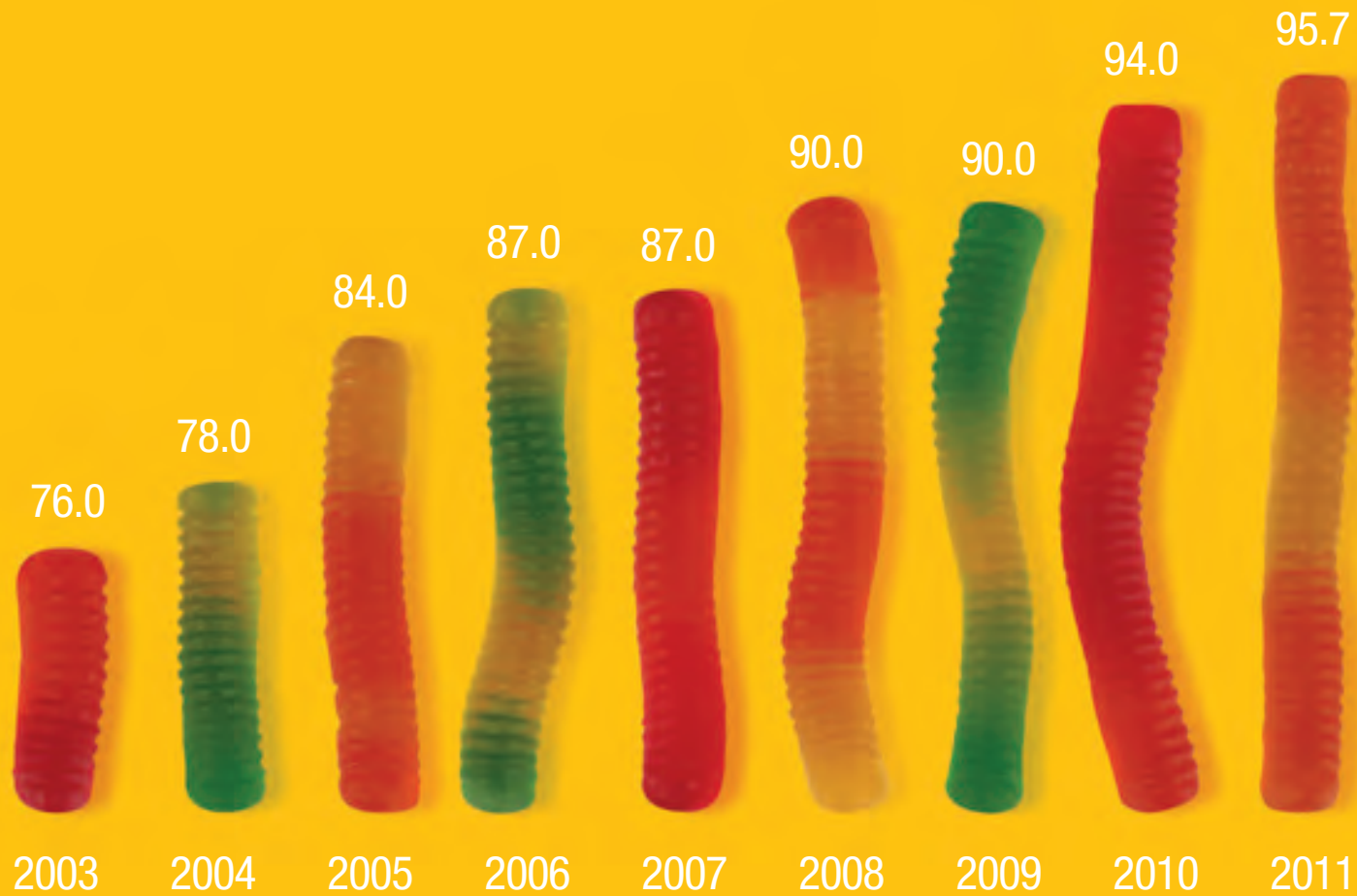


“Service speed is important, but those with discerning tastes know there’s no substitute for quality. Acuity delivers both.”

Sheri Murphy, Vice President - Services and Administration



INCOMING WORK PROCESSED SAME/NEXT DAY



percent

- *ACUITY* improved one-call resolution through training across all call centers.
- The sweetest service combined quick turnaround, near-perfect accuracy, and easy access to friendly, helpful staff.
- We expanded customer contact options through website enhancements, increased use of email, and one-button access to live customer service representatives.

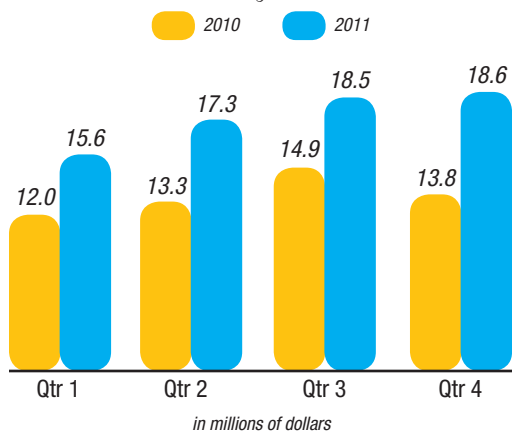


THE SWEET LIFE OF SERVICES

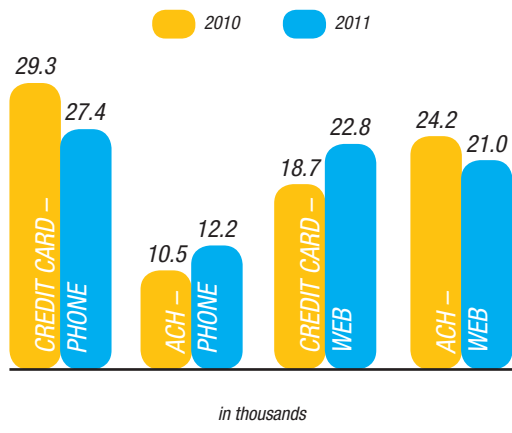
ACUITY offers a flavorful assortment of service options for our agents and customers. Thanks to efficient processes and specialists who excel in their craft, we processed 95.7% of work the same/next day while maintaining a 99.9% accuracy rate.



Electronic Payment Volume



Electronic Payment Transactions by Channel



JELLY BEAN FACTS

- The earliest reference to jelly beans occurred during the Civil War, when people were encouraged to send them to Union soldiers.
- The unique process to create a jelly bean with a hard shell and soft center takes 7 to 21 days to complete.
- Each year in the U.S., there are 16 billion jelly beans manufactured just for Easter--enough to circle the earth more than 3 times.



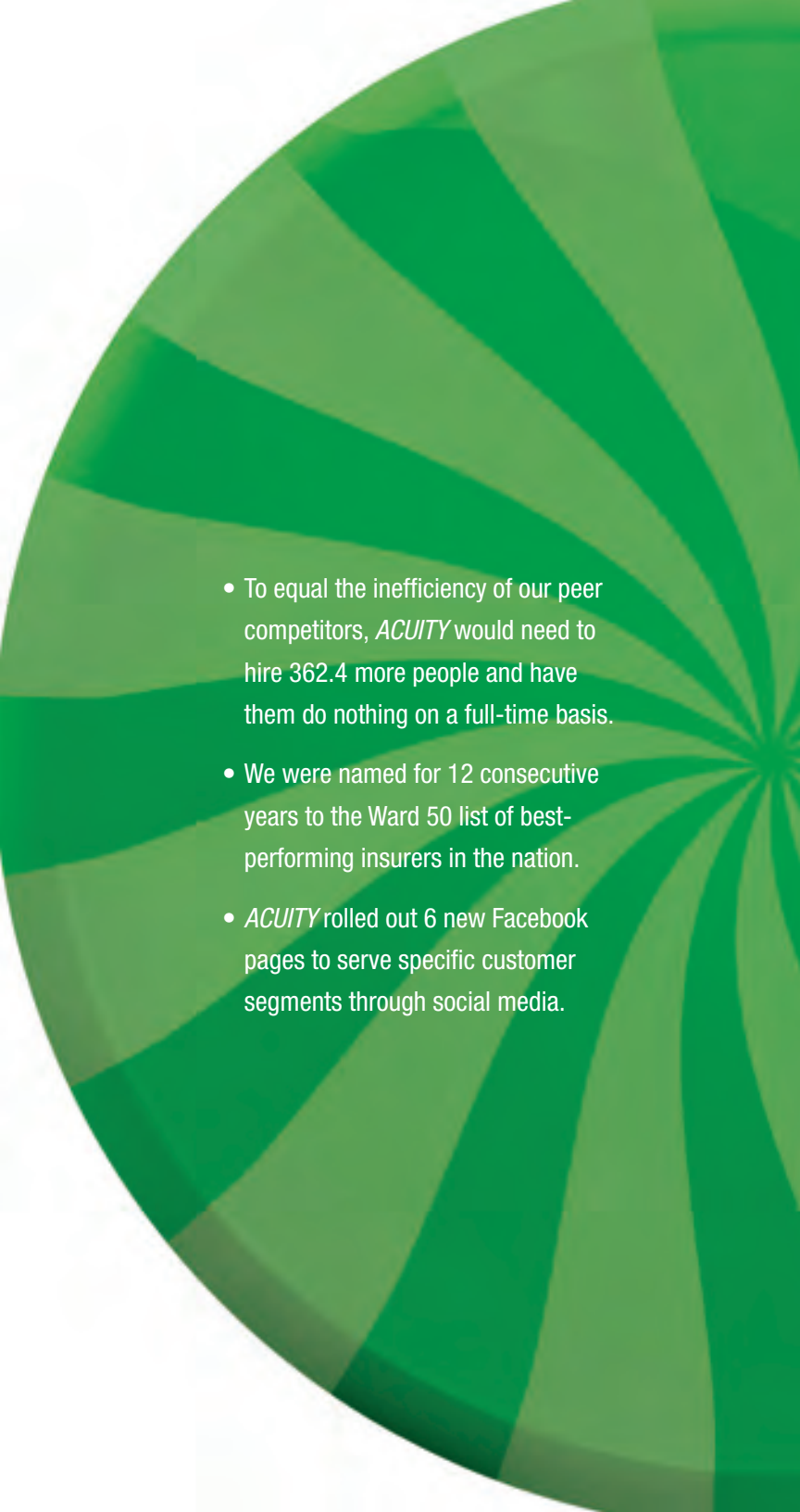
“Acuity delivers the sweet combination of high quality and process efficiency to outperform our peers in the insurance industry.”

Laura Conklin, Vice President - Business Consulting



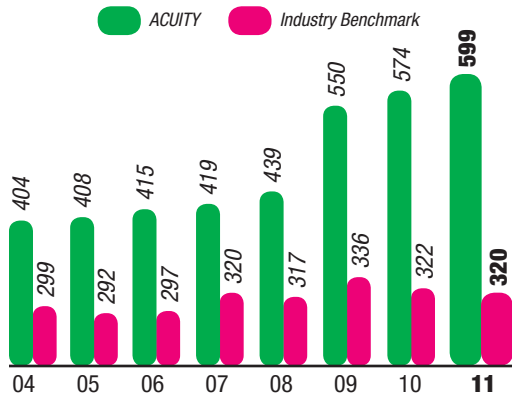
PROJECTS DELIVERED



- 
- To equal the inefficiency of our peer competitors, *ACUITY* would need to hire 362.4 more people and have them do nothing on a full-time basis.
 - We were named for 12 consecutive years to the Ward 50 list of best-performing insurers in the nation.
 - *ACUITY* rolled out 6 new Facebook pages to serve specific customer segments through social media.



Policies In Force Per Employee



SWEET BUSINESS CONSULTING

It's smooth as silk: people, processes, and technology come

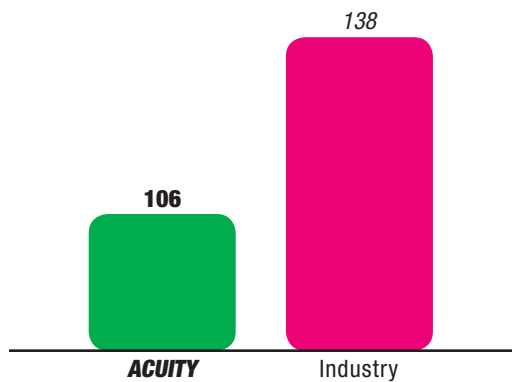
together to make *ACUITY* one of the best-run insurers in the

nation. Our staff produced 279 more policies per person

than other companies and set an all-time

record for efficiency.

Employees Per \$100 Million of Revenue



CHOCOLATE FACTS

- Chocolate is America's favorite candy, with over half of adults saying they like chocolate best.
- Chocolate manufacturers currently use 40% of the world's almonds and 20% of the world's peanuts.
- 71% of American consumers prefer milk chocolate.

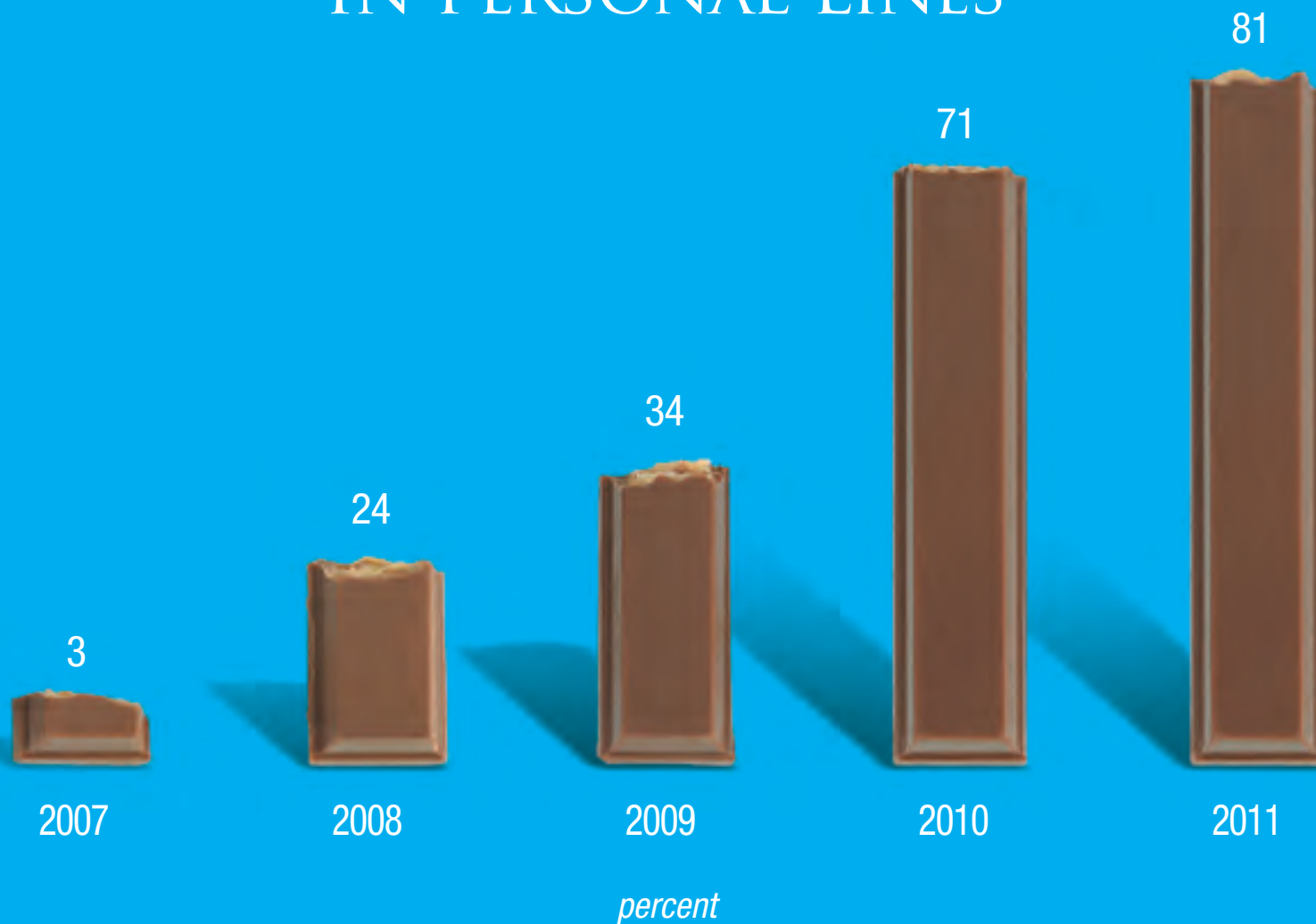


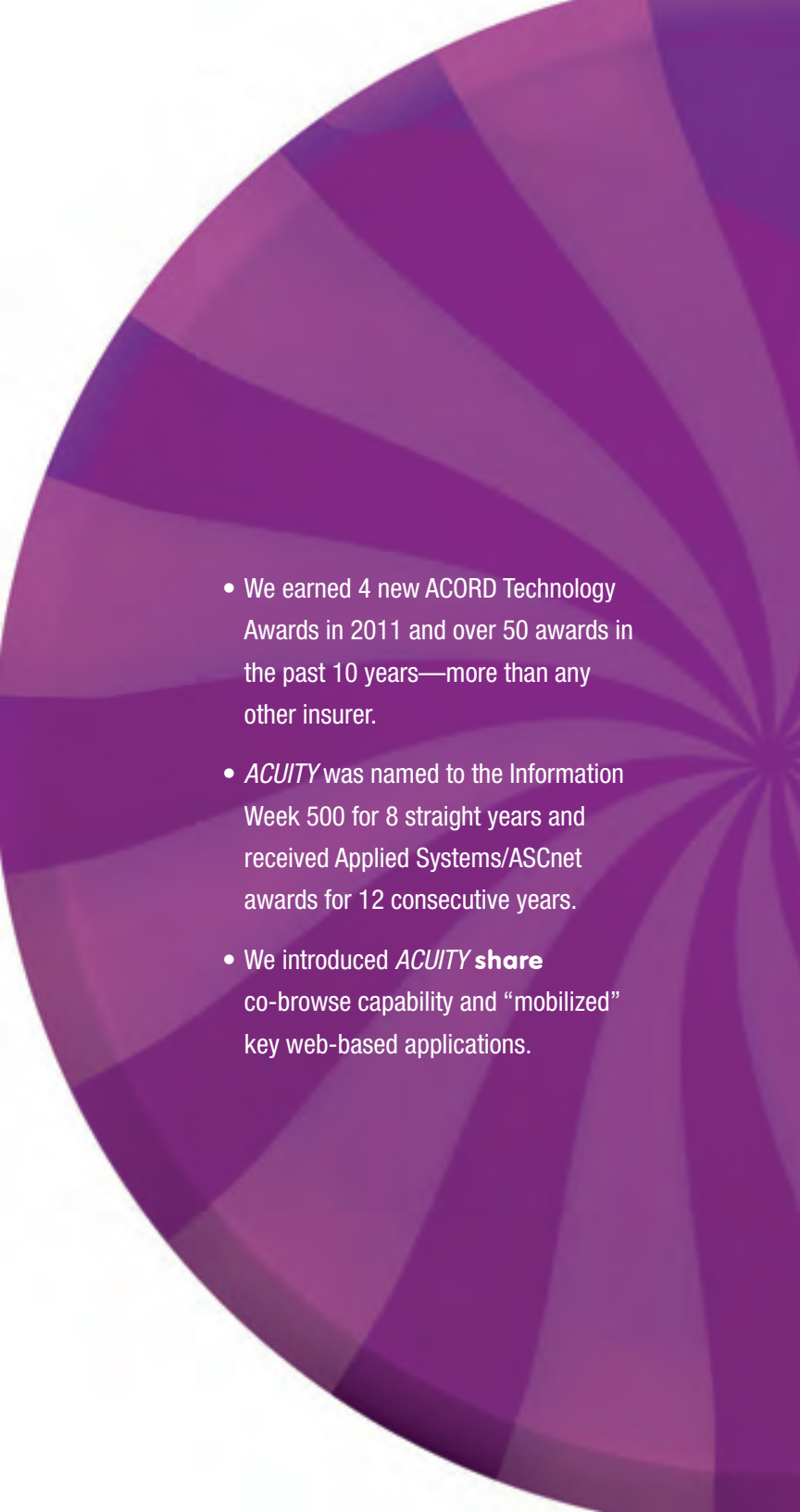
*“For time-crunched agents, staff,
and policyholders, Acuity’s
technology is a real lifesaver.”*

Neal Ruffalo, Vice President - Enterprise Technology

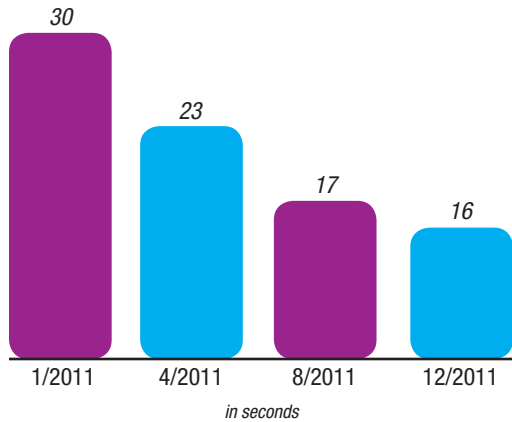


AUTOMATICALLY ISSUED POLICY CHANGES IN PERSONAL LINES

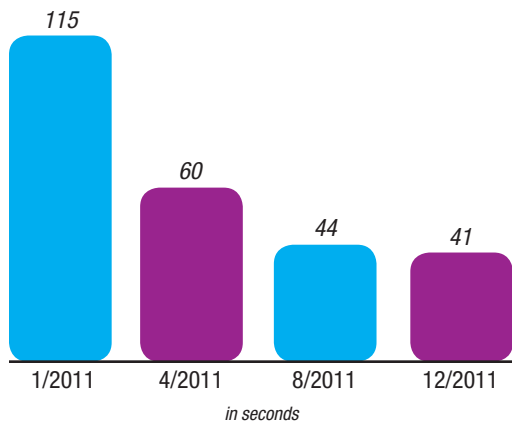


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- We earned 4 new ACORD Technology Awards in 2011 and over 50 awards in the past 10 years—more than any other insurer.
 - *ACUITY* was named to the Information Week 500 for 8 straight years and received Applied Systems/ASCnet awards for 12 consecutive years.
 - We introduced *ACUITY share* co-browse capability and “mobilized” key web-based applications.

Personal Lines Assist Policy Issuance Speed



Commercial Lines Assist Policy Issuance Speed



THE SWEETEST TECHNOLOGY

It's a tasty tech trio: expanding the capabilities of policy prefill, creating interfaces with systems agents already use, and delivering policies in seconds all make it easy to do business with *ACUITY*. At the same time, we deliver the tools our artisan employees need to get the job done.



*We look forward
to another sweet
year in 2012*

(Just add caffeine)



www.acuity.com

800.242.7666

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