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**PROUDLY  
FLYING  
HIGH  
WITH  
ACUITY**

**ACUITY**

**ANNUAL  
REPORT**

## THE MOST FAMOUS FLAG RAISING

Five United States Marines and a United States Navy corpsman raise a U.S. flag atop Mount Suribachi during the Battle of Iwo Jima in World War II. Taken by Associated Press combat

photographer Joe Rosenthal, the picture of this incredible flag raising served as a rallying point for our troops and the entire country. The iconic image, which won the Pulitzer Prize for Photography in 1945, became the inspiration for the U.S. Marine Corps War Memorial in Arlington, Virginia, which was dedicated in 1954. The flag is conserved in the National Museum of the Marine Corps.



## BEN SALZMANN

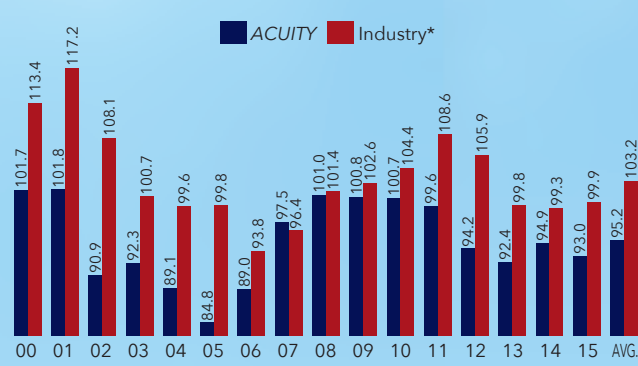
President & CEO

Thanks to world-class agents and employees, *ACUITY* was flying high in 2015! We continued our more than 15-year track record of success with strong sales growth and gains in policyholders' surplus, setting record levels in both categories. *ACUITY* also surpassed the industry again in profitability, recording a combined ratio under 100 for the fifth straight year.

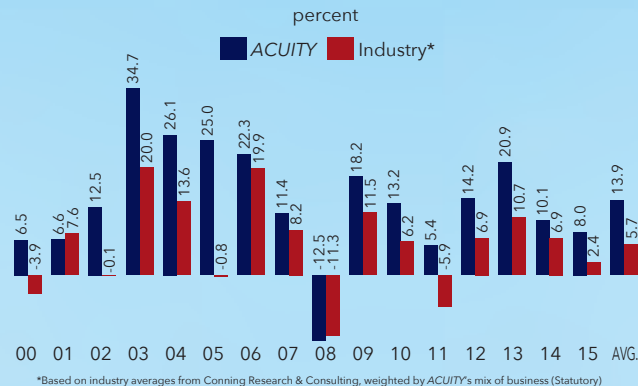
# THE YEAR THAT SOARED

## - CORPORATE OVERVIEW -

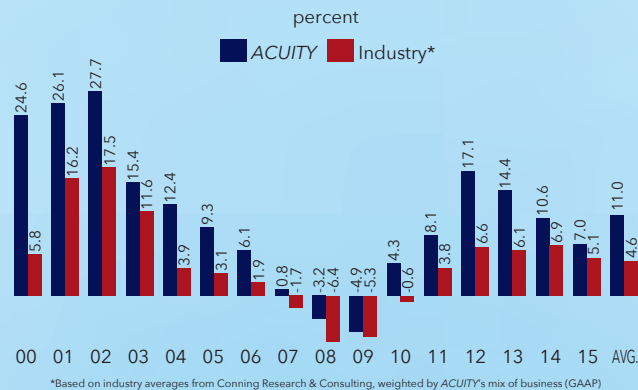
### COMBINED RATIO



### SURPLUS GROWTH



### SALES GROWTH



## U.S. FLAGS ON THE MOON

Each of the six manned Apollo missions that landed on the moon planted an American flag. NASA confirms that, despite more than 40 years of being exposed to 500-degree temperature swings, cosmic debris, and radiation, all six flags are still there and five are still standing. According to Buzz Aldrin, the flag that fell was blown over by the exhaust from Apollo 11 during its liftoff from the moon's surface. The only difference between when the flags were planted and today is that the stars and stripes are no longer; the flags have likely turned completely white from the moon's harsh conditions.



## WALLY WALDHART

Vice President - Sales & Communications

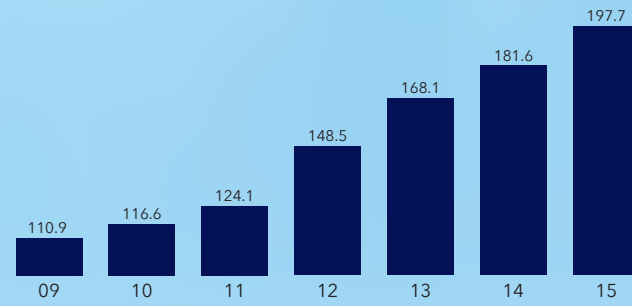
In 2015, ACUITY's written premium grew by a whopping \$87 million to an all-time high of \$1.33 billion. Premium expansion comes from balanced growth across our entire operating territory. In the past 48 months alone, we have increased our annual revenue by nearly \$500 million thanks to agents who choose ACUITY as their go-to company.

# A BANNER YEAR IN SALES

## - SALES OVERVIEW -

### TOTAL COMMISSIONS PAID TO AGENTS

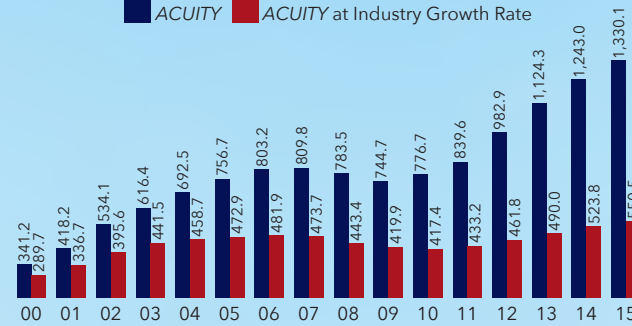
in millions of dollars



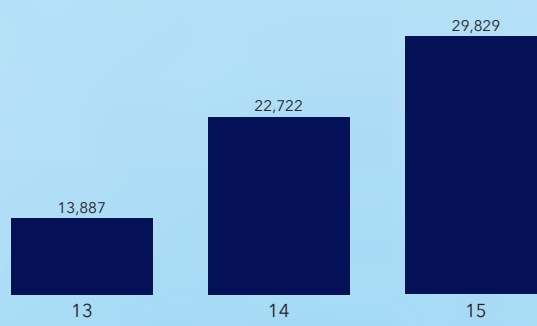
### COMPARATIVE WRITTEN PREMIUM

in millions of dollars

■ ACUITY ■ ACUITY at Industry Growth Rate



### CE CREDITS EARNED BY AGENTS THROUGH ACUITY



## OUR FLAG AT THE OLYMPICS

The U.S. does not dip its flag to the host country at the opening ceremonies of the Olympics. Most explanations for the practice go back to the London Olympics of 1908, when U.S. flag-holder and shotputter Ralph Rose refused to dip the Stars and Stripes as he passed King Edward VII. When asked to explain, he supposedly proclaimed in an act of nationalism, "This flag dips to no earthly king!" Although there is no concrete evidence that Rose uttered that exact statement, holding the U.S. flag erect during the Olympic procession has become a tradition.



## ED WARREN

Vice President - Commercial Lines

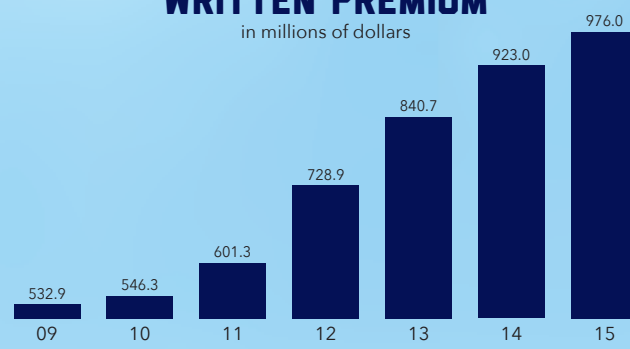
Agents can count on *ACUITY* to be a competitive, consistent, stable market in commercial lines. Their trust propelled us to new heights in written premium and kept our hit ratio at a historic high. *ACUITY*'s on-target approach to business is a winning strategy for continued profitable growth in 2016 and beyond.

# FLYING HIGH

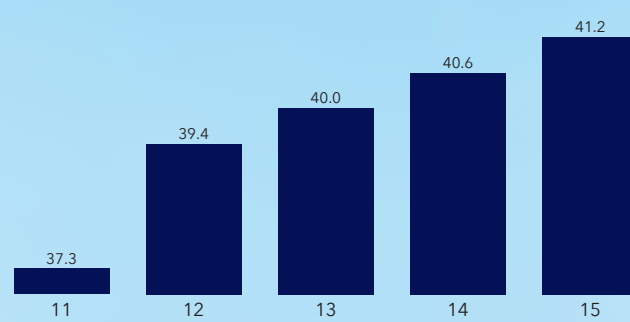
## — COMMERCIAL LINES OVERVIEW —

### COMMERCIAL LINES WRITTEN PREMIUM

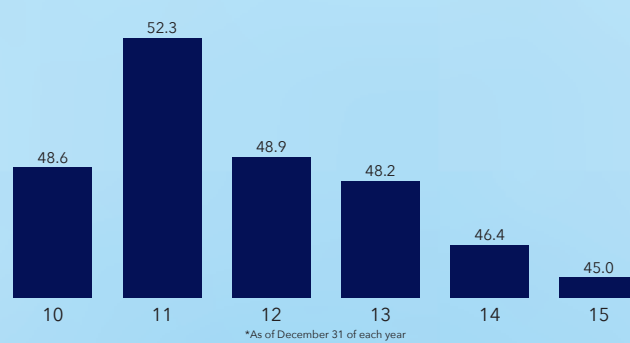
in millions of dollars



### COMMERCIAL LINES QUOTE HIT RATIO



### COMMERCIAL ACCIDENT YEAR LOSS RATIO\*



\*As of December 31 of each year



## TRUE COLORS - RED, WHITE, AND BLUE

On June 14, 1777, the Continental Congress adopted the national flag, resolving "that the flag of the United States be thirteen stripes, alternate red and white; that the union be thirteen stars, white in a blue field, representing a new constellation."

However, no official meaning was given to the colors of the flag. The flag's colors are also used in the Great Seal of the United States, which does give those colors specific meanings: white for purity and innocence; red for valor and hardiness; and blue for vigilance, perseverance, and justice.





## SHANE PALTZER

Vice President - Marketing & Personal Lines

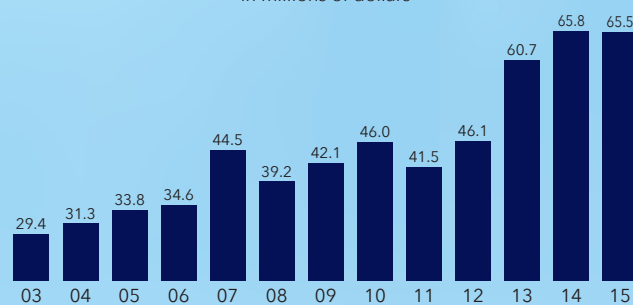
Great service, trusted protection, and precision pricing are the keys to ACUITY's ongoing success in personal lines. 2015 saw new records set in personal lines written premium and policies in force. We achieved positive premium growth for an incredible 19th consecutive year and maintained strong policy retention.

# REACHING NEW HEIGHTS

## - PERSONAL LINES OVERVIEW -

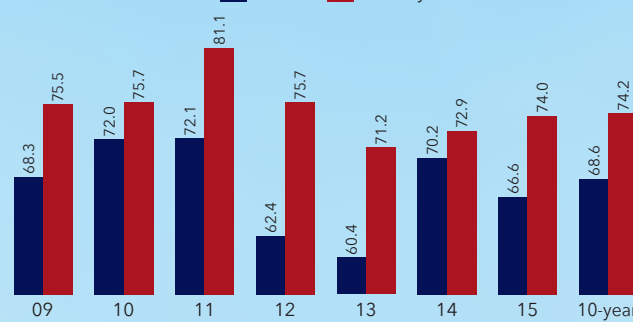
### PERSONAL LINES NEW BUSINESS WRITTEN PREMIUM

in millions of dollars



### PERSONAL LINES LOSS RATIO

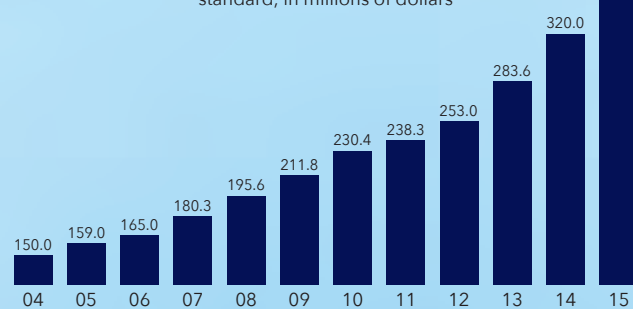
■ ACUITY ■ Industry\*



\*Ceding industry projections; includes loss and LAE costs

### PERSONAL LINES WRITTEN PREMIUM

standard, in millions of dollars



## THE LEGEND OF OUR FIRST FLAG

Whether Betsy Ross created the first American flag or not is an ongoing debate among historians. Much evidence points to the fact that Francis Hopkinson, a signer of the Declaration of Independence, actually designed the Stars and Stripes, and that the story of Betsy Ross did not develop until 1870 when her grandson William Canby held a press conference to report it. However, supporters of Canby's account point to their own evidence, including paintings and accounts that predate Canby's report. Regardless, the place of Betsy Ross in United States flag lore is firmly established.



## JAMIE LOIACONO

Vice President - Claims

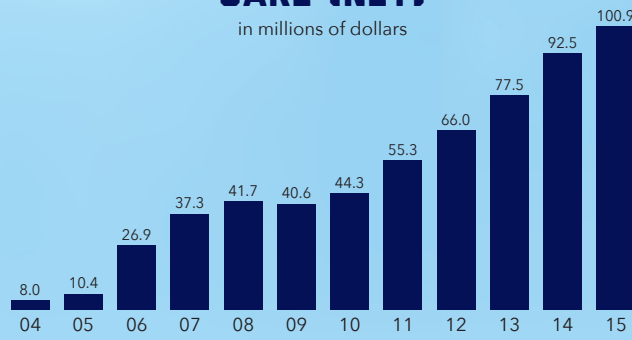
From small claims to catastrophic events, when people are faced with a loss, they can count on *ACUITY* to be there. Our fast, fair service continues to earn us high marks from customers and agents alike, and our use of leading-edge analytics helps us control costs while helping people repair, rebuild, and recover.

# SETTING THE STANDARD

## – CLAIMS OVERVIEW –

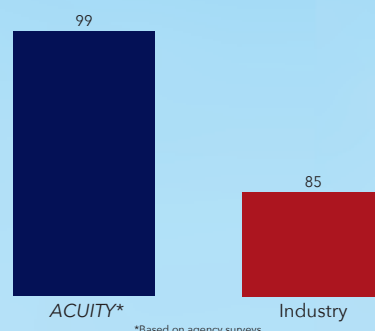
### SAVINGS FROM MANAGED CARE (NET)

in millions of dollars



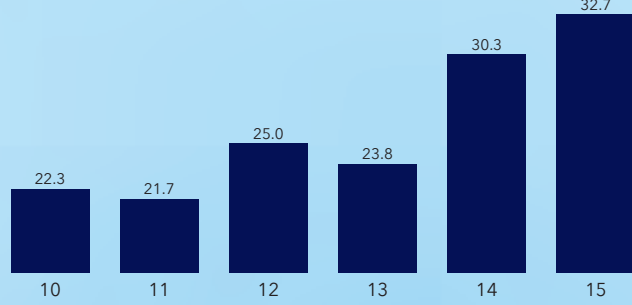
### CLAIMS SATISFACTION

percent



### SALVAGE & SUBROGATION RECOVERIES

in millions of dollars



## THE STAR-SPANGLED BANNER WAVES

"The Star-Spangled Banner" has been the official anthem of the United States for less than 100 years. Although the military adopted the song for ceremonial purposes by the 1890s, it didn't become our anthem until 1931. Francis Scott Key wrote the lyrics in 1814 after witnessing bombardment by British ships during the War of 1812. The song, which was originally entitled "Defence of Fort M'Henry," was set to the tune of a popular British song of the time. The remnants of the banner that inspired Key are displayed at the Smithsonian's National Museum of American History.



Courtesy of the Maryland Historical Society, Item ID# CA562

## WENDY SCHULER

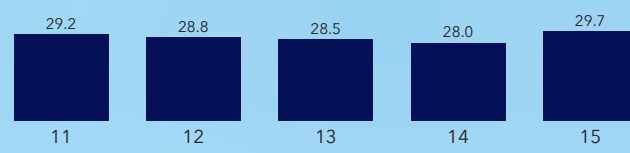
Vice President - Finance

Customers and agents alike deserve an insurance partner that is financially strong and stable, and that's just what they get with *ACUITY*. Our strategy is consistent—conservative investing, disciplined underwriting, and reasonable reserving—and it produces results, year after year. And in an era of greater regulatory scrutiny, we again passed our audits with flying colors.

# WITH FLYING COLORS

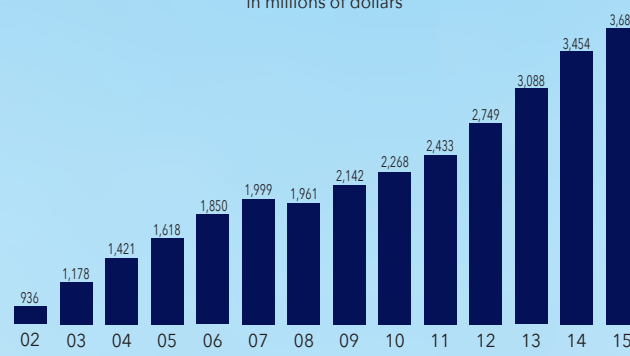
## — FINANCE OVERVIEW —

### ACUITY'S CONSISTENT EXPENSE RATIO

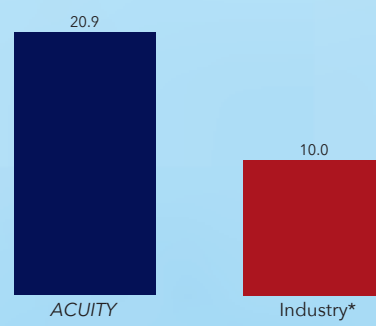


### TOTAL ASSETS (GAAP)

in millions of dollars



### CASH FLOW AS A PERCENTAGE OF NET WRITTEN PREMIUM (GAAP)



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



## THE FLAGS THAT NEVER WERE

A 38-star flag became the official U.S. flag on July 4, 1877. Believing the Dakotas would be admitted as one state in 1889, some flag manufacturers created a 39-star flag to get a jump on the competition. However, South Dakota and North Dakota were admitted as two separate states along with Montana and Washington in November of that year. Some 42-star flags were made but were never official. On July 4, 1890, shortly after Idaho was admitted to the union, the official number of stars became 43. Any original 39- or 42-star flags are highly desired by collectors!



## PAT TURES

Vice President - Actuarial & Strategic Information

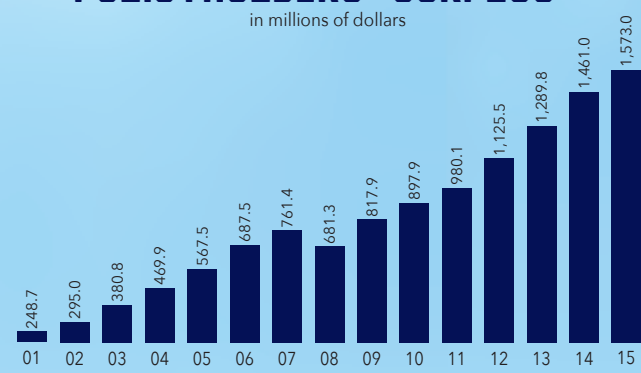
The amount of data available to insurers continues to expand. *ACUITY* has demonstrated our acumen for using the latest analytic capabilities to turn that data into actionable information and create precision pricing strategies. In addition to helping fuel incredible, sustained growth, our efforts enabled *ACUITY* to achieve strong renewal retention rates in both personal and commercial lines.

# THE SKY'S THE LIMIT

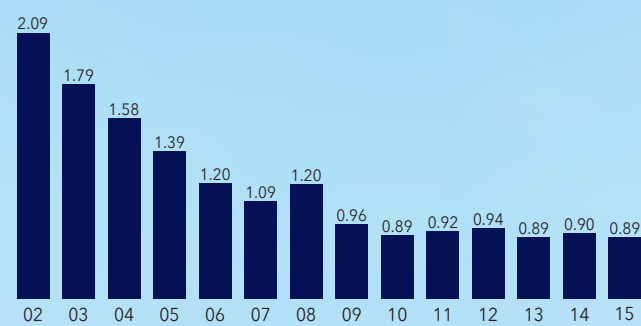
– ACTUARIAL AND STRATEGIC INFORMATION OVERVIEW –

### POLICYHOLDERS' SURPLUS

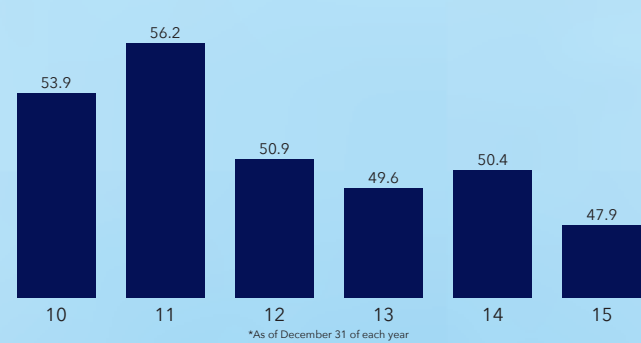
in millions of dollars



### NET WRITTEN PREMIUM TO SURPLUS RATIO



### COMPANYWIDE ACCIDENT YEAR LOSS RATIO\*

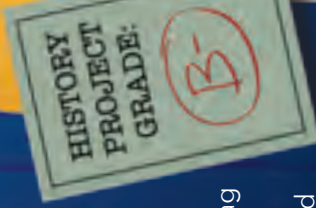


\*As of December 31 of each year



## THE BIRTH OF TODAY'S FLAG

A 17-year-old student is widely credited with the design of today's flag. According to popular history, Robert G. Heft created a 50-star flag for a school project as Alaska and Hawaii were being considered for statehood. He received a B- grade and protested to his teacher, who agreed to change the grade if Congress adopted the design. Heft submitted it, and the design was chosen over 1,500 other applicants, becoming the official U.S. flag on July 4, 1960. True to his word, Heft's teacher changed his grade to an A.





## JOAN RAVANELLI MILLER

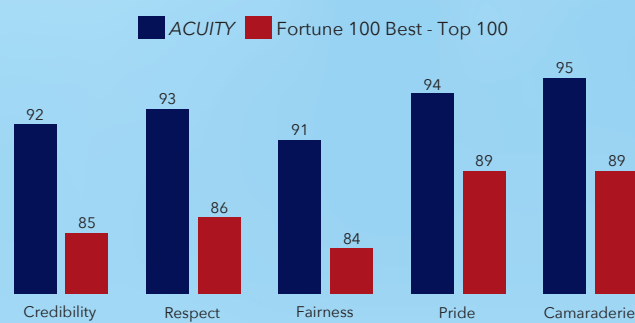
General Counsel & Vice President - Human Resources

In 2015, ACUITY was named the #3 large-sized company to work for in America, the best workplace in insurance, and a top employer for both millennials and women. We've maintained our unique corporate culture while experiencing incredible business growth that has led us to having over 1,150 employees, a number that is expected to exceed 1,250 by early-2016.

# RIISING TO THE TOP

## - HUMAN RESOURCES OVERVIEW -

### AVERAGE SCORES BY TRUST INDEX DIMENSION



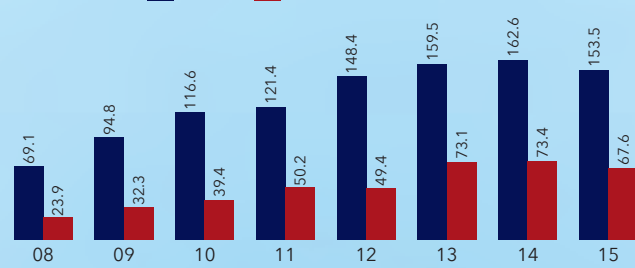
### STAFF SIZE



### AVERAGE 401(K) ACCOUNT BALANCE

in thousands of dollars

■ ACUITY ■ U.S. Same-Size Peer Plans



## THE GROUND ZERO FLAG RAISING

On September 11, 2001, hijackers took over Flight 11 and Flight 175, crashing the planes into the Twin Towers of the World Trade Center in New York City.

At Ground Zero of the attacks, three New York City firefighters raised the American flag as a symbol of hope and freedom. Photographer Thomas E. Franklin captured the unforgettable image. The photo was on the front page of *The Record* on September 12, 2001, and was also picked up by the Associated Press, appearing in newspapers worldwide. The flag came from the yacht *Star of America*, which had been docked near the World Financial Center. Unfortunately, the flag went missing in the chaos.



© 2001 North Jersey Media Group

## SHERI MURPHY

Vice President - Services & Administration

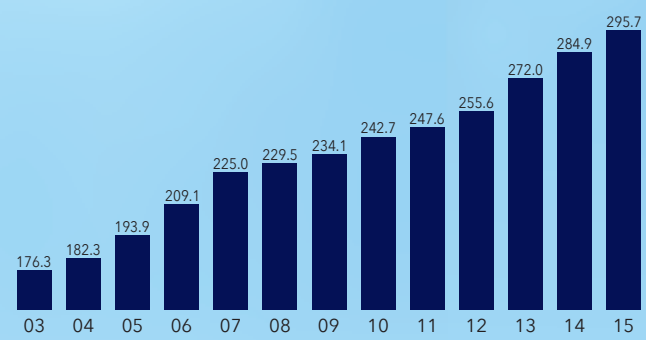
With faith in our future, ACUITY completed key phases of work on our 240,000-square-foot addition in 2015 and raised an even bigger flag at our corporate headquarters. While experiencing a record level of business growth, we also maintained our high standards for speed and accuracy of servicing and processing.

# THE FUTURE TAKES FLIGHT

## - SERVICES OVERVIEW -

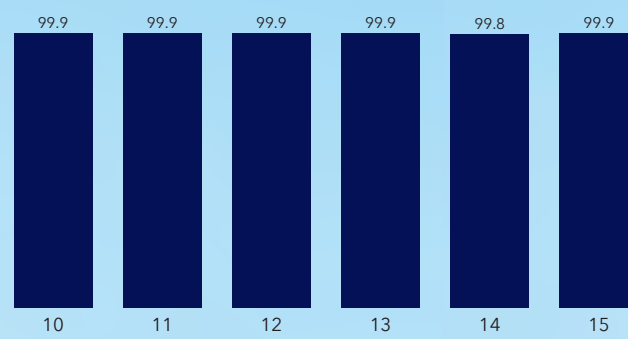
### POLICIES IN FORCE

in thousands



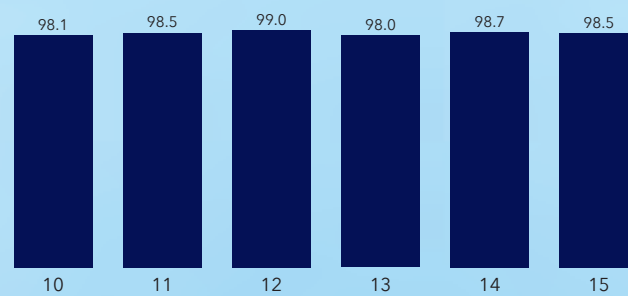
### ACCURACY

percent



### CALLS ANSWERED IN 16 SECONDS OR LESS

percent



## THE FLAGS OF EXPLORATION

American flags have been raised across the globe to mark milestones in the exploration of our planet. American explorer Robert Edwin Peary, credited with leading the first expedition to reach the North Pole, planted a U.S. flag at latitude 87 degrees 6 minutes north on April 21, 1906. He had taken the silk flag on several high-latitude expeditions, leaving a fragment at each successive farthest-north destination. On the 1906 expedition, Peary left a broad diagonal section of the flag behind and stitched a white band in its place.



## LAURA CONKLIN

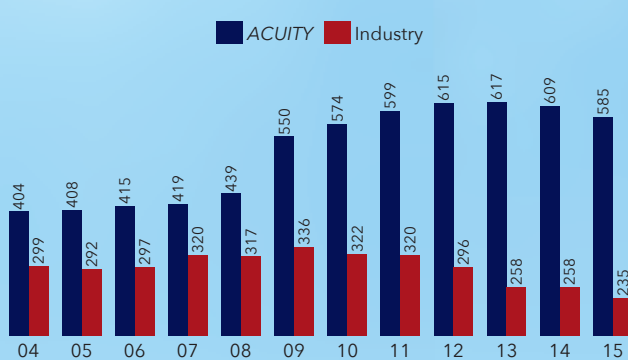
Vice President - Business Consulting

When it comes to efficiency and quality, ACUITY is in a league of our own. Our staff outperforms the industry across every area of measure, earning us a spot on the Ward's 50 list of top-performing companies for a phenomenal 16th straight year.

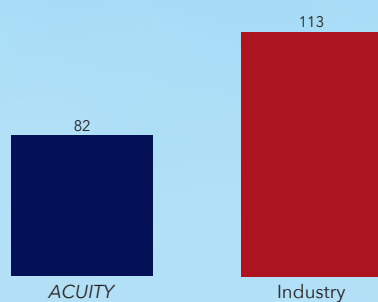
# STANDING TALL

## - BUSINESS CONSULTING OVERVIEW -

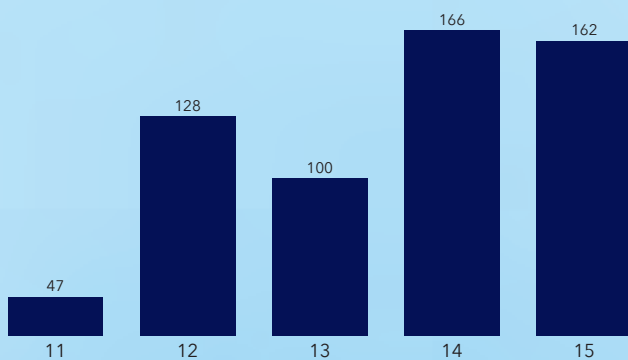
### POLICIES IN FORCE PER EMPLOYEE



### EMPLOYEES PER \$100 MILLION OF REVENUE



### NEW HIRES



## THE STORY OF THE REAL OLD GLORY

The story of Old Glory as a nickname for the U.S. flag began in 1824, when Captain William Driver bestowed the name on a flag given to him as a gift commemorating his first ship command. The flag would accompany Driver on his numerous voyages around the world and, after Driver's retirement, flew at his Nashville home. When Tennessee seceded from the Union, Driver hid the flag from Confederate raiders in an old quilt. When Nashville fell to Ulysses S. Grant in February 1862, Driver uncovered the flag and had it flown over the dome of the capitol building.



## MARCUS KNUTH

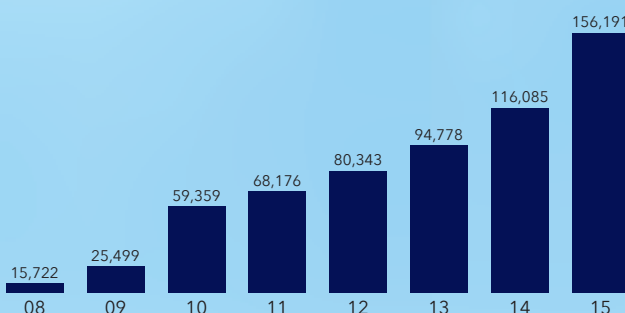
Vice President - Enterprise Technology

ACUITY has raised the bar in developing technology that helps agents do business and supports the outstanding service our staff delivers, and our awards and accomplishments prove it. ACUITY continues to be recognized as an innovator in the areas of ease-of-business technology, staff mobility, and operational efficiency.

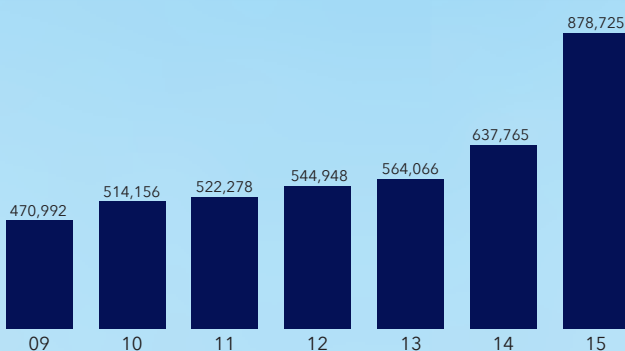
# REACHING FOR THE STARS

## - ENTERPRISE TECHNOLOGY OVERVIEW -

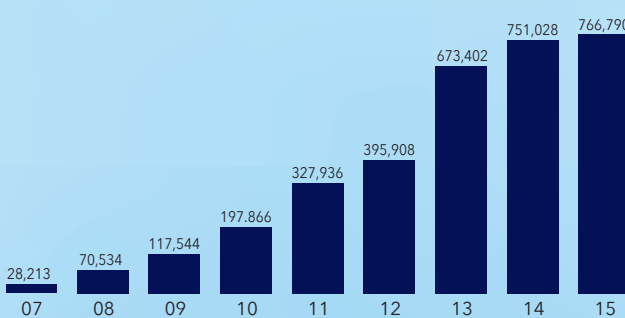
### AUTOMATICALLY ISSUED POLICY CHANGES



### AGENT DOWNLOAD TRANSACTIONS



### PERSONAL LINES REAL-TIME QUOTES PROVIDED



## STATEMENT OF INCOME

For the Year Ending December 31, 2015

|   |                 |
|---|-----------------|
| Underwriting income                           | \$1,235,087,956 |
| Underwriting deductions                       |                 |
| Losses incurred                               | \$641,276,975   |
| Loss expenses incurred                        | 121,206,631     |
| Underwriting expenses incurred                | 355,894,168     |
| Total underwriting deductions                 | 1,118,377,774   |
| Net underwriting gain                         | 116,710,182     |
| Investment income                             |                 |
| Net investment income earned                  | 96,085,283      |
| Net realized capital gains                    | 20,662,252      |
| Total net investment income                   | 116,747,535     |
| Other income                                  | 2,722,012       |
| Net income (before dividends and taxes)       | 236,179,729     |
| Policyholders' dividends                      | 16,590,788      |
| Net income (after dividends and before taxes) | 219,588,941     |
| Income taxes (including deferred)             | 62,111,399      |
| NET INCOME                                    | \$157,477,542   |

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



## COMPARATIVE STATEMENT OF CONDITION

December 31,

|                                  | 2015            | 2014            |
|----------------------------------|-----------------|-----------------|
| <b>ASSETS</b>                    |                 |                 |
| Bonds                            | \$2,038,640,136 | \$1,912,405,590 |
| Stocks                           | 750,235,463     | 772,817,827     |
| Premiums receivable              | 393,302,697     | 368,501,916     |
| Cash and short term investments  | 51,500,846      | 45,005,403      |
| Accrued interest and dividends   | 24,093,570      | 23,099,896      |
| Property and equipment, net      | 181,513,945     | 100,126,169     |
| Reinsurance recoverables         | 118,629,022     | 106,220,736     |
| Deferred acquisition costs       | 111,518,058     | 103,259,047     |
| Other miscellaneous assets       | 18,444,315      | 22,948,007      |
| Total Assets                     | \$3,687,878,052 | \$3,454,384,591 |
| <b>LIABILITIES AND SURPLUS</b>   |                 |                 |
| Loss reserves                    | \$1,040,062,022 | \$955,654,314   |
| Unearned premium reserves        | 612,052,064     | 572,510,924     |
| Loss adjustment expense reserves | 242,792,188     | 224,660,794     |
| Accrued expenses                 | 162,675,512     | 141,213,903     |
| Deferred income tax liability    | 53,765,297      | 91,591,462      |
| Other miscellaneous liabilities  | 3,547,154       | 7,713,443       |
| Total liabilities                | 2,114,894,237   | 1,993,344,840   |
| Policyholders' surplus           | 1,572,983,815   | 1,461,039,751   |
| Total Liabilities and Surplus    | \$3,687,878,052 | \$3,454,384,591 |

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





ACUITY is proud to dedicate this memorial to all who sacrificed to assure our freedom and to those who continue to serve. We owe our gratitude and thanks for their service and sacrifice. There are more than 750 inscribed pavers at the base of the pole that list the names of every Sheboygan County Veteran who paid the ultimate price while serving our country in the line of duty.

**ACUITY**