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, is memorialized at the U.S. Marine Corps War Memorial in Arlington, Virginia, which was dedicated in 1954. The Memorial is 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 –
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 lift-off 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 are likely turning completely white from the moon's harsh conditions.
A BANNER YEAR IN SALES

– SALES OVERVIEW –

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.

TOTAL COMMISSIONS PAID TO AGENTS
in millions of dollars

COMPARATIVE WRITTEN PREMIUM
in millions of dollars

CE CREDITS EARNED BY AGENTS THROUGH ACUITY

15 14 13 12 11 10 09 08 07 06 05 04 03 02 01 00

1,330.1
550.5
341.2
237.1
139.3
90.2
65.2
43.1
23.1
12.0

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. flagholder 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.
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

<table>
<thead>
<tr>
<th>Year</th>
<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>09</td>
<td>532.9</td>
</tr>
<tr>
<td>10</td>
<td>546.3</td>
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<tr>
<td>11</td>
<td>601.3</td>
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<td>12</td>
<td>728.9</td>
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<tr>
<td>13</td>
<td>840.7</td>
</tr>
<tr>
<td>14</td>
<td>923.0</td>
</tr>
<tr>
<td>15</td>
<td>976.0</td>
</tr>
</tbody>
</table>

**COMMERCIAL LINES QUOTE HIT RATIO**

- As of December 31 of each year

<table>
<thead>
<tr>
<th>Year</th>
<th>Hit Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>40.0</td>
</tr>
<tr>
<td>12</td>
<td>37.3</td>
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<tr>
<td>13</td>
<td>40.6</td>
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<tr>
<td>14</td>
<td>39.4</td>
</tr>
<tr>
<td>15</td>
<td>41.2</td>
</tr>
</tbody>
</table>

**COMMERCIAL ACCIDENT YEAR LOSS RATIO**

<table>
<thead>
<tr>
<th>Year</th>
<th>Loss Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>48.6</td>
</tr>
<tr>
<td>11</td>
<td>52.3</td>
</tr>
<tr>
<td>12</td>
<td>48.9</td>
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<tr>
<td>13</td>
<td>46.4</td>
</tr>
<tr>
<td>14</td>
<td>48.2</td>
</tr>
<tr>
<td>15</td>
<td>45.0</td>
</tr>
</tbody>
</table>

*As of December 31 of each year
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 gives those colors specific meanings: white for purity and innocence, red for valor and hardiness, and blue for vigilance, perseverance, and justice.
REACHING NEW HEIGHTS
– PERSONAL LINES OVERVIEW –

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.

PERSONAL LINES NEW BUSINESS WRITTEN PREMIUM
in millions of dollars

PERSONAL LINES LOSS RATIO
ACUITY  Industry*

PERSONAL LINES WRITTEN PREMIUM
in millions of dollars

*Conning industry projections; includes loss and LAE costs
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.
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.

**Jamie Loiacono**  
Vice President - Claims

**Savings from Managed Care (Net)**  
in millions of dollars

**Claims Satisfaction**

*Based on agency surveys*

**Salvage & Subrogation Recoveries**

in millions of dollars
"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
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.

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)

Cash Flow as a Percentage of Net Written Premium (GAAP)

*Based on industry averages from Conning 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. Original 39- or 42-star flags are highly desired by collectors!
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 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.
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.

**RISING TO THE TOP**

- **HUMAN RESOURCES OVERVIEW**

**Average Scores by Trust Index Dimension**

<table>
<thead>
<tr>
<th>ACUITY</th>
<th>Fortune 100 Best</th>
<th>Top 100</th>
</tr>
</thead>
<tbody>
<tr>
<td>85</td>
<td>86</td>
<td></td>
</tr>
<tr>
<td>91</td>
<td></td>
<td></td>
</tr>
<tr>
<td>84</td>
<td>93</td>
<td></td>
</tr>
<tr>
<td>92</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Staff Size**

Average 401(k) Account Balance in thousands of dollars

<table>
<thead>
<tr>
<th>08</th>
<th>09</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
<th>14</th>
<th>15</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.3</td>
<td>2.3</td>
<td>2.3</td>
<td>2.3</td>
<td>2.3</td>
<td>2.3</td>
<td>2.3</td>
<td>2.3</td>
</tr>
</tbody>
</table>

**Average 401(k) Account Balance**
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.
THE FUTURE TAKES FLIGHT

– SERVICES OVERVIEW –

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.

SHERI MURPHY
Vice President - Services & Administration

Policies in Force

Accuracy

Calls Answered in 16 Seconds or Less
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.
STANDING TALL
– BUSINESS CONSULTING OVERVIEW –

When it comes to efficiency and quality, ACUITY is in a league of its 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.

LAURA CONKLIN
Vice President - Business Consulting

Policies in Force Per Employee

Employees Per $100 Million of Revenue

New Hires
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.
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.

Marcus Knuth
Vice President - Enterprise Technology

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
Loss reserves
Loss reserves income
Total underwriting income

Underwriting deductions
Loss reserves incurred
Loss reserves income
Total underwriting deductions

Net underwriting gain
Net investment income earned
Net realized capital gains
Total net investment income

Other income

Net income (before dividends and taxes)
Policyholders' dividends
Net income (after dividends and before taxes)
Income taxes (including deferred)

NET INCOME

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

ASSETS
Bonds
Stocks
Premiums receivable
Cash and short term investments
Accrued interest and dividends
Property and equipment, net
Reinsurance recoverables
Deferred acquisition costs
Other miscellaneous assets
Total Assets

LIABILITIES AND SURPLUS
Loss reserves
Unearned premium reserves
Loss adjustment expense reserves
Accrued expenses
Deferred income tax liability
Other miscellaneous liabilities
Total liabilities
Policyholders' surplus
Total Liabilities and Surplus

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

Statements do not reflect the consolidated operations of non-insurance subsidiaries and are presented on the basis of unconsolidated generally accepted accounting principles (GAAP).
ACUITY’s Board of Directors congratulates you, our agents and employees, on another record-setting year. Thanks to your dedication, commitment, and trust, we are protecting more individuals, families, and businesses than ever before. We are positioned to maintain our growth and success in 2016 and beyond. Because of you, ACUITY soars.

ACUITY SOARS
- BOARD OF DIRECTORS -

Hal Trescott, Gaylon Greenhill
Jack Schwalbach, Ben Salzmann, Mike Duckett, Dick Zimmermann
Paul Hoffman, Lisa Mauer, Bob Willis
Rhonda Kirkwood, Kurt Olson
Margaret Farrow
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.