

The Michigan President's Advisory Council for SECURA Insurance met on Sept. 29, 2021.

SECURA Representatives:

Dave Gross, President & CEO; **Tim Heyroth**, SVP and Chief Sales Officer; **Marty Arnold**, SVP and Chief Underwriting Officer; **Larry Wright**, VP and Chief Claims Officer; **Tripp Humston**, Regional Vice President - Sales

Agent Representatives:

Bill St Charles, Michigan Community Insurance; **Andrew Ahlschwede**, Emil Rummel Agency, Inc.; **Brian Klein**, VTC Insurance Group; **Dave Giancola**, Custom Insurance Agency; **Bryan Gross** (absent), New Lothrop Insurance Services; **John Walker** (absent) Insurance Advisors, Inc.

SECURA Overview

Comments from Dave Gross

SECURA is up 11.2% – we are having a great year. We expect to end the year at approximately \$900 million and end exceeding \$1 billion year-end in 2023. Effective 1/1/21, Mutual Holding company formed. All policyholders will now have mutuality rights – which is staggered as policies renew. This gives us the ability to look at acquisitions and investments differently.

With 900+ associates, we had approximately 150 remote before the pandemic and approximately 250 remote now (we've had over 120 hires since start of COVID-19). The week of July 4th we started a transition for all Home Office associates to return to the office at least three days a week with no travel restrictions. We feel we are better together and our culture and work ethic is best when we can work together in our new building. In our recent work place strength survey, we had 98.5% positive response rate from associates.

Mention of Greg Rummel who earlier this year passed away and previously served on this council.

Tripp Humston:

The state is up 9.5% compared to a plan of +4.3%. Commercial Lines is up 10.5%; Specialty +20%; Farm-Ag +10.5% (Farm +7% & Ag +35%). Personal Lines is down 25% compared to a plan of 16% – we are writing new/more than expected. Our outlook is still cautiously optimistic and we don't see this changing in 2022.

This is the fourth year in a row with growth in the state and we see the momentum continuing in 2022 with a growth plan of +7% (Commercial +8%; Specialty +13%; Farm +3%; Ag +18%; Personal -14%).

We will continue to dive deeper with current agency force and search for new appointments that align with our business segment growth plans. SECURA will be hiring a second Sales Manager for the state, and we have recently narrowed down the pool by conducting phone interviews. We are also researching the Upper Peninsula for market share growth within the state.

Tim Heyroth:

Year-to-date companywide growth of +11.2%, which is exceptional; (new/retention/rate – all 3 are solid). Retention outperforms plan (premium in low 90s policy retention around 90). Our rate plan was 3% and we are at 3.2/3.3 and planning for less than 3% next year. We've had over \$92 million new business this year. All lines of business are doing well in all states – all exceeding plan except Personal Lines – positive growth but not at plan.

SECURA BizLinkSM: 75% of eligible business is received through BizLink, with an 89% satisfaction rate; BizLink continues to evolve and will develop more customer experience enhancements (straight through processing as well as other enhancements). \$8 million booked with 150+ classes. We are looking into an agency integration pilot (API's)/pilot Tarmika.

Top Initiatives: Modernization initiative on back end. SL300 (Specialty Lines 300) – how to grow this segment. We may hit \$100 million this year. We plan to take Specialty Lines to \$300 million (current states and state expansion). We went live in with Specialty Lines in PA on 10/1 (our first new state since 2006). Commercial Lines will follow in PA in 2022. We are building out an additional state expansion plan – more to come; no time frame at this point, and it may be segment specific by state.

Marty Arnold

All four business units are in good shape and profitable; 3 of 4 business units are growing in the double digits. All four are planned to grow next year; all profitable; by size (premium volume): Commercial; Personal/Farm-Ag/Specialty Lines. Specialty Lines may hit \$100 million by year-end.

Staffing: We are onboarding more underwriters so we can get to all good opportunities, and we are expanding the Risk Management team as well.

Service Center: No firm date, but we have a centralized service team created. Order by size CL/PL/FL-Ag+15%; SL – may hit 100 million by year-end.

Reinsurance: Feel good/quotes by Thanksgiving use 46 different companies. Work in progress.

Larry Wright

Michigan had \$3.1 million weather; \$50.2 million companywide with five major storms (bulk of losses in the state are Farm-Ag). It's been an excellent year. Bill Beikes was hired June 2020 from Hanover and

resides in Indianapolis. Brian Schultz resides in Clio. Stacy Davis was hired September 2020 (Grand Rapids); and Cory Roberts – Coldwater, MI. We have an opening for Ann Arbor metro Detroit – please send referrals if you have any.

Jean Timm retired at the end of 2020, and Heidi Christensen has replaced her (Roadside Rescuer). Tony Brecunier will be retiring at the end of 2021, and John Oehler has been selected as his replacement – we will try to schedule travel for John.

Specialty Lines

(Agent comments with SECURA responses)

- Comment:** We feel your appetite is pretty broad, and we've had no issues.
Response: Thank you for the compliment. We feel our appetite is right in line with our competition; however, we are always looking for ways to expand our appetite and add more coverages or classes of business that our agents can use to obtain new business.
- Comment:** We are glad you will always have a conversation.
Response: Our underwriting model is built on service and relationships. A large part of that is discussing risks with our agents to see if we can be a viable market for risks that fall within our appetite. We are not able to write EVERY risk, but please continue to challenge us to see if we can write your BEST risks.
- Comment:** We are seeing assault and battery and a few other exclusions automatically on small event quotes (we'll have a conversation and then it is put back on). Why are you doing this?
Response: This strategy dates back to the inception of the unit in 2010. We will take this under consideration as we look at all of our coverages in the future.
- Comment:** Your pricing seems high (compared to Phily & NSI, which isn't very competitive). We would like to see you focus on pricing vs expansion.
Response: Thank you for this feedback. We attempt to be fair in our pricing on every risk we write. However, we do agree that at times pricing is a factor in obtaining or retaining the risk and we need to make sure that we are in line to write and retain your best business.
- Comment:** Jean Roe is great.
Response: Thank you for the feedback. Jean is a very experienced underwriter that takes her role at the company very seriously. We appreciate the kind words about our staff.
- Comment:** It's all about responsiveness and ease/quickest easiest route wins – which you've gotten better at.
Response: Responsiveness is a very high priority for us, whether that is quoting a risk or just

returning a phone call. You, our agents, are making us better in this regard by continually challenging us to make us more efficient.

7. **Comment:** Straight through processing (quote & issue) is necessary.

Response: We are currently working on a plan to introduce STP in the near future for a segment of our Specialty Lines classes in BizLink. This is very exciting news for all of us as we continually look for ways to support how our agents want to do business with us. Stay tuned for more information on this initiative in the near future.

Commercial Lines

(Agent comments with SECURA responses)

1. **Comment:** We like your tiered approach to the Communicable Disease exclusion for GL/Auto/Umbrella. Some carriers are throwing it on all. It hasn't necessarily come into play – have to wait and see what happens.

Response: Thank you! We're happy to hear that you're comfortable with our approach. Our intent was to develop a common sense solution that works for our agency partners, but also provides us with protection for the most susceptible risks.

2. **Comment:** Manufacturing:

- a. You need carrier & underwriting expertise
- b. Many agencies have a few "go to" & stay in that lane
- c. How does your property form match up with key competitors?
- d. Tough competition in this area

Response: We understand that manufacturing operations can present challenging exposures and unique coverage needs. We're continually working to deepen our expertise through training programs, the development of subject matter experts, and leveraging our reinsurance relationships. We've also made product improvements, such as our enhanced product recall form, to make sure we offer the coverages necessary to compete in this segment. We've challenged ourselves to broaden our manufacturing appetite, and while progress has been made, we know there's more work to be done. Your feedback is an important part of this process.

3. **Comment:** We would like to see state expansion.

Response: State expansion is happening. We'll go live in Pennsylvania for Commercial Lines at some point in 2022. We expect that this will lay the foundation for additional state expansion in the future.

4. **Comment:** We feel you are on the right track.

Response: Thank you! We're extremely pleased with the growth and profitability of Commercial Lines in Michigan. Our great agency partners are the cornerstone to this success. Thank you for trusting us with your business!

5. **Comment:** What is the authority/experience level of your new underwriters? Do they use authority they have? We don't want to lose momentum. Not "hiding" behind authority. Focus on a "how can we help you win" mentality when training.

Response: Our Michigan Commercial Lines team is stable and experienced. The team of six underwriters brings an average of about six years of SECURA underwriting experience. We think it's extremely valuable that four of our underwriters live and work remotely in Michigan. Our underwriters are empowered to make decisions, and we challenge them to use their full level of authority. We also review and adjust their authority on a regular basis as they gain experience. We coach our underwriters to think opportunistically and maintain a can do attitude. We feel this will help us continue to build upon our momentum. We've planned for faster than company average growth for Michigan Commercial Lines in 2022.

6. **Comment:** You have good attitude top down (Adam is aware of what Rick is working on), which is a good model to follow.

Response: We take great pride in our collaboration. We recognize that we're better when we use our collective expertise to solve problems. We lean on each other to find creative solutions that work for you and for us.

7. **Comment:** What is your Service Center strategy? (Size of accounts, pick and choose, new, etc.)

Response: At this time, we are targeting accounts less than \$10,000 in premium and all Commercial Lines classes except trucking. The agency can pick and choose which accounts they want placed into our service center, and our services would start any time after a new business is written with us. We currently have a team dedicated to developing our Service Center, and we will share more information as we get closer to launching.

8. **Comment:** An issue with success in service center is effectively transitioning the relationship.

Response: We have heard this can be a challenge, both from making the insured aware to call the Service Center and in some cases, gaining the agency CSR's trust so that they feel comfortable

forwarding their client to the Service Center. Because of this, we want to focus on two things; creating communication and marketing materials for the insured, making it clear which phone number or email they should contact, and hiring and training the best Service Center reps to ensure excellent customer service and a smooth transition. Ultimately, we want the service center to feel like an extension of your agency and deliver the top-notch service that your clients' expect.

9. **Comment:** Is there a tool you can provide that would show agencies on a somewhat regular basis if you feel their book is adequately priced?

Response: Our Agency Analysis reports are a great book management tool. They provide a comprehensive look at your book of business. We have several additional reports available that can help us understand if we have a book pricing issue with a particular agency. Please talk with your Sales Manager if you're interested in learning more.

10. **Comment:** BizLink has greatly improved from the original release; we give it high marks.

Response: We're glad that you're pleased with the BizLink improvements that have been made. Many of them are based on your feedback. Please continue to share your thoughts and suggestions, and we'll continue to fine tune the system to make it the best user experience as possible. Michigan is among the best of our states for BizLink utilization. We appreciate your willingness to give it a try.

Personal Lines

(Agent comments with SECURA responses)

1. **Comment:** We are not really selling enough of it to be worried about. If you plan on promoting it, then would have a list (prestige product by some carriers-Transmission line, Ransom, Higher limits).

Response: We feature the MILE-STONE package product, and we continue to invest in new endorsements such as Underground Service Line coverage, Siding Match, high umbrella limits. An expanded underwriting appetite will be unveiled in the next year or so.

2. **Comment:** PIP – pricing model (\$500,000 more expensive than unlimited). Starting to select less than unlimited after a renewal cycle. (We feel the market will be at 60-70%). State Farm is defaulting to \$250.

Response: Most SECURA auto maintained unlimited PIP. Our pricing for the various new PIP offerings is compliant with Michigan's specific PIP rate reduction goals made as part of PIP reform.

3. **Comment:** What is your strategy?

Response: Our strategy is to write the best package business sold through our independent agent channel. Michigan's recent PIP reform and fee schedule caps make us optimistic about Michigan's personal lines marketplace.

4. **Comment:** What are your thoughts on the autonomous vehicle trend? There are early talks that by 2023 personal auto premiums will be down 30%. There are many things to consider (profit liability; long-term infrastructure; Physical Damage; Risk Transfer; percentage of vehicles).

Response: We agree there are many issues to determine – who has liability, state differences, impact of weather, etc. We don't anticipate driverless being in the mainstream personal auto insurance arena for at least another decade. We continue to monitor.

Farm-Ag Lines

(Agent comments with SECURA responses)

1. **Comment:** All good - no issues.

Response: We are glad to hear that! Thank you for the feedback.

2. **Comment:** Cosmetic removal on all farm policies. Within a 20-page policy it doesn't say losing coverage? It is expensive to buy back.

Response: For the first time in decades, we had a significant upgrade and rewrite to our Farmowner Protector policy requiring a lengthy PLI to disclose and communicate the changes. The buy-back was explained on page 3, and the loss in coverage was outlined on page 6 of the PLI. We also provided advance notice and a summary of changes to our agency force before the PLI was sent to policyholders. It was not our intent to hide the disclosure, but given the sheer volume of changes, this was one of many changes requiring communication. Regarding pricing, we considered competitor rating along with actuarial indications for that particular coverage for that buyback.

3. **Comment:** Coverages – generate more momentum since other carriers catching/caught up. You need a differentiator.

Response: We are continuously on lookout for new coverage ideas, many of which are suggested by you, our independent agents. If you have a coverage suggestion, please share it with your sales manager or underwriter.

4. **Comment:** SECURA and the market. It does not appear that you react to compete (in general and for farm).

Response: Our goal is to compete for the best farm and commercial agribusiness out there that falls within our appetite. Given our consecutive years of double digit growth and increase in market share, we feel we are competing quite well. For example, we are the 5th largest farm carrier in

Michigan with Farm Bureau and three Michigan domiciled independent agency companies in front of us, and we are the 18th largest on a countrywide basis.

5. **Comment:** Lienholder info sent to lienholder but specifics aren't included, so we are getting many phone calls.

Response: We are continuously looking for ways to provide this information in a way that balances privacy and efficiency. The biggest challenge we have here is our system does not allow us to tie lienholders to individual properties and it is not easily fixed.

6. **Comment:** What is your farm appetite/focus?

Response: Our appetite includes farms of all sizes, with a focus on field crops, dairy, cattle, and fruit/vegetable operations. We also have appetite for poultry and hog operations with more narrow underwriting guidelines. Our underwriters definitely want to help you write new business, so please give them a call so we can help find a way!

7. **Comment:** What is your Agribusiness appetite/focus?

Response: Agribusiness has maintained a stable appetite over the past 10 years. Our main focus continues to fall in five main categories of business which include: Contractors, Farm Retail, Food Product Manufacturing, Ag Trucking, and Growers. One of the more recent class additions has been a move to write some small implement dealers like Kubota or Branson with repair and potentially used inventory.

8. **Comment:** Do you write Mega farms? (TIV)

Response: We do! Farms of this size require more lead time in order to fully understand the exposures present on the risk and go through the underwriting process, so please communicate with your underwriter when submitting risks of this size.

9. **Comment:** You should be educating commercial producers on Agribusiness. Your sales manager and underwriting team agree.

Response: We have tried to find agents that are primarily focused in the commercial space that have some opportunities for Ag. Agribusiness is defined differently by carriers in the space so it may not be obvious to all producers what it means. We think there is significant opportunity in helping our commercial producers just as much as our Farm/Ag partners.

10. **Comment:** What farm succession are you seeing?

Response: Within our book, we are seeing farms be either passed to the next generation or sold to others, as the next generation has no interest in farming.

11. **Comment:** We fear that new tax bill will affect farms (there is an iteration that has a farm exemption within – currently being debated).

Response: We agree. Though we won't be directly impacted by tax bill as it relates to farmers, we are curious to see how they will ultimately be impacted.

Claims

(Agent comments with SECURA responses)

1. **Comment:** What claims trends are you seeing?

Response:

Workers Compensation: We are seeing fewer smaller claims being reported. We assume that is related to the employment situation for small businesses like the food industry which tends to have the smaller claims. We are seeing a continued increase in use of our telemedicine option through the Nurse Hotline, which is a tremendous cost savings for medical cost and keeps the injured worker at work.

Auto: We are seeing parts delays and problems getting estimates on the auto side. Labor shortages for auto repair facilities are now a problem. Glass shortages for our windshield program are also a problem.

Property: We are seeing Public Adjusters on files more frequently in many of the states we write business in, including Michigan (more prevalent in the Detroit metro area). Our reps are coached and trained to work with public adjusters; however, it often means claims are open longer and indemnity payments are inflated to accommodate the Public Adjusters "cut." Related to this, we are starting to see more large first party property claims put into suit for bad faith, especially in Wisconsin. There is a new Wisconsin law firm on the scene that focuses on bad faith lawsuits, and we are seeing an uptick in those cases.

2. **Comment:** What are you seeing and doing in regards to social inflation and the supply chain in regards to claims?

Response:

Workers Compensation: Medical costs continue to be an issue though with fee schedules, usual and customary applications, we are able to help manage those costs.

Auto: Auto repairs are taking longer and storage/advance charges are up. Not only are storage daily rates up, but so are rental costs. It is difficult at times for customers to even find a rental. We have been reimbursing up to the daily rate for ride share costs to help with this.

Property: Certain building products are tough to procure right now (delays) so this extends periods of restoration, which is likely to increase business income/loss of earnings payments. Claims that stay open longer are also more prone to supplements. Lumber costs were a large concern in May/June of this year, but they have returned to near normal levels, coming down almost 75% from a record high in many areas of the country.

Litigation: We are paying close attention to how social inflation might play in a particular venue. This can affect our decision on whether to take a case to trial in that venue.

3. **Comment:** We feel for WC you need experienced, state-focused reps.

Response: We agree. Two of our most experienced work comp claim representatives have serviced Michigan over the years, and there have been no recent changes. Keith Stark has 13+ years of Michigan claim experience and Traci Shadduck has 20 years of claim experience, and the last 5 years handling Michigan claims. Please let us know if you have any specific concerns we can address for you.

4. **Comment:** Is there concern with property costs and inflation? What cost estimators are you using to ensure policies are adequately covered? (varies greatly geographically)

Response: This may be more of a question for Underwriting on building valuations and the tools/resources they use. From a Claims standpoint, our Farm and Personal Lines policies have inflation guard, and many of our Personal Lines policies have the 125% Guaranteed Replacement Cost endorsement that can provide additional limits based on the language of the policy. Additional coverages in most base policies and flex coverages in our Commercial Lines WRAPs can provide for additional limits for debris removal where needed rather than eroding away at the limits that may be needed for reconstruction or repair.

5. **Comment:** For auto claims and the shortage of parts are you extending repair times and car rentals when needed?

Response: We are extending rental and repair times when needed up to policy limits. There are times when we are making an exception and paying a second tow to get the vehicle to a repair facility that can do the work quicker and working with our policyholder on these steps.

Risk Management

(Agent comments with SECURA responses)

1. **Comment:** What is the contact information for Risk Management?

Response: We are very happy to provide you with that information, and you can always check on secura.net in the Risk Management Resources section and click on “Meet Your Risk Manager.”

Eastern Michigan: Thomas Schlubatis, 920-830-4648, Thomas_schlubatis@secura.net

Western Michigan: Tyler Becker, 920-224-7332, tyler_becker@secura.net

Feel free to reach out to them at any time with any questions or concerns you have.

Miscellaneous

(Agent comments with SECURA responses)

1. **Comment:** The stability of SECURA is great.

Response: Thank you! Maintaining financial strength to assure the continued security of our agents and policyholders remains a core principle.

2. **Comment:** We have been using a lot of electronic/digital marketing. We’ve also been utilizing direct mail and it has been effective (including QR code & effective).

Response: This is great to hear. Let us know how we can assist! Our [blog](#) is a great resource for content, and you also have access to our marketing materials in the Sales Resource Center via AgentLink.

3. **Comment:** What are your state expansion plans? Other carriers are also forming, etc.

Response: It is our desire to enter more states in the very near future. We just launched in Pennsylvania with Specialty Lines, and we will be following with Commercial Lines in 2022. We are working on identifying our next state as we research the best opportunities and fit for SECURA and our agency partners.

4. **Comment:** We feel a customer portal or app should be easy and should handle all billing functions. Agents are middle people in billing processes. Clients have 24/7 expectations. We would like you to create something that can be co-branded so insured is going to the agency vs carrier.

Response: Thanks for this feedback! We are kicking off a project to refresh mySECURA, our policyholder portal, to make it easier for our policyholders to use. We will share your input with the project team.

5. **Comment:** We need more reminders on marketing materials.

Response: One of the best ways to get reminders on our marketing materials is to make sure you're signed up to receive SECURA emails. You can do this in AgentLink. We will include links to different marketing materials in these emails and newsletters, as well as promoting them on the home page of AgentLink.

6. **Comment:** We like the marketing material cobranding capabilities.

Response: Thank you! We strive to provide a variety of materials that are easy for you to co-brand and use with your clients.

7. **Comment:** Marketing materials need to be kept current – many carriers have outdated information posted/available.

Response: Our Marketing team partners with our Underwriting, Sales, and R&D departments to make sure our materials have current information. If you find something that appears incorrect, please let your sales manager know, or contact us at marketing@secura.net.

8. **Comment:** We would like a digital media library and assistance with social media content, etc.

Response: This is a great suggestion and something our Marketing department is currently exploring. We will share more information in the future!