

2020

OUR TIME TO
SHINE



GRINNELL
MUTUAL®

How did Grinnell Mutual shine for you in 2020?

**Use the QR code to answer and be
entered to win kitchen and barbecue
tools valued at \$50.**



Open your phone's camera
and hover over the code.
When the code is properly
framed, you will be
prompted to open a browser.
Click on the prompt and the
form should appear.

Deadline: Aug. 31, 2021

2020 ANNUAL REPORT



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CORE VALUES

ACT WITH INTEGRITY

TRUST AND RESPECT OTHERS

VALUE OUR RELATIONSHIPS

SERVE AND PROTECT OUR CUSTOMERS

VISION

AN EMPOWERED TEAM DRIVING INNOVATIVE REINSURANCE AND INSURANCE SOLUTIONS

MISSION

CULTIVATE TRUSTED RELATIONSHIPS WITH:

- MUTUAL MEMBERS BY PROVIDING STATE-OF-THE-ART REINSURANCE SOLUTIONS AND CONSULTATIVE SERVICES FOCUSING ON MEMBERS' SUCCESS
- AGENTS BY PROVIDING INSURANCE SOLUTIONS WITH A FOCUS ON EASE OF DOING BUSINESS
- POLICYHOLDERS BY FULFILLING OUR PROMISE TO HELP YOU IN YOUR TIME OF NEED
- EMPLOYEES BY PROVIDING AN INNOVATIVE ENVIRONMENT WHERE YOU ARE EMPOWERED TO BE YOUR BEST



PRESIDENT'S MESSAGE

2020: THE BEST OF TIMES. THE WORST OF TIMES.

Last year will be a year we will remember forever. Grinnell Mutual faced many obstacles — some we were prepared for and some that we hadn't even dreamed of.

First, a global COVID-19 pandemic. Life as we knew it would be forever changed. Then, on Aug. 10, we and many of our mutual members faced the Midwest derecho, a catastrophic event with wind speeds and damages similar to a hurricane.

It certainly could be considered the worst of times. While we had prepared for a pandemic-driven business interruption event, we were unprepared for the magnitude of this one.

Two things became very clear. We needed to protect our employees. We needed to maintain our customer service levels.

As summer arrived and COVID-19 cases surged, we were also moving into a modest drought in the Midwest. Then the derecho passed through central Iowa and east central Illinois like a runaway freight train. We and many of our mutual members faced a record number of claims and losses while also dealing with damages to offices and/or power and internet outages. This confluence of events, one on top of the other, created issues that no one could have anticipated or prepared for.

Woven into the fabric of 2020 was the stress that these massive disruptors caused for our employees. They had to deal with health issues, uncertainty, and, for many, the same extensive derecho property losses that our policyholders suffered. Yes, this was truly the worst of times.

But, this was also the best of times.

When things get difficult some will give up; others will tackle the issues straight on. Your company and your company's employees took the second option. In the four weeks leading up to March 16, our staff created and executed the process to move the most staff to working from home — a monumental task executed nearly flawlessly. This met our first goal of keeping our staff safe.

But what about our goal of maintaining our high service-level standards? Within two weeks our service levels were back to pre-pandemic status, and, as time went on, our service levels actually improved!

I will never forget visiting with one of our staff members who had come to the office to work after the derecho because she had no electricity or internet services at home. She was working late, and then had to return to a home with no power or air-conditioning and deal with her own property losses. But she thanked me for allowing her to return to the office so she could continue to serve our customers. It's people like this that made 2020 also the best of times.

Through it all, Grinnell Mutual staff found new ways to get things done, and at the end of the year, we posted all-time high employee engagement scores and were named one of 39 Gallup Exceptional Workplaces in the world.

Many employees reported they had spent more time with their family, reconsidered what is really important in life, and focused on helping others. They demonstrated in

their daily lives exactly what our mutual industry is all about — people helping people.

Yes 2020 was also the best of times. Things will never return to what was once "normal." Our customers have higher expectations for what our industry should provide — like improved digital access and pricing based upon personalized use and exposures. And they will expect a premium payback or dividend when their exposures decline.

We'll need to meet these changing expectations head-on to remain relevant. The question for our future is, how will we do that?

This is a challenge we've faced before — that's how the mutual industry was founded 150 years ago.

I know we can trust in tomorrow and rise to that challenge again. Just like we turned the challenge of the worst of times into the successes of the best of times in 2020.

It was truly our time to shine.



A large, stylized handwritten signature in black ink that reads "Jeffrey R. Menagy". The signature is fluid and cursive, with a long, sweeping tail on the final letter.



BRIGHT SPOTS IN A DARK YEAR

IT'S IN TIMES OF UNCERTAINTY AND STRESS THAT AN ORGANIZATION'S TRUE CHARACTER SHOWS. THE CHALLENGES OF THE PANDEMIC — EXACERBATED BY HISTORIC LOSSES FROM THE MIDWEST'S AUGUST 2020 DERECHO — PUT GRINNELL MUTUAL'S CORE VALUES TO THE TEST. NEVER BEFORE HAS SO MUCH BEEN ASKED OF US, OUR CUSTOMERS, AND OUR EMPLOYEES

And we passed that test. Proof came with a renewed 'A' rating from AM Best and another year in Ward's Top 50. In a year of incredible disruption and historic underwriting losses, our overall financial stability and strength remain.

Despite the challenges, for Grinnell Mutual, 2020 was truly our time to shine, a phrase that became our corporate shorthand for the year's many success stories — and the theme of this year's Annual Report.



OUR CUSTOMERS

Maintaining business continuity for our customers while transitioning nearly our entire staff to working from home was the first challenge of 2020 — and the first order of business. We were able to transition more than 600 employees within just two days.

Most of our customers, both business and consumer, never realized anything changed. But of course, it had changed — for everyone, and in every aspect of our individual and collective lives. So we changed along with it.



We provided answers to your questions by creating an information hub on the agency and mutual secured sites and on the public website for policyholders. Being transparent and keeping customers informed has always been important, but never more so than in 2020.

We helped restaurants, a sector devastated by the pandemic, by adjusting underwriting guidelines on vacant properties and offering a non-owned delivery endorsement so they could expand takeout business.



Our reinsurance program reimbursed its mutual members 90 percent of their losses — over \$218 million — after the derecho.

We offered virtual academies for continuing education credits.

We extended cancellation moratoria beyond their mandated lengths in all states for all lines of business.



We gave \$5 million back to our auto policyholders who were driving less in a mostly quarantined world. And we moved student-permit drivers to non-rated status since they weren't driving either.



OUR COMMUNITY

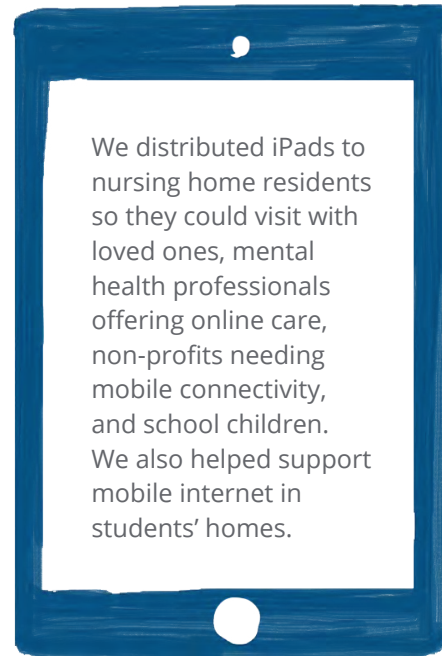
So many people were, and still are, hurting from the economic and emotional effects of both the pandemic and the derecho, especially the people who were already vulnerable. So we helped in the community and encouraged employees to do the same, because we believe in living our core values.

We provided resources to connect employees with groups that were supporting the communities they live in.



We partnered with Grinnell College, the Greater Poweshiek Community Foundation, and the Grinnell-area Chamber of Commerce, donating over \$75,000 to help build emergency funds for area businesses and the Grinnell Regional Medical Center.

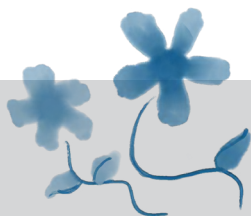
We provided over 1,400 hot meals to area residents reeling from the derecho, many of whom were without power for more than a week.



We distributed iPads to nursing home residents so they could visit with loved ones, mental health professionals offering online care, non-profits needing mobile connectivity, and school children. We also helped support mobile internet in students' homes.



We asked our employees to pitch in and they did. They gave blood and pet supplies, food and school supplies, and money. They also gave more than 2,600 hours of volunteer time through our paid volunteer time-off program.



We did countless small things to brighten the days of frontline workers, dropping off flowers and meals and face masks — and even 700 boxes of Girl Scout cookies that the local troop couldn't sell because of the pandemic.



OUR EMPLOYEES

It was clear from the beginning that the pandemic was disrupting employees' personal lives as much as their work lives. And stressed employees have less to give.

So, Grinnell Mutual found myriad ways to mitigate worries related to their jobs. The biggest of these was a commitment to maintaining full employment. While no long-term promises were made, President and CEO Jeff Menary made clear that no employees would be furloughed or laid off for as long as was sustainable. To date, there have been no furloughs, layoffs, or pay cuts.

We communicated early, often, and transparently. Jeff Menary sent out daily, then weekly, emails and has hosted live virtual Town Hall meetings every week since employees started working from home in March 2020. The forums share updates and information and offer an opportunity for employees to ask questions.



We added virtual care and Doctors on Demand options for safe and convenient access to personal health care. More than half of those visits were used for mental health services.

We encouraged talent leaders to be empathetic and to allow flexible schedules to accommodate individual situations.

We reimagined duties, where possible, to give employees work and hours to deliver, and offered opportunities for employees who could not do their jobs remotely to work on special projects.



We offered a paid time code through 2020 that allowed employees the flexibility to adjust to new demands and realities without exhausting vacation or sick-leave banks.

We focused on mental health, ensuring employees were aware of the many free resources available to them, and added new resources like virtual Conversation Cafés to provide an outlet for employees to connect with each other.



And here we are, still serving, still growing, still keeping our promises, and still valuing the trusted relationships we've spent 111 years building.

All through that century-plus, we've valued your business. But the last year has been a good reminder how much we also value all of you as friends and colleagues.



DIVISION REPORTS



REINSURANCE KEVIN FARRELL, VICE PRESIDENT

Since its founding in 1909, Grinnell Mutual has stood side by side with our members, supporting them through both periods of prosperity and times of challenge.

2020 was a challenging year for Grinnell Re and our membership. We started the year with a global pandemic but successfully navigated the transition to working from home with minimal service disruption to customers. Then, on Aug. 10, 2020, Mother Nature surprised us with a severe derecho that proved to be one of the most catastrophic weather events ever recorded in the Midwest — and was by far the most costly event for Grinnell Re and our membership.

But catastrophes remind us why we exist — to serve mutual members. And we had an unprecedented opportunity in 2020 to prove ourselves. In concert with CAT vendors, we provided claim support on an unprecedented scale. Even with the challenges of social distancing, we effectively leveraged technology to handle claims remotely and to remain connected with customers.

Member companies recovered \$218 million from Grinnell Re in derecho losses, nearly 90 percent of the \$240 million total. In turn, Grinnell Mutual had a substantial recovery from our global reinsurers for the first time in over eight years.

Despite all the challenges of 2020, Grinnell Re had many successes to celebrate. Gross written premium increased 4.9 percent and we added two new members to our farm mutual program for 2021.

At year-end we had served 53.5 percent of the farm mutual companies in our operating territory, a 10-year high. We also added six new clients to our broker-assumed reinsurance portfolio. Benefitted by a strong reinsurance program, Grinnell Re finished the year with a 97 percent net loss ratio and 121 percent net combined ratio.

What does it all mean moving forward?

Multi-billion-dollar events like the Aug. 10 derecho shock the insurance system, changing how the global reinsurance market assesses and prices risk. But we will do what we have done for over a century: stand with our members and provide stability all the way through the risk chain — from policyholder to mutual insurance company to Grinnell Re and, ultimately, to the global reinsurance market.

An appropriate balance of pricing and risk-sharing at each link of the risk chain ensures the long-term strength and resiliency of the insurance system.

The future is bright for farm mutual insurers. Working together, we can continue to trust in tomorrow.





CLAIMS BRIAN DELFINO, VICE PRESIDENT

The Claims division constantly strives to be better tomorrow than we are today. And in spite of the challenges 2020 presented, it also provided opportunities for us to positively impact Grinnell Mutual and its customers. In Claims, everything we do revolves around three key areas:

- Offering a great customer service experience
- Controlling loss costs by paying what we owe but not overpaying
- Managing our expenses by improving productivity and delivering services at the right cost

The resiliency of our staff, mutual members, and agency force was amazing. The claims team handled over 48,000 claims in 2020 — including more than 1,500 claims (2,300 units) from the Aug. 10, 2020 derecho. Even in the face of personal losses,

a transition to working from home, and record company losses, I am proud to say Grinnell Mutual put its customers first. We maintained service and continued to get very high marks from our customers on the service they received.

The rollout of our photo/video-based estimating tools for both auto and property claims is just one example of how we met our standards in all three of our key benchmark areas.

In 2020, we handled over 30 percent of our auto physical damage claims with one of these tools, often completing the process and issuing checks within hours. In total, this new process has reduced our average cycle time for these claims from over 10 days to approximately three days.

Continuing to focus on improving in areas that deliver better business results and customer experiences across the board will continue to be our focus in 2021 and beyond.

Thank you for the trust and support you have given us.





UNDERWRITING, SALES, AND SERVICE

KURT EAVES, VICE PRESIDENT

Overall, year-end growth for Underwriting, Sales, and Service stood at 2.2 percent, with a commercial lines growth rate of 8.1 percent; personal lines farm dropped 2.1 percent.

The major headwind for personal lines growth was our May "Trust in Tomorrow Premium Payback," which shaved over \$5 million from the growth total. The refund was offered to recognize the lower frequency of accidents due to reduced driving during and after the COVID-19 pandemic shutdown. We also recognized that student drivers weren't attending in-person classes and took the unusual step of moving them from rated to non-rated driver status.

Even with the auto premium refund, the division surpassed \$500 million in written premium by year-end, a major milestone. The division also posted a net underwriting

gain of \$8.9 million despite the major impact from the August derecho.

Even with the pandemic limiting travel, our sales team was able to appoint a record 100 new general agents in 2020 while working remotely. The new appointments focused on geographic gaps in our existing distribution footprint and will ensure long-term growth through effective product distribution. The lack of travel time also allowed our sales team to do in-depth territory reviews, allowing more focus on state-level planning for the future.

Because the pandemic eliminated in-person producer training, we transitioned our agent academies to an online format. Virtual sessions allowed agents to earn continuing education credits and learn how to better serve their customers with Grinnell Mutual products. The sessions included farm owners insurance,





commercial target markets, and agency succession.

We also continued moving forward with our CONNECT program, a major platform upgrade, releasing personal umbrella, inland marine, and watercraft in Pennsylvania in 2020. Our next focus is rolling out our new private passenger auto product in our remaining states.

This new multivariate product will be used for all new business and allow us to provide more precise and competitively priced products for a larger spectrum of customers. We will also transition our legacy auto policies to the new platform to provide ease of use for our

independent agency force.

Moving to work-from-home status on March 16, 2020, proved to be a real test of our ability to serve our customers remotely. Rising to this challenge, every operation within the USS division posted a marked service-level improvement over historical norms, even though our call volume increased. And underwriting work queues dropped, even with an influx in commercial new business opportunities.

Many of our agents weren't even aware that our staff was working from home, and a number were surprised to hear this, as they had not experienced any service disruptions.



BY THE NUMBERS

\$765 MILLION
TOTAL SURPLUS

\$33 MILLION
SURPLUS GAIN

\$1.381 BILLION
TOTAL ASSETS

104.8%
COMBINED
RATIO



86%
CAPACITY RATIO

\$31 MILLION
UNDERWRITING LOSSES

108TH
LARGEST PROPERTY-CASUALTY
COMPANY

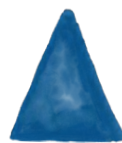
5TH
YEAR IN A ROW
NAMED WARD'S 50
PROPERTY-CASUALTY
COMPANY



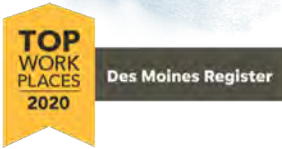
'A'-RATED
BY AM BEST
SINCE
1991

\$735 MILLION

TOTAL GROSS WRITTEN PREMIUM



3%
GROSS
WRITTEN
PREMIUM
INCREASE
OVER 2019



10
STRAIGHT
YEARS AS AN
IOWA
TOP
WORKPLACE

828
EMPLOYEES



16
RETIREES

38
NEW HIRES

13
CO-OP AND
INTERN
STUDENTS



862
SPECIAL
INVESTIGATIONS
COMPLETED



48,826
DIRECT LINES
CLAIMS

152,402
TOTAL CALLS
HANDLED BY
CUSTOMER
SERVICE



19%
REDUCTION IN
PRINTING FROM
2019

14,589
REINSURANCE
CLAIMS

=
1
CALL EVERY
MINUTE, EVERY
WORK DAY

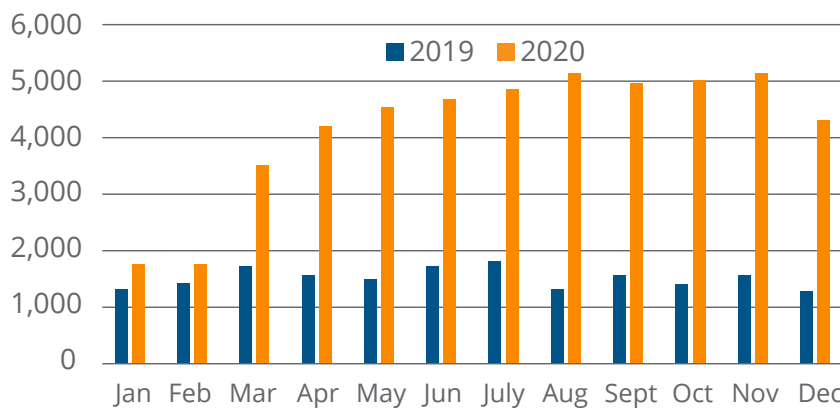
36%
REDUCTION IN
SERVICE DESK
CALLS

17
STATES SERVED

12
STATES WITH
DIRECT LINES

100
NEW AGENCIES
ADDED

NUMBER OF ORGANIZED TEAMS MEETINGS



71
TOTAL AGENCIES IN
PENNSYLVANIA

45K 2019 REMOTE
ONLINE SESSIONS
=
200K 2020 REMOTE
ONLINE SESSIONS

= **444%**
INCREASE

21.7%
GROWTH IN
WRITTEN
PREMIUMS IN
PENNSYLVANIA



CORPORATE RESPONSIBILITY REPORT

	2020	2019	CHANGE
STRENGTHENING COMMUNITIES			
Number of employee hours spent volunteering	1,067	2,331	-54.2%
Number of employees volunteering	178	346	-48.6%
Percent of employees volunteering	21%	41%	-47.7%
Total number of corporate community support (corporate)	96	147	-34.7%
Amount of community investment-education	\$87,922	\$80,000	9.9%
Amount of community investment — miscellaneous	\$155,934	\$95,420	63.4%
Total amount of community investment (corporate)	\$243,856	\$175,420	39.0%
Total number of local community projects supported (GMG Foundation)	63	57	10.5%
Amount of community investment- education	\$115,212	\$136,115	-15.4%
Amount of community investment — health care	\$38,000	\$62,500	-39.2%
Amount of community investment — United Way	\$65,000	\$64,000	1.6%
Amount of community investment- miscellaneous	\$124,110	\$131,500	-5.6%
Total Amount of community investment (GMG Foundation)	\$342,322	\$394,115	-13.1%

	2020	2019	CHANGE
OUR PEOPLE			
Number of employees	828	841	-1.5%
Voluntary employee turnover (%)	5%	7%	-28.6%
Percent of employees who rate GMRC favorably based on Gallup Survey	70%	59%	18.6%
Average employee tenure	13	12	8.3%
Health Matters visits	1,747	2,759	-36.7%

	2020	2019	CHANGE
UTILITIES			
Electrical cost	\$251,480	\$352,989	-28.8%
Electrical kWh consumed	2,508,448	3,648,088	-31.2%
Gas cost	\$50,098	\$57,257	-12.5%
Gas therms consumed	18,338	19,133	-4.2%
Water cost	\$24,515	\$21,043	16.5%
Water gallons consumed	127,700	203,542	-37.3%
Business miles driven	2,471,690	3,866,356	-36.1%
Amount paid for miles driven	\$1,410,376	\$2,058,294	-31.5%
Air miles traveled	53,801	786,489	-93.2%

2020 results significantly impacted by employees working remotely starting in mid-March 2020 due to COVID-19

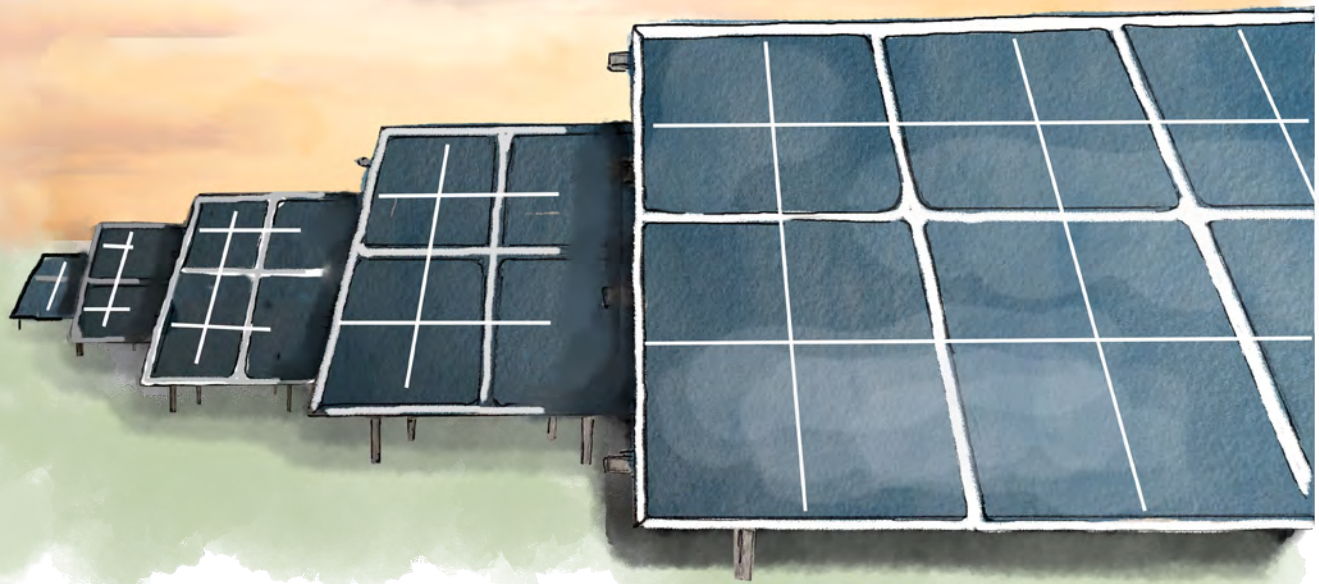


	2020	2019	CHANGE
OUR CUSTOMERS			
Grinnell Mutual PIF (policies in force) reports	196,428	197,795	-0.7%
Grinnell Select PIF reports	128,057	132,477	-3.3%
Grinnell Compass (PA only) PIF reports	1,102	477	131.0%
Number of claims	48,826	56,059	-12.9%
Claims complaints	23	29	-20.7%
Complaints to claims ratio	1:2123	1:1933	9.5%
Number of Grinnell Re Mutual Members (traditional)	240	237	1.3%
Number of Grinnell Re Mutual Members (broker)	25	20	25.0%

	2020	2019	CHANGE	
SOLAR PRODUCTION FROM SOLAR PANELS (Wh)				
January	15,569,876	941,026	1554.6%	
February	39,510,696	9,274,714	326%	
March	32,245,154	34,990,004	-7.8%	
April	36,011,328	41,638,992	-13.5%	
May	34,412,452	42,935,024	-19.8%	
June	42,646,628	50,224,500	-15.1%	
July	52,751,016	57,625,596	-8.5%	
August	Derecho	17,583,492	51,075,548	-65.6%
September	Derecho	—	40,565,572	-100%
October	Derecho	—	36,248,504	-100%
November	Derecho	6,210,048	26,218,268	-76.3%
December		21,524,164	21,896,386	-1.7%
Total amount of solar production from panels (Wh)	298,464,854	413,634,134		
Solar production	298,465	413,634		
Electricity usage (Total actual used)	2,806,913	4,061,722		
Solar percent of kWh	10.6%	10.2%		

Derecho damaged solar panels, which were out for over 3 months

Derecho
Derecho
Derecho
Derecho



GRINNELL MUTUAL REINSURANCE CO. STATUTORY BALANCE SHEETS

(\$s in thousands)

Assets	2020	2019
Bonds	\$994,949	\$982,861
Stocks	169,973	144,331
Subsidiaries	24,741	24,793
Other investments	7,212	1,262
Real estate occupied	15,534	15,936
Cash and short-term investments	17,907	19,751
Total investments	\$1,230,316	\$1,188,934
Accrued investment income	10,760	10,494
Premiums and agents' balances receivable	110,712	106,272
Reinsurance balances	3,848	4,519
Current income taxes receivable	5,916	6,882
Deferred income taxes	7,855	11,753
Data processing equipment	2,056	2,073
Other	9,683	8,878
Total assets	\$1,381,146	\$1,339,805

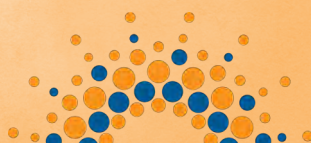
Liabilities	2020	2019
Unpaid losses and loss adjustment expenses	\$289,485	\$324,273
Unearned premiums	216,710	212,463
Accrued expenses and accounts payable	51,167	53,604
Reinsurance balances	27,559	4,661
Borrowed money	20,000	—
Drafts outstanding	-205	61
Additional liability for pension plan	11,571	13,175
Total liabilities	\$616,287	\$608,237
Surplus	764,859	731,568
Total liabilities and surplus	\$1,381,146	\$1,339,805



COMBINED STATEMENTS OF OPERATIONS AND SURPLUS

(\$s in thousands)

Underwriting	2020	2019
Premium earned	\$656,090	\$642,199
Losses incurred	(438,223)	(395,247)
Loss adjustment expenses incurred	(60,348)	(66,454)
Underwriting and general expenses incurred	(188,764)	(181,575)
Underwriting gain (loss)	(\$31,245)	(\$1,077)
Investment	2020	2019
Net investment income	45,629	40,358
Net realized gain (loss)	4,167	2,653
Total investment gain	\$49,796	\$43,011
Other	(513)	(1,163)
Income before tax	\$18,038	\$40,771
Federal income tax expense (benefit)	(58)	4,923
Net income	\$18,096	\$35,848
Other surplus changes	2020	2019
Net unrealized investment gain (loss)	14,838	18,774
Change in non-admitted assets	(1,174)	439
Change in deferred income tax	341	(3,712)
Change in liability for reinsurance	(77)	—
Change in liability for pension plan	1,267	2,766
Total surplus changes	\$33,291	\$54,115
Surplus at beginning of year	731,568	677,453
Surplus at end of year	\$764,859	\$731,568
Ratios (to earned premium)	2020	2019
Loss	66.8	61.5
Loss adjustment expense	9.2	10.3
Expense	28.8	28.3
Combined	104.8	100.2



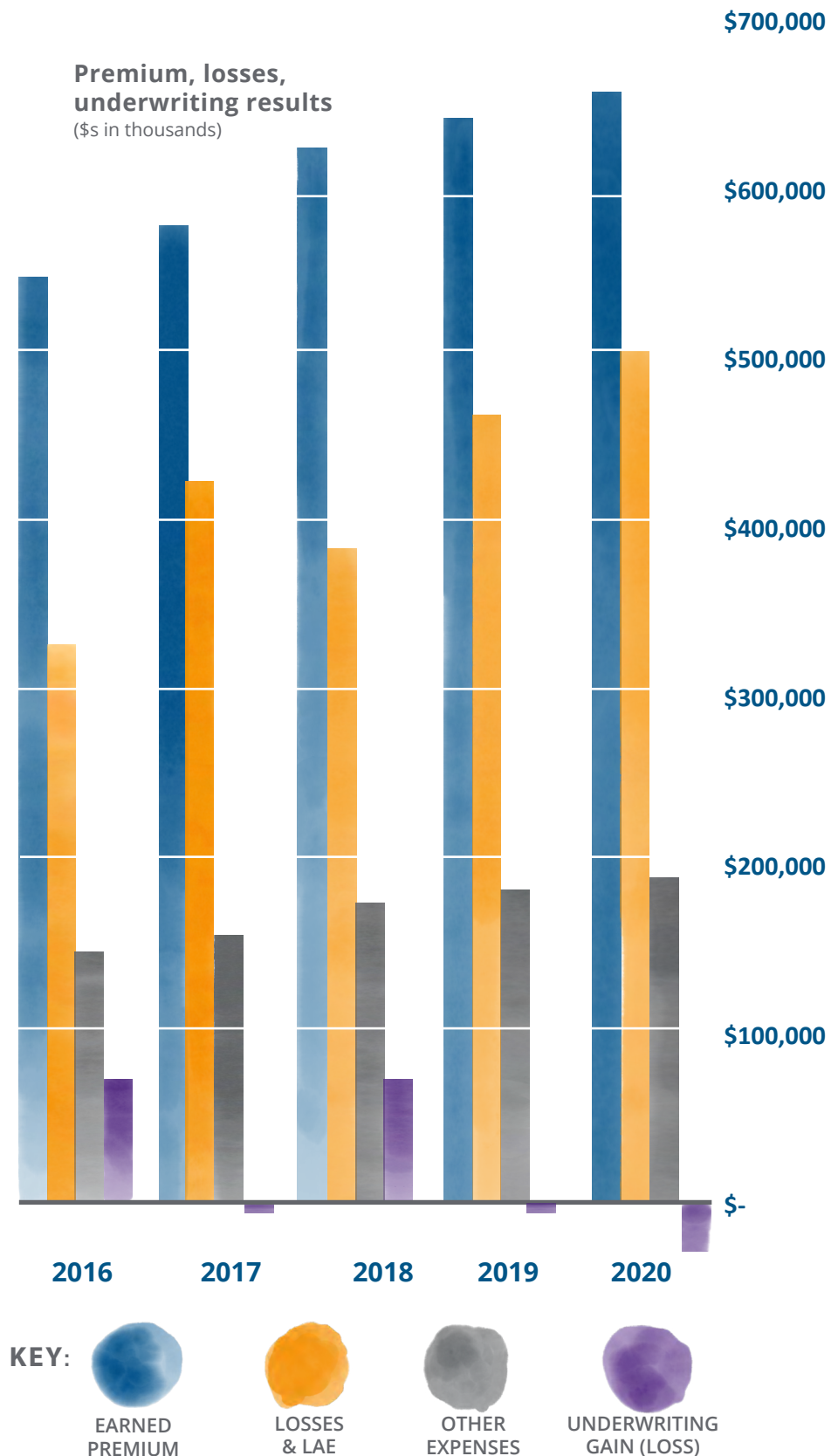
FINANCIAL OVERVIEW

Grinnell Mutual Reinsurance Company and subsidiaries (“Grinnell Mutual”) had a challenging operating year in 2020. The results were significantly impacted by a derecho that swept across one of our most concentrated geographic areas.

The Company was able to finish with a combined ratio of 105 percent and despite that, ended with an increase to surplus due to the ceded reinsurance recoveries and investment results.

The results for 2016 through 2020 have been consistently strong. Net earned premium has grown each year at a steady pace.

Expenses as a percentage of net earned premium increased in the most recent couple of years primarily from expenses related to the new information technology platform. However, expenses remain under 29 percent of net earned premium for all five years.



2020 RESULTS

Premiums earned increased 2 percent in 2020 primarily from growth in the direct commercial lines of business offset by a decrease in private passenger auto business and premium returns to policyholders amounting to over \$5 million after the pandemic decreased driving exposures. Premiums ceded to reinsurers reduced earned premiums by \$73.0 million in 2020 compared to \$64.4 million in 2019; 2020 included \$4.5 million in reinstatement premium after the derecho in August 2020. The net loss and loss adjustment expense ratio increased to 76 percent in 2020 from 72 percent in 2019. The increase in the ratio was primarily due to the derecho that occurred in 2020.

Both years were favorably impacted by strong underwriting practices and growth in earned premiums. There were no recoveries under our ceded property mainframe program during the period 2012 through 2019, however, in 2020 recoveries were over \$200 million. Underwriting and general insurance expenses remained steady as controllable expenses are being carefully managed. The underwriting results were a loss of \$31.2 million compared to a loss of \$1.1 million in 2019. The combined ratio increased to 104.8 percent in 2020 from 100.2 percent in 2019.

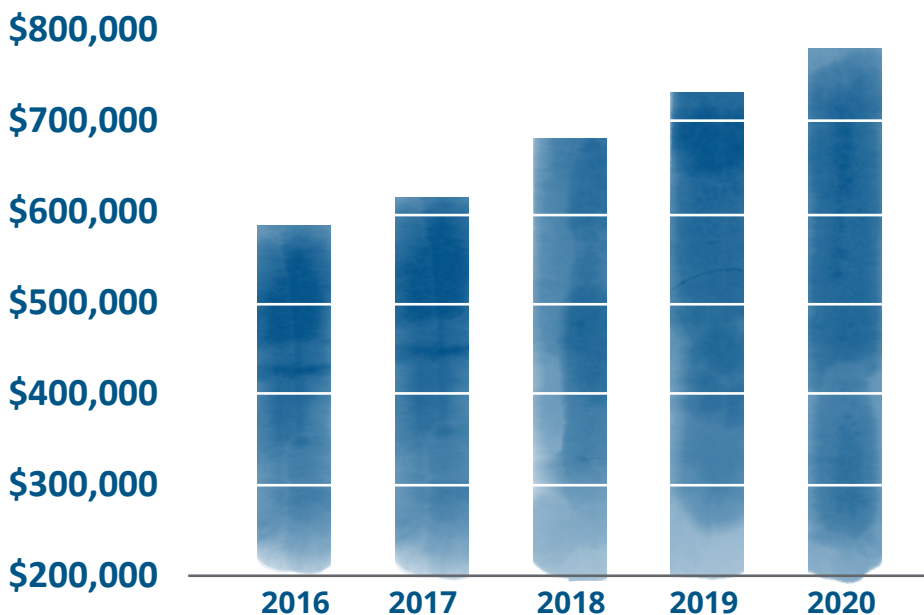
Total net investment gain was \$49.8 million in 2020

compared to \$43.0 million in 2019. Net investment income was up \$5.3 million from increased investment holdings in the portfolio. Realized after-tax gains, which amounted to \$4.2 million in 2020 and \$2.7 million in 2019, were primarily from equity investment diversification and reallocations.

The overall increase in surplus of \$33.3 million in 2020 was primarily from net income of \$18.1 million from operations, after-tax unrealized investment gains of \$14.8 million from higher equity markets and an increase in the nonadmitted assets of \$1.2 million primarily due to software development costs and prepaid pension assets. The surplus growth of 5 percent combined with the premium growth of 2 percent, resulted in a favorable change to the capacity ratio from 89 percent in 2019 to 86 percent in 2020. December 31, 2020 surplus totaled \$765 million and total assets were \$1.4 billion.

Grinnell Mutual has experienced a long-term period of solid performance. We continue to focus on disciplined pricing and underwriting processes as we manage the business to position Grinnell Mutual for the future. Solid capital levels are critical to maintaining our current AM Best rating of "A" (Excellent). You can trust Grinnell Mutual to be here to honor our commitments and support our mutual members, independent agents, and policyholders.

Ending surplus (\$s in thousands)



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