



I am proud to report 2016 was another profitable year for Frankenmuth Insurance. This was no easy feat considering the challenges our industry faced, including the continued low interest rate environment and modest economic growth. However, 2016 also brought mild weather, resulting in fewer catastrophic losses. This, in conjunction with our continued focus on underwriting discipline and solid investment strategies, helped us achieve our goals for the year.

With this performance, our Policyholders' Contingency Reserve Fund grew to \$556 million. For you, our policyholder, this offers assurance that we have the financial strength to honor our commitments in your time of need. This is one of the reasons why A.M. Best continues to affirm our "A" (Excellent) rating – a rating that reflects our ability to meet our ongoing financial obligations.

Our Property & Casualty Insurance segment continued to perform well in 2016. The Commercial Lines division showed meaningful new business growth and profitability.

This year, we launched Frankenmuth Surety, offering contract and commercial bonds in 46 states, to further strengthen the value proposition we bring to our policyholders as well as our independent agency partners. We always have an eye toward the future, and diversification of our business is essential to maintain our strength and stability in the marketplace for years to come.

Our Personal Lines division was also profitable, mainly in the homeowner's line, while the No-Fault automobile environment in Michigan continues to be a challenge. Policy retention remains stable, which is a good indicator we are meeting policyholders' needs.

Our Life Insurance division continues to exceed its goals, protecting more and more families and business owners from financial loss and hardship. In 2016 we introduced two new products - a Final Expense Whole Life Policy and Chronic Illness Rider. These additions are helping to expand the portfolio of products we offer policyholders while giving our agency partners more ways to provide vital life insurance protection to those who are without it.

Keeping Our Promise

Besides financially measuring our progress, how do we know we're doing a great job for our policyholders? For insurance companies, claims service is the moment of truth. It's how we demonstrate we've kept our promise – and how we provide peace of mind.

That's why every month we survey those who've filed claims, asking a variety of questions to learn what we're doing well and where we can do better. Policyholders surveyed in 2016 gave Frankenmuth Insurance a score of 95 percent for overall customer satisfaction. Some of the comments we received this year include:

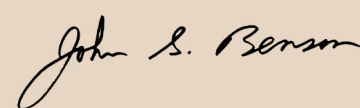
"My claims person kept me current on all happenings above my expectations. Payment was prompt and we were very satisfied."

"Your company is very efficient and A+! I have told many of my friends about the EXCELLENT SERVICE you provided me. Thank you all!"

Providing outstanding service is our passion. And, working closely with our independent agency partners, we strive to provide you, our policyholder, with peace of mind. So, live your life, and pursue your dreams and when you need us, we'll be here.

On behalf of the Board of Directors and management team, we thank our employees and agency partners for their dedication and commitment to serving our policyholders.

And finally, to our policyholders, thank you for your business. We are committed to earning your trust every day.



John S. Benson
Chairman of the Board & CEO

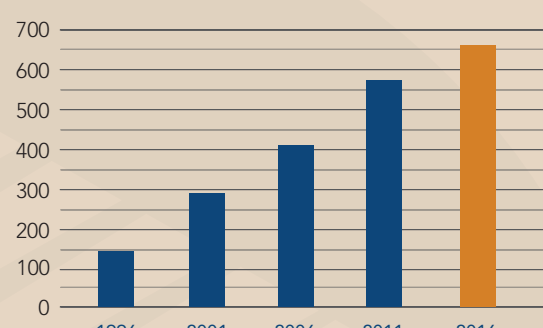
Combined Financial Statement

(in thousands)

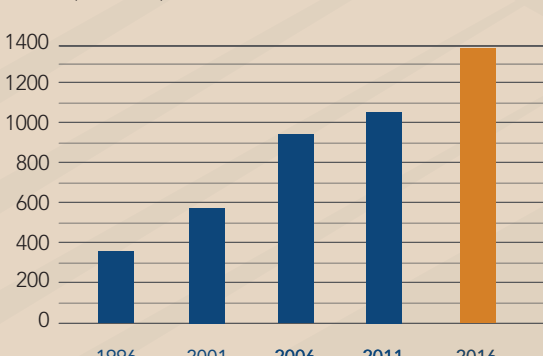
ASSETS	2016	2015
Fixed-Income Securities	\$978,926	\$887,864
Equity Securities	84,943	120,952
Real Estate	31,321	29,341
Cash and Short Term Investments	48,294	21,363
Total Cash and Investments	1,143,484	1,059,520
Premium Receivable	198,136	188,841
Deferred Federal Income Tax	38,384	37,498
Other Assets	14,334	13,837
TOTAL ADMITTED ASSETS	\$1,394,338	\$1,299,696
LIABILITIES	2016	2015
Claim Reserves	\$432,247	\$398,951
Unearned Premium Reserves	285,238	275,506
Other Liabilities	120,893	116,942
TOTAL LIABILITIES	\$838,378	\$791,399
Policyholders' Contingency Reserve Fund*	\$555,960	\$508,297
TOTAL	\$1,394,338	\$1,299,696

* Excess of assets over obligations. This fund is set aside to allow us to pay catastrophic claims without affecting normal operations.

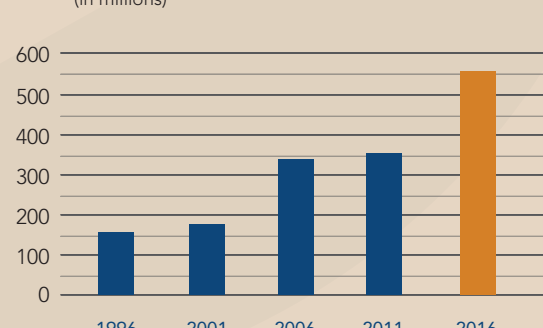
Direct Written Premium
(in millions)



Admitted Assets
(in millions)



Policyholders' Contingency Reserve Fund
(in millions)



About Frankenmuth Insurance

Frankenmuth Insurance, a Michigan-domiciled company, was founded in 1868 on the tradition of neighbor helping neighbor to provide property and casualty insurance. For nearly 150 years, our company has helped its policyholders recover from losses caused by storms, accidents and other perils.

Our organization includes our lead company – Frankenmuth Mutual Insurance Company; three Michigan-domiciled property and casualty insurance subsidiaries – Ansur America Insurance Company, ASure Worldwide Insurance Company and Fortuity Insurance Company; a Maine-domiciled property and casualty insurance subsidiary – Patriot Insurance Company; a Michigan-domiciled life insurance company – Patriot Life Insurance Company; and Frankenmuth Surety, a division of Frankenmuth Insurance.

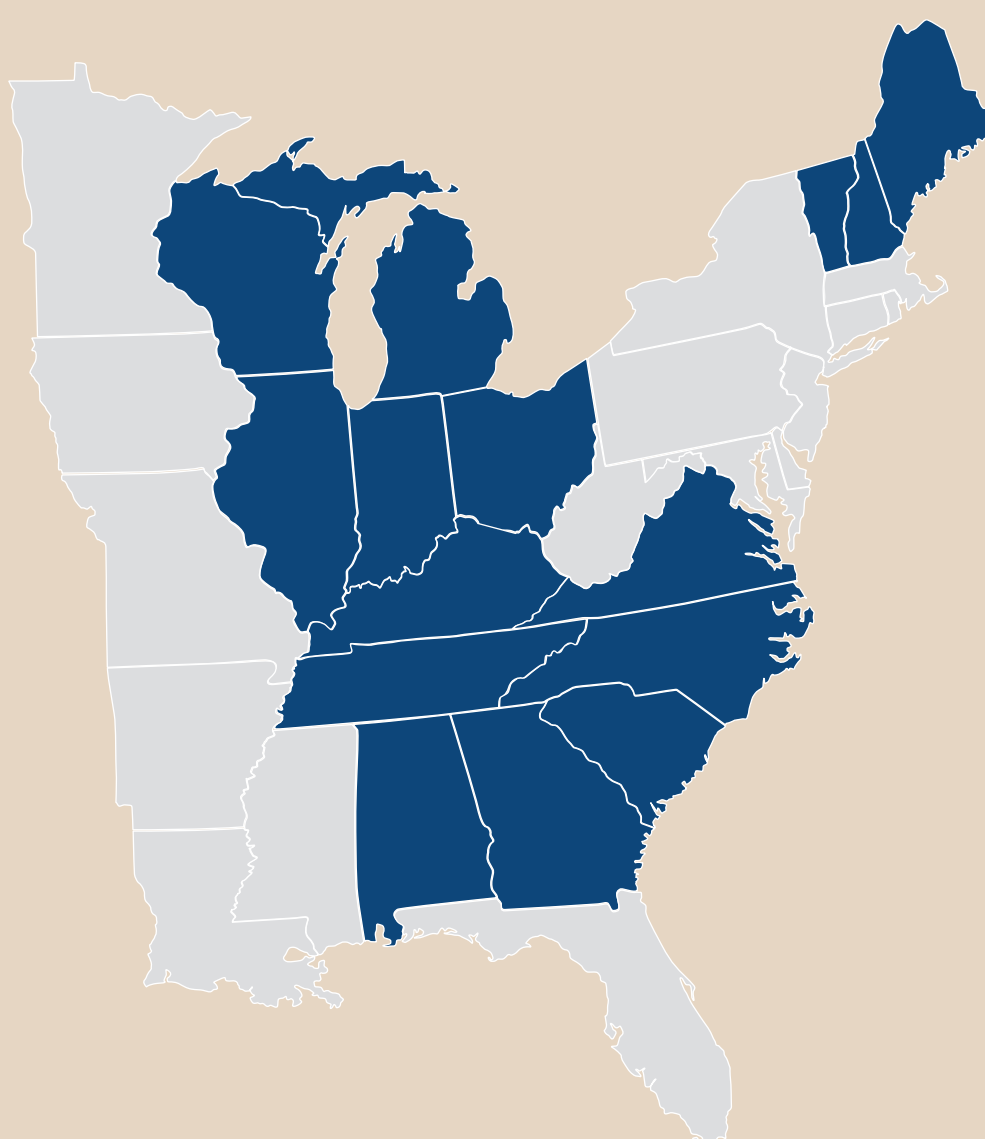
Throughout our company's history, reliable coverage, excellent claim service and financial strength have been traditions we strive to uphold. As a result, we have consistently maintained high industry ratings.

Frankenmuth Insurance and its subsidiaries are rated "A" (Excellent) by A.M. Best. This rating reflects our strength in relation to the overall insurance industry. A.M. Best, when assigning ratings, considers such vital areas as competent underwriting, control of expenses, adequate resources and sound investments.

As our policyholder, you have the security of knowing you are insured by a financially sound, well-managed organization whose guiding principle is to provide you with peace of mind.

Where We Do Business

- Alabama
- Georgia
- Illinois
- Indiana
- Kentucky
- Maine
- Michigan
- New Hampshire
- North Carolina
- Ohio
- South Carolina
- Tennessee
- Vermont
- Virginia
- Wisconsin



Officers

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 Bryan L. Gilleland, SPHR - Senior Vice President
 Brian S. McLeod, CPA, AIAF - Vice President, Treasurer & Secretary
 Jami M. Kelly, CPCU, ARM, ARe, CIC, AU - Vice President
 Andrew H. Knudsen - Vice President
 Philip J. McCain, MSTP - Vice President

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 Drew R. Zehnder, CPA

Privacy Policy

Frankenmuth Insurance's privacy policy complies with the federal requirements of the Gramm-Leach-Bliley Act of 1999. It assures the personal information of our customers will only be used to conduct our business. We will safeguard consumer information by maintaining security measures to ensure information in our records is protected.