



I am pleased to report Frankenmuth Insurance produced another year of outstanding performance for 2017. We achieved strong premium growth and profitability despite a significant increase in catastrophic weather-related losses. Also, we benefited from an exceptional year in the equity investment markets, and in 2018 direct written premiums are expected to eclipse a new milestone — \$700 million.

Our Policyholders' Contingency Reserve Fund grew to \$606.7 million. For you, our policyholder, this offers assurance that we have the financial strength to honor our commitments in your time of need.

A.M. Best reaffirmed our "A" (Excellent) rating, and upgraded our outlook from stable to positive — based on our consistent performance and financial strength. We were also named to Ward's 50<sup>®</sup>, a list of top performers in the U.S. insurance industry, an honor we have now earned 15 times. We believe these reviews are a direct result of our business practices that favor sound underwriting, pricing discipline, strong relationships with our independent agency partners, prompt claims payments and neighborly service.

This successful year comes as we begin to celebrate a significant milestone anniversary — 150 years of providing peace of mind to our policyholders since October 14, 1868. Most companies do not survive 150 years, so we are very proud of our history and extremely thankful to all who helped Frankenmuth Insurance become the great company it is today.

Much has changed since our beginnings, but the foundational principle of "neighbor helping neighbor" can still be found in every transaction, interaction and connection with our policyholders and agents. As we reflect upon our early years, we are also looking ahead to a bright future. We are investing in our people and systems to provide enhanced services and efficiencies, which are necessary to remain relevant, viable and competitive. Specifically, we are upgrading our core operating systems, expanding our digital service capabilities, enhancing product offerings, increasing advanced analytics and entering new states. These investments are vital elements for us to continue achieving our vision of being your insurer of choice.

Commercial Lines, which serves all 15 states, continues to perform well. Premium growth exceeded plan, and losses were lower than expected. Workers' compensation continues to be our best performing line of business while business auto is our most challenging, mirroring the industry, which is impacted by increased miles driven, inexperienced drivers and distracted driving. The surety division topped \$3 million in premium in its second full year of operation.

Personal Lines met its growth plan and produced favorable loss experience despite significant weather activity in the homeowners line of business. Personal auto continues to be challenging, but has shown steady improvement.

Our life insurance division continues to grow and expand with increased support from our independent agency partners. More and more policyholders are protecting their financial futures with quality, affordable life insurance.

The true test of an insurance company is how it performs for its policyholders who file claims. In 2017, our policyholders gave us high ratings, with 95.9 percent expressing satisfaction with the claims services we provided.

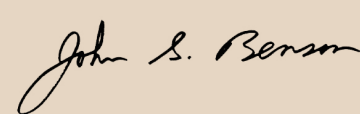
We are humbled by and appreciative of the comments provided by our policyholders, which reinforce our efforts to provide fast, fair claims service:

*"Very nice job. Claim was simple, easy and very quick to get everything taken care of. Thank you so much."*

*"I have been beyond satisfied with your insurance company overall. I appreciate how fast my services needed were resolved. The people I dealt with were nice and very respectful of my items & belongings."*

We will continue to work hard to earn your trust by providing proper insurance protection, affordable pricing and prompt, personal service. But that's only part of what contributes to our success. Our independent agency partners are essential to serving our mutual customers and we value our strong relationships with them and their commitment to working together to serve you.

On behalf of our Board of Directors and management team, we offer sincere thanks to our employees and agency partners — past and present — for all they have done to contribute to our success for nearly 150 years of neighbor helping neighbor.



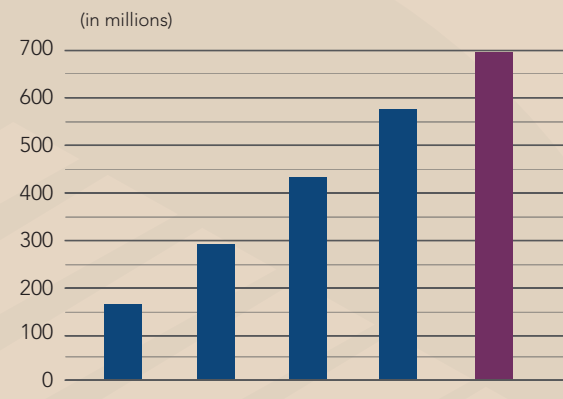
John S. Benson  
Chairman of the Board & CEO

### Combined Financial Statement (in thousands)

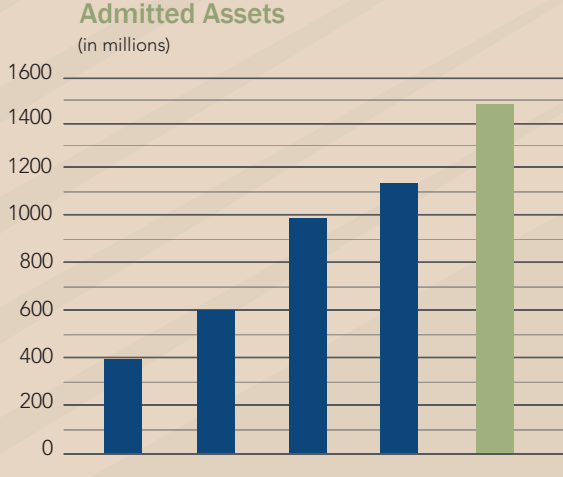
ASSETS	2017	2016
Fixed-Income Securities	\$999,267	\$978,926
Equity Securities	137,023	84,943
Real Estate	36,956	31,321
Cash and Short Term Investments	43,895	48,294
Other Invested Assets	18,213	—
Total Cash and Investments	1,235,354	1,143,484
Premium Receivable	215,992	198,136
Deferred Federal Income Tax	22,180	38,384
Other Assets	15,158	14,334
<b>TOTAL ADMITTED ASSETS</b>	<b>\$1,488,684</b>	<b>\$1,394,338</b>
LIABILITIES	2017	2016
Claim Reserves	\$439,739	\$432,247
Unearned Premium Reserves	303,575	285,238
Other Liabilities	138,677	120,893
<b>TOTAL LIABILITIES</b>	<b>\$881,991</b>	<b>\$838,378</b>
Policyholders' Contingency Reserve Fund*	\$606,693	\$555,960
<b>TOTAL</b>	<b>\$1,488,684</b>	<b>\$1,394,338</b>

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

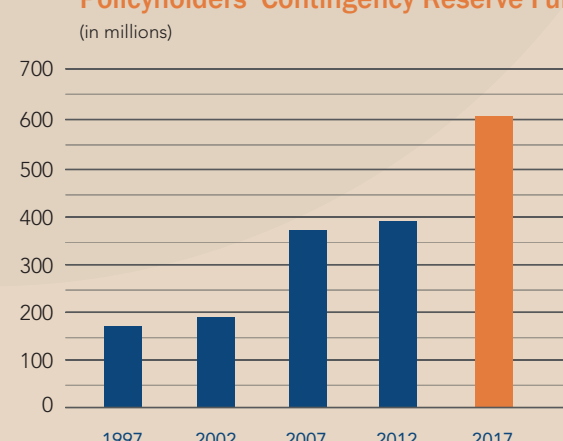
### Direct Written Premium (in millions)



### Admitted Assets (in millions)



### Policyholders' Contingency Reserve Fund (in millions)



## About Frankenmuth Insurance

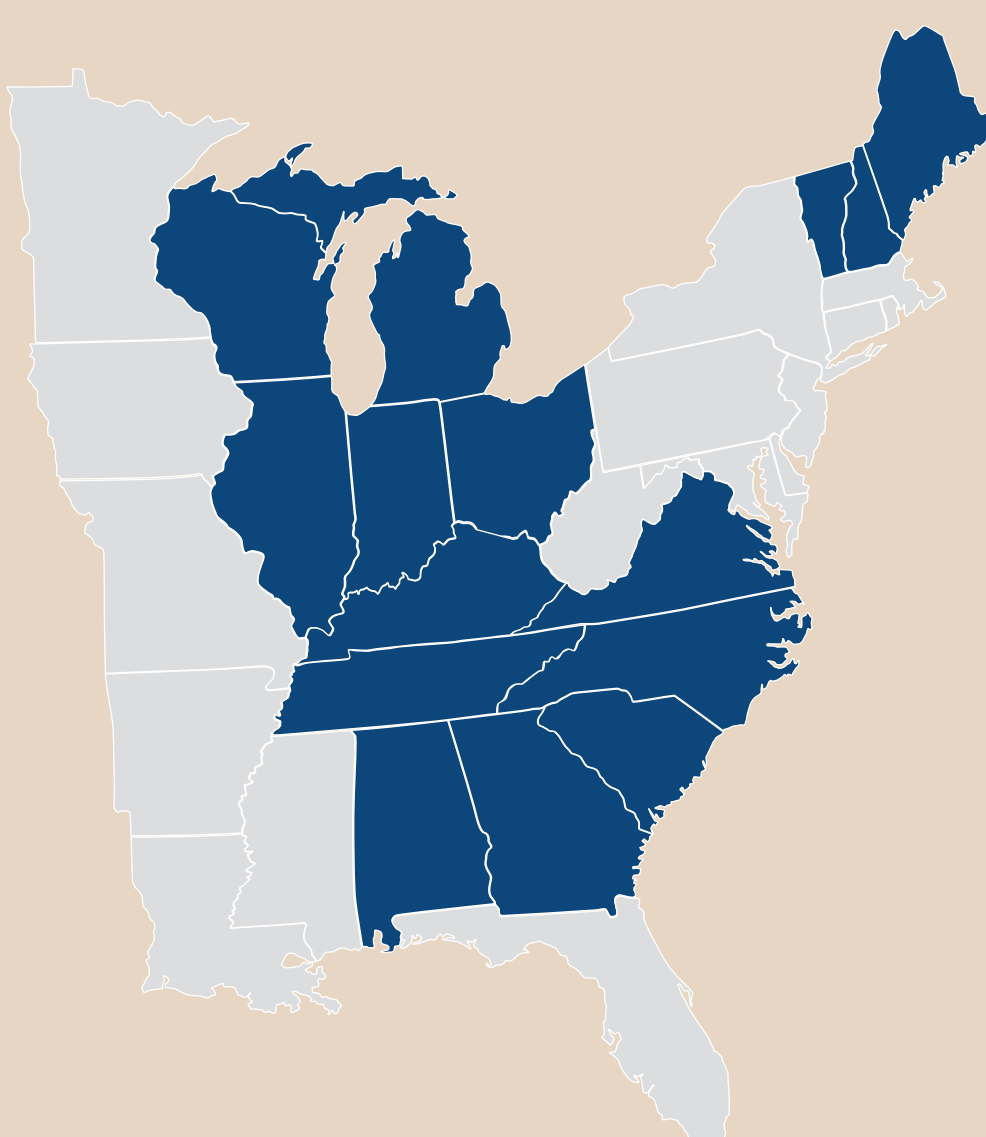
Frankenmuth Insurance, a Michigan-domiciled company, was founded in 1868 on the tradition of neighbor helping neighbor to provide property and casualty insurance. For nearly 150 years, we have helped our policyholders recover from losses caused by storms, accidents and other perils.

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 claims service and financial strength have been traditions we strive to uphold. 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

John S. Benson - Chief Executive Officer  
 Frederick A. Edmond, Jr., CPCU - President & COO  
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 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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## 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.