

Dear Policyholder,

This past year we were blessed with a lower claims frequency than normal, but an unusually large number of our policyholders experienced major claims and total losses. It's a good reminder that the role of a mutual insurance company is to facilitate policyholders helping each other in their time of need.

Despite the number of large losses we ended the year with very positive underwriting results. These results can be attributed to the diligent work of staff and agents, as well as the ongoing responsible stewardship of our loyal policyholders. We were also supported in significant ways by our reinsurance partners who carried a portion of the large losses.

Premium continues to grow, but at a slower pace than it has historically. Efforts are in process to accelerate our organic growth in order to serve more policyholders. Prudent expense control and overall claims experience offset any shortfall in premium growth. Policyholders' Surplus increased strongly to \$164 million providing capacity to pay claims and invest for the future.

Our **A, Excellent** rating with AM Best and seventh consecutive designation by The Ward Group as one of the Top 50 property and casualty companies in the country reaffirms the long-term financial stability of the combined companies.

Our strategic initiatives this coming year will continue to focus on responding quickly to the changing needs of our policyholders, especially in the Farm & Commercial product areas. As a mutual insurance company we exist solely for the benefit of policyholders, not for outside investors. We invest all profits back into the company.

We appreciate the loyalty and commitment of our policyholders and will continue to work diligently to maintain your trust. Thank you for giving your agent and the Goodville and German Mutual team the opportunity to serve you.



David Gautsche  
*President & CEO*



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German Mutual

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As of December 31

Assets	2016	2015
Bonds	\$ 183,635,056	\$ 167,429,599
Stocks	53,667,951	56,273,532
Mortgage Loans on Real Estate	74,085	87,445
Land and Home Office Building	4,799,529	1,648,942
Cash & Short-term Investments	15,599,678	9,257,320
Premiums Receivable	19,008,530	17,893,508
Accrued Interest Receivable	1,046,642	1,002,987
Other Assets	3,191,771	5,102,649
<b>Total Assets</b>	<b>\$ 281,023,242</b>	<b>\$ 258,695,982</b>

**Liabilities & Policyholders' Surplus**

Reserve for Unpaid Losses	\$ 43,016,760	\$ 42,705,581
Unearned Premiums	57,167,854	55,094,502
Other Liabilities	13,701,455	13,368,831
Income Tax Payable	2,723,763	999,657
Policyholders' Surplus	164,413,410	146,527,411
<b>Total Liabilities &amp; Surplus</b>	<b>\$ 281,023,242</b>	<b>\$ 258,695,982</b>

**Underwriting Income**

Premiums Earned	\$ 135,516,211	\$ 130,228,147
Losses Incurred	71,140,944	67,934,118
Loss Adjustment Expense	9,301,716	9,604,543
Underwriting Expense	38,080,797	37,163,955
<b>Underwriting Gain/(Loss)</b>	<b>\$ 16,992,754</b>	<b>\$ 15,525,531</b>

**Investment Income**

Net Investment Income	\$ 6,753,273	\$ 6,442,526
Other Income	344,081	368,021
Federal Income (Tax) or Credit	(5,874,428)	(6,037,381)
<b>Net Income/(Loss)</b>	<b>\$ 18,215,680</b>	<b>\$ 16,298,697</b>

**2016 Summary**

<b>Direct Premium Writings</b>	<b>\$ 144,185,628</b>	.....(+3.7%)
<b>Total Assets</b>	<b>\$ 281,023,242</b>	.....(+8.6%)
<b>Policyholders' Surplus</b>	<b>\$ 164,413,410</b>	.....(+12.2%)
<b>Super Service Claims Settlement</b>	<b>76%</b>	
<b>Net Income/(Loss)</b>	<b>\$ 18,215,680</b>	
<b>Best's Rating</b>	<b>A VIII (Excellent)</b>	

**Operating Ratios**

	2016	2015
Losses Incurred to Premiums Earned	59.4%	59.6%
Expense Incurred to Net Premiums Written	27.7%	28.1%
Combined Loss and Expense Ratio	87.1%	87.7%

**Policyholders' Surplus**

	2012	2013	2014	2015	2016
\$ 160,000,000					●
\$ 150,000,000					
\$ 140,000,000				●	
\$ 130,000,000			●		
\$ 120,000,000		●			
\$ 110,000,000	●				

**Managing Officers**

David C. Gautsche, President & CEO  
 Jerry L. Goodpaster, Vice President Underwriting  
 Fred M. Macy, Vice President Marketing  
 Philip W. Shirk, Chief Financial Officer, Vice President  
 Michael S. Zimmerman, Vice President Claims

**Board of Directors**

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 Carlton L. Miller, Vice Chairman, State College, Pennsylvania  
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 Jeremy C. Shue, Goshen, Indiana  
 Pete Wyse, Wauseon, Ohio

**Corporate Objectives:**

**Enduring Relationships**—To develop and nurture enduring relationships with employees, agents, policyholders, business partners and community.

**Competitive Products**—To deliver high quality, competitive insurance products to our target market.

**Outstanding Service**—To satisfy our customers with outstanding service.

**Financial Stability**—To manage operations for profitability and long-term sustainability.

**working**  
 to earn your trust every day