

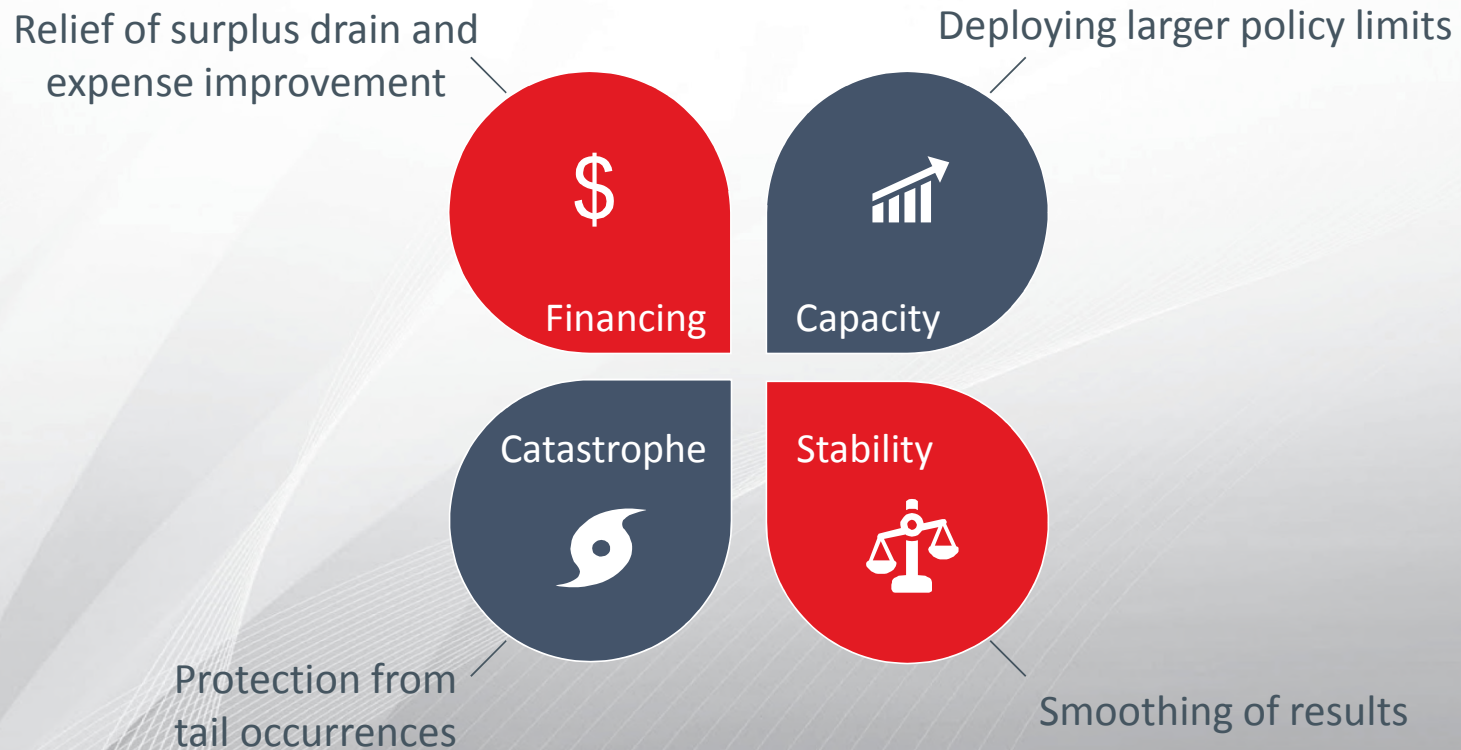


Reinsurance

You're with family.



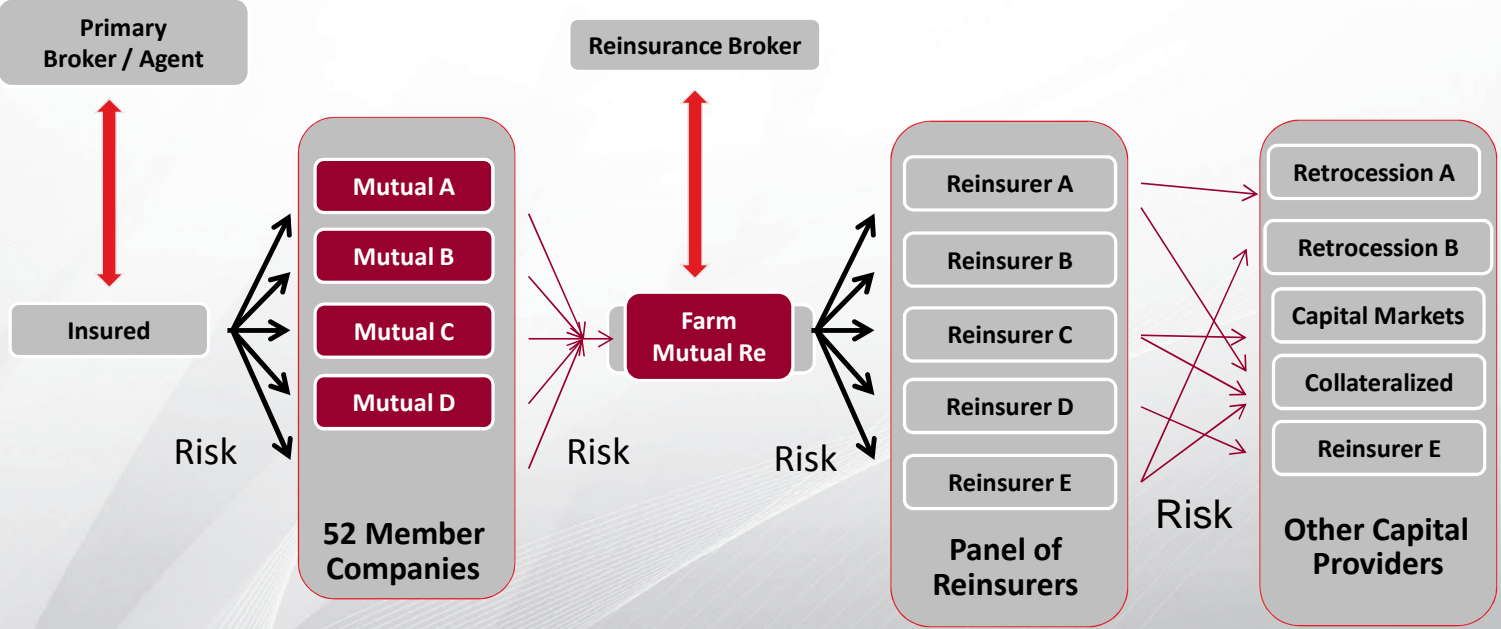
Why is Reinsurance Purchased?





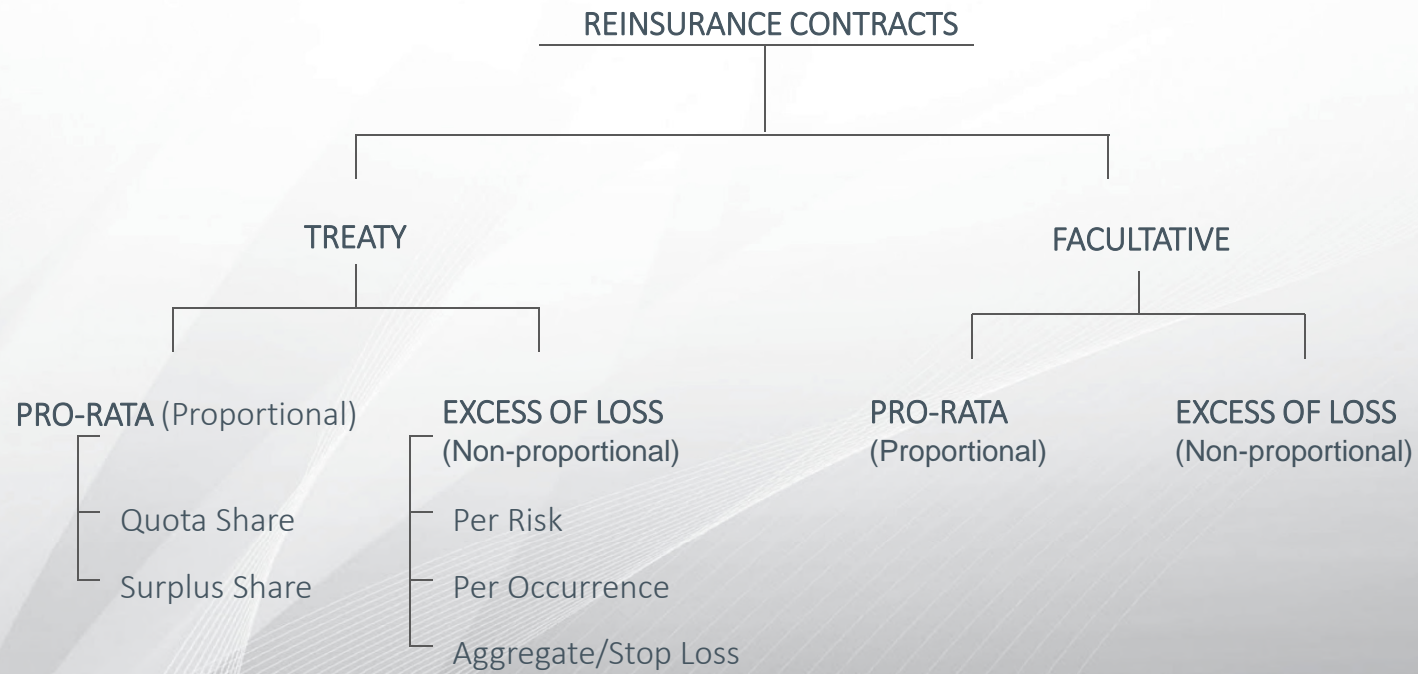
Flow of Risk

Insurance / Reinsurance Chain





Types and Forms of Reinsurance





Per Risk vs Per Occurrence vs Aggregate

Per Risk

- One retention per loss
- Each loss limited individually

Catastrophe

- One retention applies per loss occurrence, or event
- Limit applies to the sum of all claims from one event, or occurrence

Aggregate

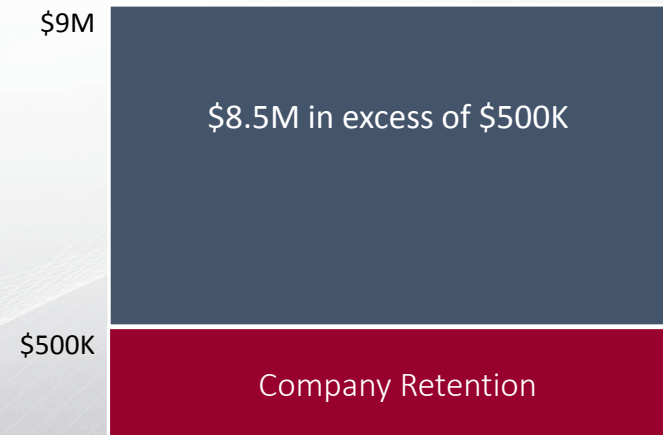
- All NET losses within a defined class of business are grouped or aggregated
- The retention and limit is applied to this total amount



Excess of Loss Reinsurance (Non-Proportional)

- Reinsurer covers losses above a specified retention up to a predetermined limit as purchased by the ceding insurer
- Losses are only ceded to the reinsurer after the retention amount is exhausted.

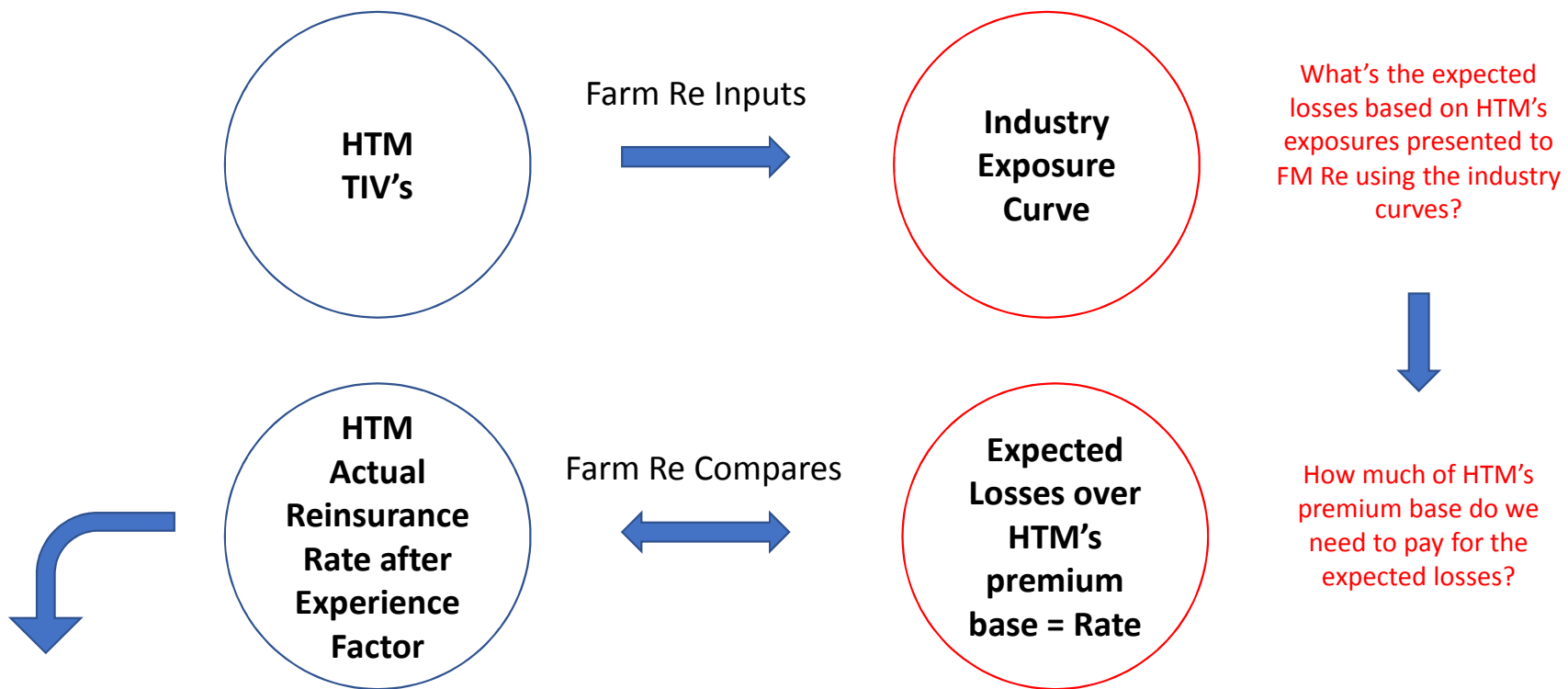
Excess of loss example



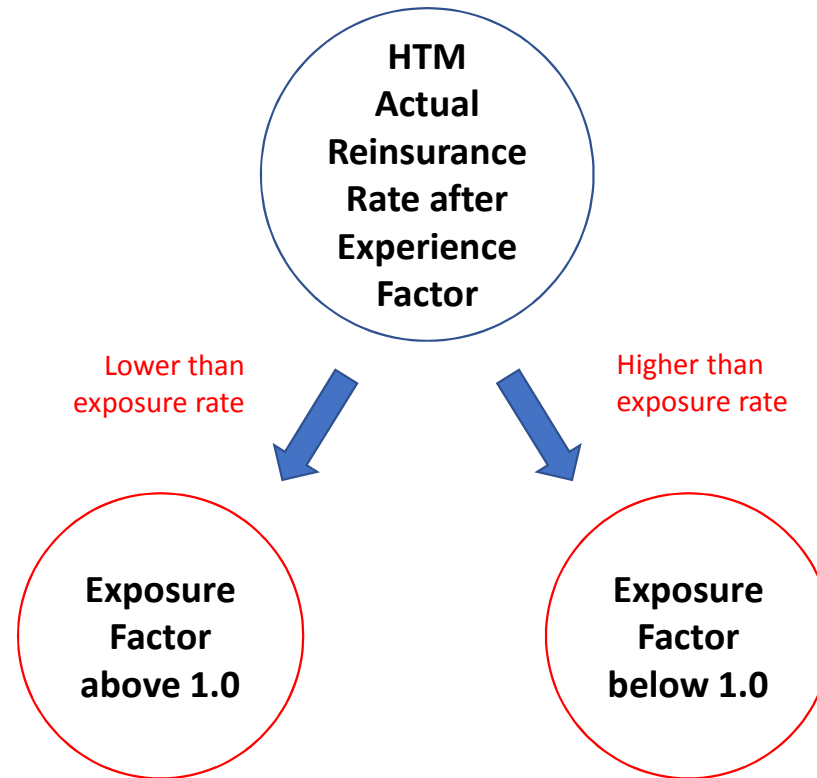
Reinsurance - Property



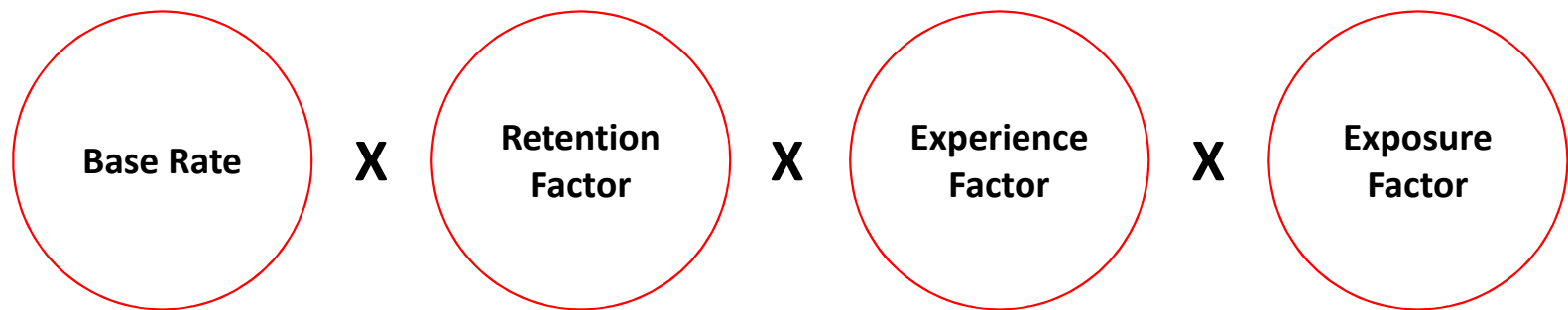
Property Rating



Property Rating



Property Rating – Formula



Property – Compare @ Same Retention

\$575,000 Retention	Reinsurance Premium	\$ decrease or increase	% decrease or increase	Rate
2021	3,290,825			13.5%
2022	3,457,866	167,041	5.1%	14.2%

Based on Estimated 2022 Premium of \$25,379,500

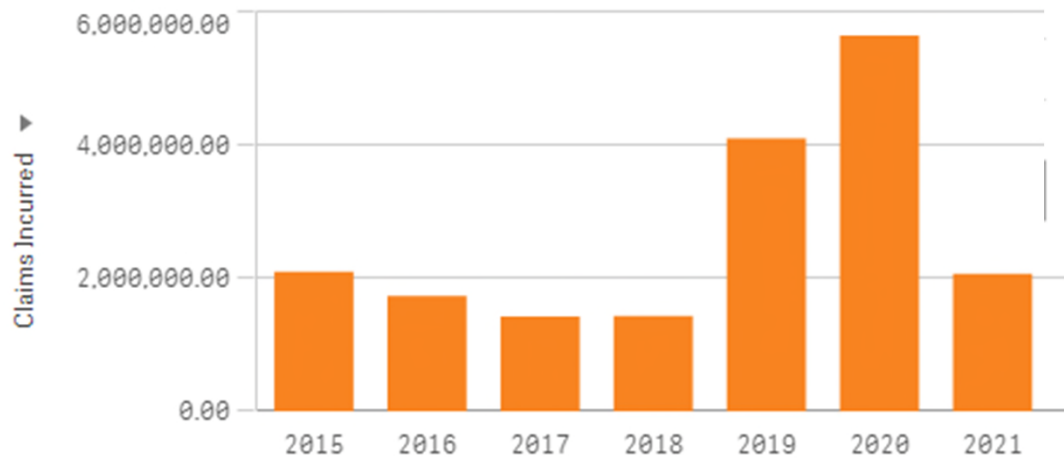
Property – Compare Retention Options

Retention	Reinsurance Premium	\$ savings or cost over current retention	% savings or cost over current retention	Rate	Estimated 10 year savings or cost
525,000	3,556,618	98,752	2.9%	14.6%	7,853
550,000	3,506,038	48,172	1.4%	14.4%	39,589
575,000	3,457,866			14.2%	
600,000	3,393,460	64,406	1.9%	13.9%	31,393
625,000	3,290,946	166,920	4.8%	13.5%	15,996

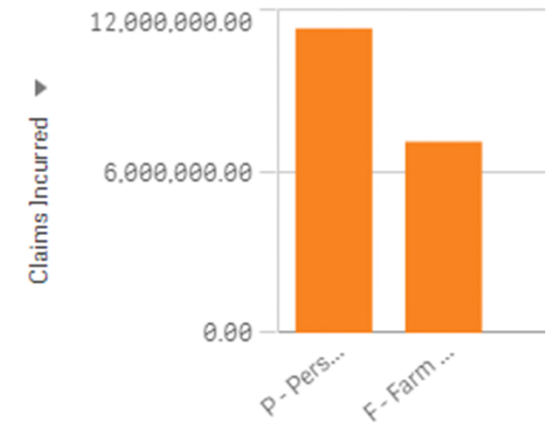
Based on Estimated 2020 Premium of \$21,578,000

Property – Large Losses over \$500,000

Large Losses - Claim Reported Year



Large Losses - Policy Class



Property – Number of Large Losses

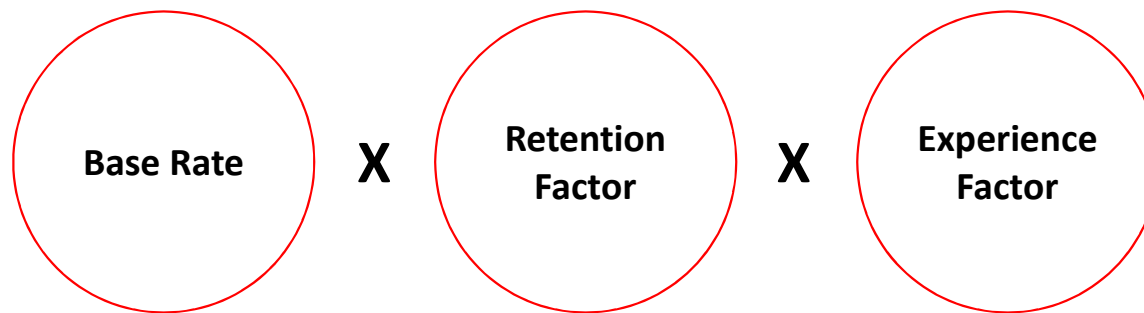
Year	2015	2016	2017	2018	2019	2020	2021
525,000	3	2	1	2	4	4	2
550,000	3	2	1	2	4	4	2
575,000	3	2	1	2	4	4	2
600,000	2	2	1	2	4	4	2
625,000	2	2	1	2	4	4	2

of large losses over the retentions shown above
by occurrence date

Reinsurance - Liability



Liability Rating – Formula



Liability – Compare @ Same Retention

\$450,000 Retention	Reinsurance Premium	\$ decrease or increase	% decrease or increase	Rate
2021	417,833			12.0%
2022	487,373	69,540	16.6%	13.9%

Based on Estimated 2020 Premium of \$3,296,000

Liability – Compare Retention Options

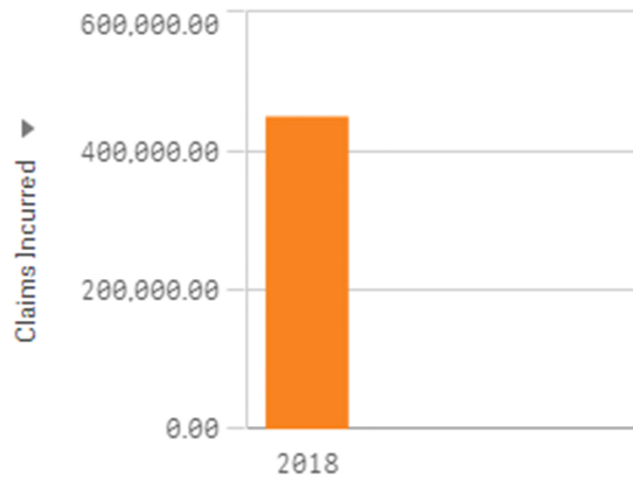
Retention	Reinsurance Premium	\$ savings or cost over current retention	% savings or cost over current retention	Rate	10 year savings or cost
400,000	540,176	52,803	10.8%	15.5%	30,810
425,000	512,789	25,416	5.2%	14.7%	14,643
450,000	487,373			14.0%	
475,000	463,700	23,674	4.9%	13.3%	13,297
500,000	441,531	45,842	9.4%	12.7%	25,430

Based on Estimated 2020 Premium of \$3,296,000

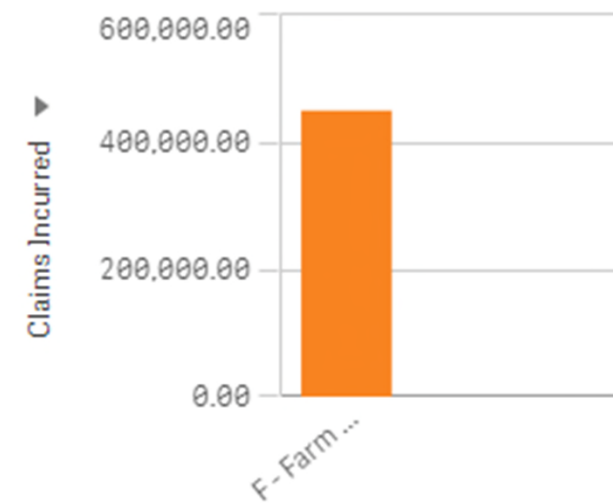
Liability – Large Losses over \$400,000

* By Reported Date

Large Losses - Claim Reported Year



Large Losses - Policy Class



Liability – Number of Large Losses

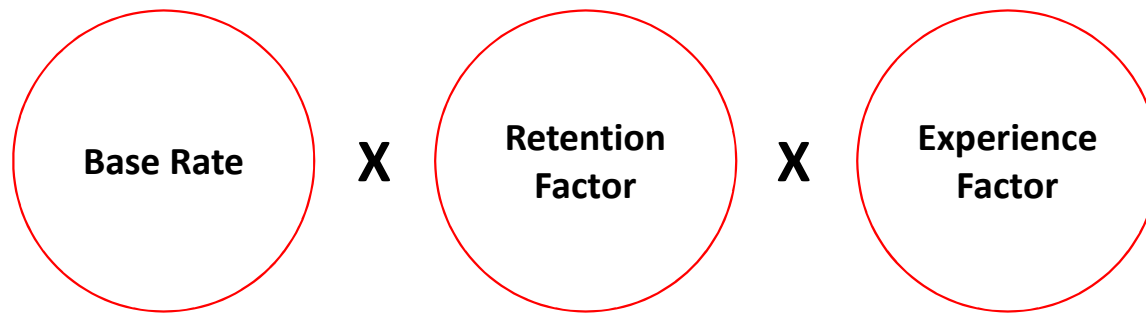
Year	2015	2016	2017	2018	2019	2020	2021
400,000				1			
425,000				1			
450,000				1			
475,000				0			
500,000				0			

of large losses over the retentions shown above
based on Occurrence date

Reinsurance - Automobile



Auto Rating – Formula



Auto – Compare @ Same Retention

\$500,000 Retention	Reinsurance Premium	\$ decrease or increase	% decrease or increase	Rate
2021	1,205,185			14.3%
2022	1,315,127	109,942	9.1%	15.6%

Based on Estimated 2020 Premium of \$7,871,000

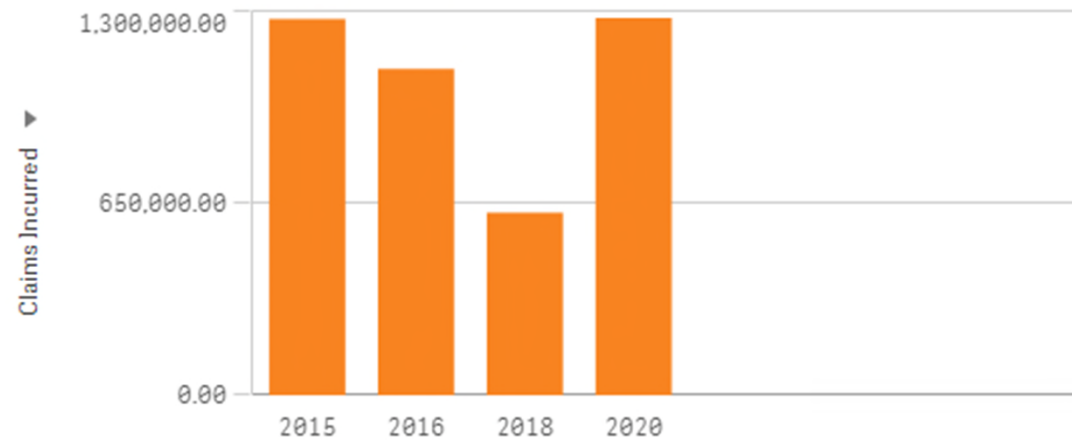
Auto – Compare Retention Options

Retention	Reinsurance Premium	\$ savings or cost over current retention	% savings or cost over current retention	Rate	Estimated 10 year savings or cost
450,000	1,429,680	114,553	8.7%	16.9%	24,221
475,000	1,370,989	55,862	4.2%	16.2%	11,070
500,000	1,315,127			15.6%	
525,000	1,262,364	52,762	4.0%	14.9%	8,791
550,000	1,212,702	102,425	7.8%	14.4%	17,611

Based on Estimated 2020 Premium of \$7,871,000

Auto – Large Losses over \$450,000

Large Losses - Claim Reported Year



Auto – Number of Large Losses

Year	2015	2016	2017	2018	2019	2020	2021
450,000	2	1	0	1	0	1	0
475,000	2	1	0	1	0	1	0
500,000	2	1	0	1	0	1	0
525,000	2	1	0	1	0	1	0
550,000	2	1	0	1	0	1	0

of large losses over the retentions shown above
based on Occurrence date

Reinsurance - Summary



Summary

Year	Increase in 2022	Savings in Retention Changes	Net Cost
Property	167,041	64,406	102,635
Liability	69,540	0	69,540
Automobile	109,942	102,425	7,517
Total	346,523	166,831	*179,692

* Based on recommended retentions

Recommendations

Line of Business	Retention		Comments
Property	\$600,000	+\$25,000	We are now at levels where activity is very few. Farm Mutual Re also needs further increases.
Liability	\$450,000	No change	Left retention the same as 2021. Not enough savings for even one loss.
Auto	\$550,000	+\$50,000	Automobile is at volume that can support the higher retention. More than double the annual premium of liability. Activity remains low but severe when it happens. Rate offsets almost all of the increased costs.

These retention levels are all within our risk tolerance on reinsurance of 1.1% to 2% of Surplus.



HTM
INSURANCE COMPANY