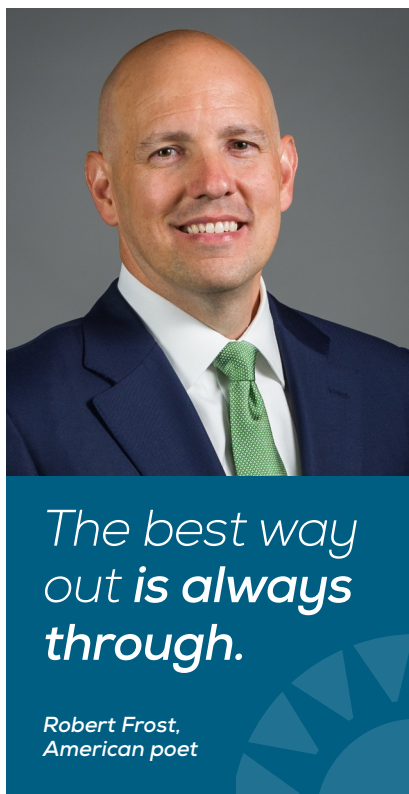




ANNUAL REPORT 2020



TOMORROW. IMAGINE THAT.



Perseverance

Message from the CEO, Edward J. Yorty

Robert Frost said, “The best way out is always through.” Through is often the only way out as well. As you persevered through 2020, Pharmacists Mutual pushed forward with you, your families, and your employees. Nearly all of us were happy to say farewell to 2020, especially with the promise of new vaccines leading the way to a better new year. Although we could not have predicted how the year would play out, we were prepared. As the COVID-19 pandemic sowed disruption, we implemented our well-tested business continuity plan that allowed nearly all of our staff to work remotely. Our diversified investment portfolio served us well. Moreover, our strong reinsurance program supported us as we assisted members across the country. Our attention to risk management ensured our preparedness, and we sincerely hope it did the same for you.

While working remotely, we were able to keep our member service metrics at consistently high levels with over 90% of respondents rating us as “very good” or “excellent”. Our claim adjusters were able to contact members within two business hours of first report over 96% of the time despite receiving more claims than in any of the past ten years. We responded to several hundred COVID-19 workers compensations claims, multiple hurricanes and severe weather events, and the violence that followed the death of George Floyd. In fact, the riots in late May and early June resulted in the largest total property catastrophe loss in the company’s history.

We appreciate how our members have served their communities during a time of national emergency. Dennis Bodungen and Al Spitale, members from Louisiana, took action to serve their community’s needs. Mr. Bodungen, owner of Majoria Drugs Metairie Road in Jefferson Parish, is proud of his team and the fact that they have not missed a regular business day throughout the pandemic, with the exception of one day for a hurricane. Majoria Drugs has been in the parish for decades and employs 60 people including Mr. Spitale, one of the pharmacists on duty. He notes how the past year has changed the pharmacy, “Never before have any of us experienced a crisis so vast and devastating. With the onset of the pandemic, COVID-19, we set in motion a series of preventative measures to limit this toxic disease’s spread. We were the first in the area to install partitions between our pharmacy associates and our customers. The pharmacy instituted a mask requirement. Six-foot distance space markers were installed to assure adequate spacing between patrons and employees. Counters and registers were, and continue to be, cleaned on an hourly basis with alcohol to ensure sanitation.”

We realize every member could share a story of perseverance. Each one needed to take steps to ensure the safety of patients, customers, employees, and community. Over 150 members had businesses damaged or destroyed by rioting. Others dealt with severe weather, and several faced lawsuits. Pharmacists Mutual responded repeatedly for our members. In total, we paid nearly \$110 million in losses and defense costs for our members in 2020.

As foretold in the 2019 Annual Report, Pharmacists Mutual is saying farewell to our Chief Financial Officer, Kevin Banwart, and Chief Operating Officer, Jon Grether. Kevin retired at the end of 2020 while Jon takes a bow in early 2021. They both reflected on their time with the company in last year's report. This year, we introduce you to the people stepping into their roles – William Hedges and Shirley Pierson.

Shirley Pierson, formerly Senior Vice President of Underwriting, takes over as Chief Operating Officer. Shirley has had a successful career with Pharmacists Mutual, including roles as an underwriter and Regional Vice President, as well as time working for PMC Advantage, our wholly owned insurance agency. She is passionate about the company's mission of providing excellent service and peace of mind.

William Hedges, previously Vice President and Controller, became Chief Financial Officer on January 1, 2021. Bill joined the company in August 2019 following a long career in various actuarial and financial functions at Oregon Mutual Insurance Company. Bill has a master's degree in finance from Georgetown University. He is excited to bring his knowledge and experience to help serve our members. Shirley and Bill have each provided a message of introduction that can be found on the following pages.

Shirley and Bill will help lead a team of talented and dedicated officers and employees as we write the next chapter of the company's long and successful story. It is a story that has persevered through initial growing pains, the influenza pandemic of 1918, the trauma of the Great Depression and two world wars, the turbulence of the 1960's, the economic malaise of the 1970's, and the financial crisis of 2008. While we would not want to repeat 2020, our experience over the past century has prepared us to rise to the challenge.

Thank you for your membership and trusting Pharmacists Mutual.

Edward J. Yorty,

FCAS, FSA, MAAA, MSFin, President & CEO



Majoria Drugs in Jefferson Parish, LA did not miss a regular business day throughout the pandemic.



William Hedges
CFO

Message from William Hedges

After completing undergraduate degrees in Mathematics and Economics, I began my insurance career by joining the Actuarial Department of Oregon Mutual Insurance Company in 1985. I left there 32 years later as Director of Financial Services and was privileged to work for Ed Yorty, our Chief Executive Officer, for 10 of those years. While working there, I continued my education by earning a Master of Finance Degree. In August of 2019, I was welcomed by Pharmacists Mutual and the community of Algona. I began by serving as Controller, leading the Finance team and learning from Kevin Banwart until he retired as Chief Financial Officer at the end of 2020.

As Chief Financial Officer, I view my role as leading a service organization focusing on you, our members. I feel fortunate to have joined a company dedicated to continuous improvement. I intend to focus on member experience, integrating systems to improve efficiency, and improving investment yield. All of these will help to ensure that Pharmacists Mutual continues to provide excellent service to members and claimants, that we operate with the utmost integrity, and that we continue to be good stewards of your premium dollars.

Since I arrived, I have learned that Pharmacists Mutual truly is a company that lives its values. While working through 2020 was difficult, I was pleased to see my co-workers exemplify our values daily:

- Relationships – the way they work with our members, the community, and with each other
- Integrity – they understand our relationship with our members is one of trust
- Citizenship – most are involved with the community through service clubs or other volunteer opportunities
- Excellence – striving to provide superior service to you, our members, and to one-another

I feel blessed to have joined such a great leadership team. Following Kevin will be the greatest challenge of my career.

William S. Hedges,
MSF, Chief Financial Officer & Treasurer
(CFO as of January 1, 2021)

Message from Shirley Pierson

I am extremely excited to begin my new journey as Chief Operating Officer of this great company. During my 35-year tenure at Pharmacists Mutual, I have had the opportunity to work with some truly great leaders. Kirk Hayes, Dick Thoreson, Ed Berg, Kevin Banwart, Ed Yorty, and Jon Grether, all leaders who fostered a culture of service. I have learned from their exceptional leadership and commitment examples and look forward to building on that legacy. Our company has changed in countless ways throughout my tenure, but one thing remains constant— our focus on you, our members.

My career journey has given me the opportunity to work in our agency, underwriting, project implementations, regional team management, and underwriting management. I also served on special teams responsible for objectives such as corporate reorganization and administrative software vendor selection. These experiences and serving on advisory councils, and participating in industry forums have laid the groundwork for me to develop to this point in my career.

This past year was filled with challenges, yet our team remained committed to being there for our members and fulfilling the promises we made. I am very proud of their efforts and the attitudes they carried with them. Our leadership team and employees support and grow our culture of service, excellence, and continuous improvement daily. With 2020 behind us, we continue to focus on Tomorrow. Imagine That. Some of the areas I will focus on as COO are problem-solving, process improvements, effective communication, and increased collaboration. Concentrating on these areas will help us attain our mission to provide specialized insurance products, risk management solutions, and superior personal service.

As I look back on my career one important fact stands out to me: no matter my job duties or my title I have always enjoyed what I did.

Helping others, resolving issues, finding new and better ways to do our work, mentoring, and coaching others has allowed me to do what I love and also develop myself along the way. As Steve Jobs said, “the only way to do great work is to love what you do.” To continue loving what I do now includes working with our leadership team and staff to help them develop a love for what they do so that you will feel the enhanced results of their great work.

Shirley A. Pierson,
CISR, AU, CPCU, Chief Operating Officer
(COO as of July 1, 2021)



Shirley Pierson
COO

Awards & Accolades



WARD'S 50®

In 2020, we were ranked in the Top 50 out of nearly 3,000 Property/Casualty Insurance Companies. Companies are benchmarked against their peers based on overall performance, safety, and consistency over a five-year span. Only the top 50 companies, or the top two percent, become Ward's 50® Top Performers for the year and are granted the Ward's 50® Seal. This marks the fifth consecutive year Pharmacists Mutual has earned this esteemed recognition.



A.M. BEST A (EXCELLENT) RATING*

Pharmacists Mutual has maintained a Best's Financial Strength Rating of A (Excellent) or better for 97 years. A.M. Best's Financial Strength Rating is an independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations. It is based on a comprehensive quantitative and qualitative evaluation of a company's balance sheet strength, operating performance, and business profile. The rating reflects Pharmacists Mutual's favorable operating performance, market segment profile as a leading insurer dedicated to the pharmacy industry, and excellent geographic diversification.



TOP IOWA WORKPLACE

The Des Moines Register named Pharmacists Mutual a winner of the Iowa 2020 Top Workplaces Award for the fourth consecutive year. The list of companies recognized is based solely on an anonymous employee survey that measures 15 drivers of engaged cultures that are critical to the success of any organization: including values, communication, and connection, to name a few.



"In times of great change, it is more important than ever to maintain a connection among employees. When you give your employees a voice, you come together to navigate challenges and shape your path forward based on real-time insights into what works best for your organization. The Top Workplaces program can be that positive outcome your company can rally around in the coming months to celebrate leadership and the importance of maintaining an employee-focused culture, even during challenging times."

Eric Rubino, CEO of Energage, Top Workplaces third-party survey administrator.

Service Excellence

Member Survey Results

Pharmacists Mutual values our members' opinion. Each year we survey our members to receive a Member Satisfaction rating.



Overall Policy Service 2020

4.6 out of 5



2019
4.6

2018
4.6

2017
4.7

2016
4.7

Overall Claims Service 2020

4.8 out of 5



2019
4.8

2018
4.6

2017
4.2

2016
4.4

Member Claims Service Contact 2020



2020 Notable Achievements



Record Amount
of Subrogation
Recoveries



Large Deductible
for Workers'
Compensation
Implemented in 43
States



Individual Pharmacy
Technician
Professional Liability
Coverage Available in
46 States



Over 10% of Policies
Now Paperless



Text Messaging and
Levels of Authority
Available in Member
Portal

2020 Notable Growth



13.7% Growth in
Grocery



3.0% Growth in
Pharmacy

Pharmacists Mutual Insurance Company

Financial Highlights

Assets		
	2019	2020
Cash & Short-Term Investments	\$37,852,655	\$12,115,397
Bonds	\$217,332,355	\$243,146,539
Stocks	\$31,213,871	\$28,512,039
Subsidiaries	\$18,018,997	\$18,370,979
Real Estate	\$6,696,462	\$22,758,877
Other Investments	\$3,259,928	\$2,683,251
Premiums Receivable	\$58,878,811	\$61,618,925
Deferred Taxes	\$4,986,000	\$5,433,000
Other Resources	\$13,181,178	\$24,109,940
Total Assets	\$391,420,257	\$418,748,947
LIABILITIES & POLICYOWNERS SURPLUS		
Estimate for Losses & Adjusting	\$114,888,773	\$135,059,176
Unearned Premiums	\$72,225,236	\$80,005,860
Accrued Expenses & Taxes	\$28,400,502	\$31,236,353
Dividends Payable	\$344,140	\$255,000
Total Liabilities	\$215,858,651	\$246,556,389
Policyowners Surplus	\$175,561,605	\$172,192,558
Total Liabilities & Policyowners Surplus	\$391,420,256	\$418,748,947

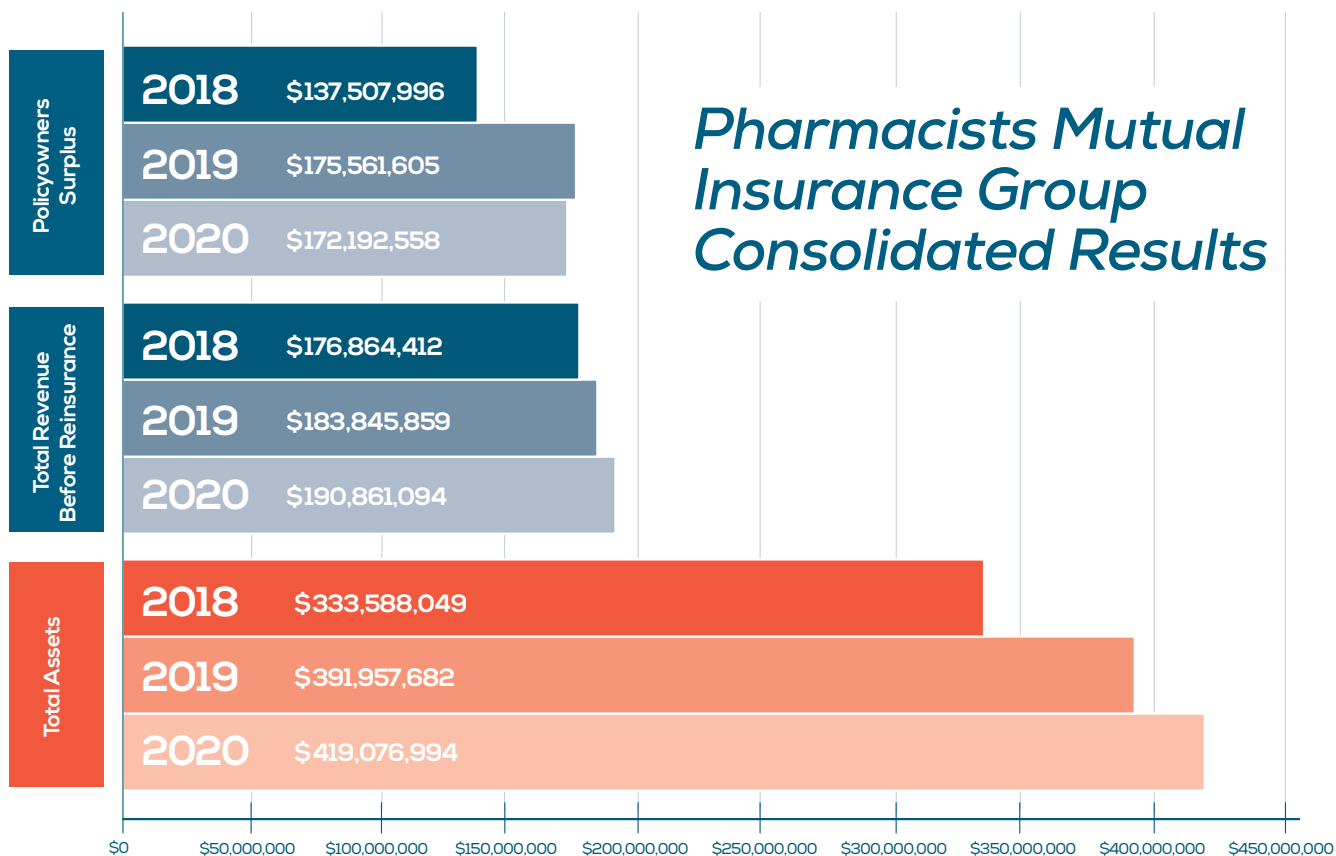
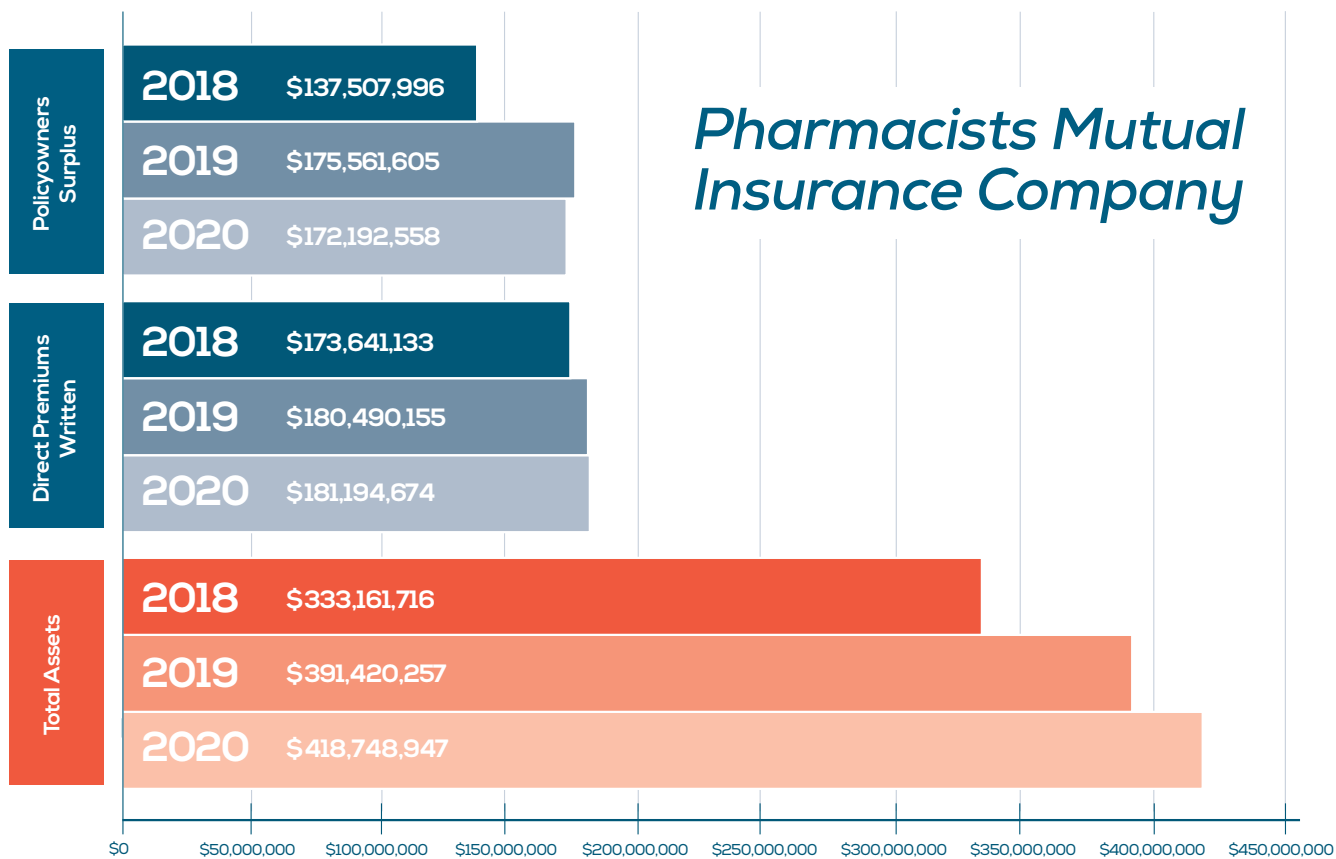
Income Statement & Change in Surplus		
	2019	2020
Net Premiums Earned	\$133,927,691	\$133,703,499
Loss & Adjusting Incurred	\$82,100,479	\$103,414,714
Underwriting Expenses	\$47,659,297	\$39,287,008
Underwriting Income	\$4,167,915	(\$8,998,223)
Investment Income	\$5,975,023	\$4,334,973
Realized Capital Gains (Losses)	\$1,037,354	\$1,579,887
Other Income (Expense)	(\$308,826)	(\$565,615)
Dividends to Policyowners	\$402,503	\$227,002
Federal Income Tax	\$2,673,715	(\$4,768,777)
Net Income (Loss)	\$7,795,248	\$892,797
Unrealized Capital Gains (Losses)	\$5,532,754	\$402,805
Surplus Notes Issued	\$25,000,000	-
Other Changes to Surplus	(\$274,392)	(\$4,664,649)
Change in Surplus	\$38,053,610	(\$3,369,047)

Pharmacists Mutual Insurance Group

Consolidated Results

Assets		
	2019	2020
Cash & Short-Term Investments	\$38,791,707	\$12,825,888
Bonds	\$232,521,557	\$256,424,649
Stocks	\$32,591,746	\$30,531,274
Subsidiaries	(\$144,584)	(\$296,766)
Real Estate	\$7,273,266	\$23,310,287
Other Investments	\$3,390,271	\$2,789,618
Premiums Receivable	\$58,896,730	\$65,334,060
Deferred Taxes	\$4,986,000	\$5,455,000
Other Resources	\$13,650,989	\$22,702,983
Total Assets	\$391,957,682	\$419,076,993
LIABILITIES & POLICYOWNERS SURPLUS		
Estimate for Losses & Adjusting	\$114,889,266	\$135,135,372
Unearned Premiums	\$72,227,770	\$80,352,330
Accrued Expenses & Taxes	\$28,934,901	\$31,141,733
Dividends Payable	\$344,140	\$255,000
Total Liabilities	\$216,396,077	\$246,884,435
Policyowners Surplus	\$175,561,605	\$172,192,558
Total Liabilities & Policyowners Surplus	\$391,957,682	\$419,076,994

Income Statement & Change in Surplus		
	2019	2020
Net Premiums Earned	\$133,929,124	\$133,909,995
Commission Revenue	\$3,300,115	\$3,252,493
Other Income (Expense)	(\$288,189)	(\$437,120)
Total Operating Revenue	\$136,941,050	\$136,725,368
Investment Income	\$6,514,724	\$4,762,337
Realized Capital Gains (Losses)	\$1,085,231	\$1,840,872
Total Investment Income	\$7,599,955	\$6,603,209
Benefits/Claims	\$82,100,972	\$103,502,417
Operating Expenses	\$51,359,209	\$42,894,114
Dividends to Policyholders	\$402,503	\$227,002
Total Expenses	\$133,862,684	\$146,623,533
Net Income Before Tax	\$10,678,321	(\$3,294,956)
Federal Income Tax Incurred	\$2,716,928	(\$4,708,135)
Net Income (Loss)	\$7,961,393	\$1,413,179
Unrealized Capital Gains (Losses)	\$5,360,428	(\$62,794)
Surplus Notes Issued	\$25,000,000	-
Other Changes to Surplus	(\$268,212)	(\$4,719,432)
Change in Surplus	\$38,053,609	(\$3,369,047)



Board of Directors



Donnie R. Calhoun
R.Ph.



Jonathan C. Grether
MSIM, CPCU, CIC, CRM,
ARe, AAM



Kirk M. Hayes
CPCU



Holly Whitcomb Henry
R.Ph.



F. Michael James
R.Ph.



Richard B. Moon
R.Ph., PharmD



Randall S. Myers
R.Ph.



Kelly S. Selby
R.Ph.



Steven T. Simenson
R.Ph.



William A. Stuart
R.Ph.



Susan L. Sutter
R.Ph.



Edward J. Yorty
MSFin, FCAS, FSA, MAAA

Executive Team

(as of December 31, 2020)



Edward J. Yorty

MSFin, FCAS, FSA, MAAA
President
Chief Executive Officer



Jonathan C. Grether

MSIM, CPCU, CIC,
CRM, ARe, AAM
Chief Operating Officer



Kevin C. Banwart

CPA, AIAF
Chief Financial Officer
Sr. Vice President Finance



Richard M. Berke

PMP, FLMI, CMA
Chief Information Officer
Sr. Vice President
Information
Technology



Steven M. Hoskins

CLU
Sr. Vice President
Agency Operations



Peter E. Lambert

CPCU
Sr. Vice President Claims



Paul T. Luckman

JD, MBA, CPCU
Sr. Vice President
Sales & Marketing



Don R. McGuire, Jr.

R. Ph., J.D.
General Counsel
Secretary
Sr. Vice President Risk
Management & Compliance



Shirley A. Pierson

CISR, AU, CPCU
Sr. Vice President
Underwriting



Derrick D. Shannon

FCAS, FSA, MAAA, CPCU,
API, AIM
Chief Actuary
Sr. Vice President
Personal Insurance



William S. Hedges

MSF
Vice President
Treasurer
Controller

Our Vision, Mission, and Values

Our vision, mission, and values are the guiding ideas and principles upon which we do business. Our vision is our future and represents the spirit of who we are and what we intend to become; while our mission describes the overall purpose of our organization and is a clear depiction of why this company exists. Our values represent our commitment to our members, employees, and community.

Our Vision

To be the leading provider of insurance and risk management solutions within our select markets by building enduring relationships.

Our Mission

To help our customers attain peace of mind through specialized insurance products, risk management solutions, and superior personal service.

Our Values

RELATIONSHIPS

- We are dedicated to being a successful mutual insurance company, accountable to and supported by our policy owners.
- We offer a diverse and rewarding work environment founded on respect, trust, and teamwork.
- We establish mutually beneficial relationships with associations that support the professional well-being of our customers.
- We choose business partners who share our core values.

INTEGRITY

- We are honest in everything we do.
- We are committed to high standards of ethical conduct.

CITIZENSHIP

- We support our communities and professional associations.
- We advocate for the interests we share with our customers.

EXCELLENCE

- Our success depends on the talents, skills, and knowledge of our employees.
- Our products, expertise, and service deliver value to our customers.
- We are committed to continuous improvement.
- We manage the company's resources to ensure its profitability and independence in order to honor the promises we have made.



**TOMORROW.
IMAGINE THAT.**



Pharmacists Mutual Insurance Company
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