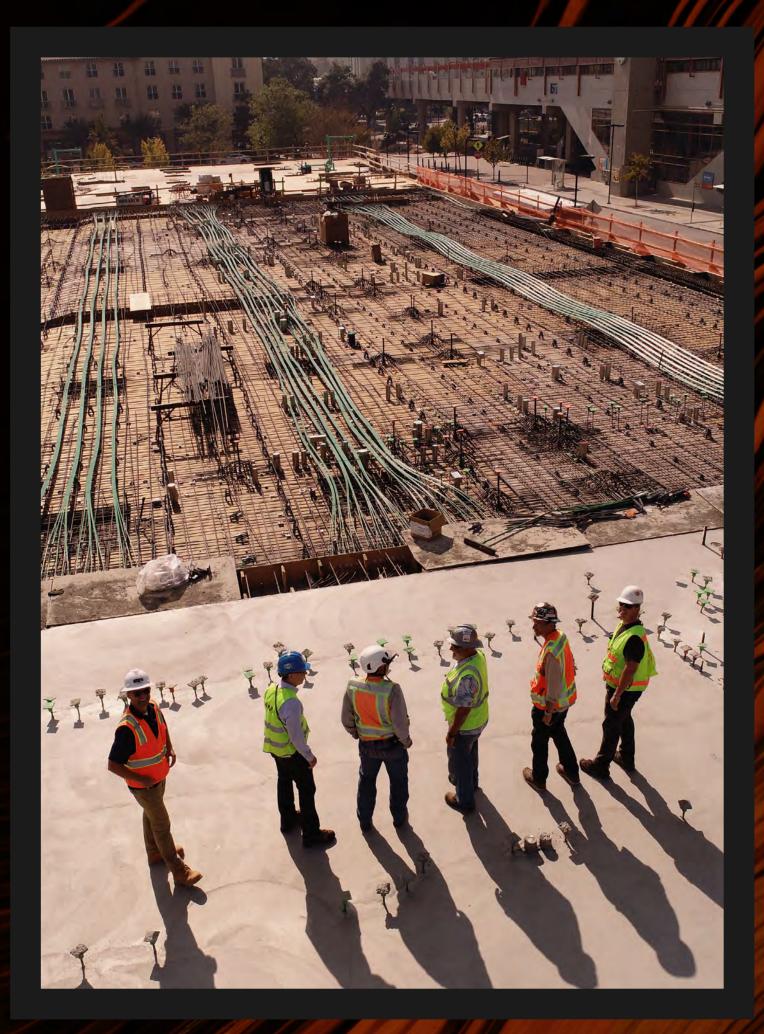


Substantial investments in infrastructure and technology, immense advances in integrating the family's latest acquisition, and a year of sustained growth, ensured the building of a platform for even greater progress.

CopperPoint Insurance Companies Annual Report 2021

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# Building on an unwavering vision in a changing world.

Following another year in which the world remained plagued by uncertainty, I've never been more certain of the strength, purpose, and direction of CopperPoint. We're not simply on the right path, we're building one that will enable us to grow profitably and organically while supporting future M&A partnerships.



# Invested in improvement.

If 2020 was a story of exceptional effort in extraordinary circumstances, then 2021 was the year of the "build" — of strategic investments and developments that reinforce and fortify the company, and of continued performance and progress. In the second year of the pandemic, with the economy only just beginning to recover, CopperPoint delivered strong results, growing statutory surplus by 6.1%. This solid performance was especially gratifying given the continuous headwinds created by COVID-19. Despite payroll/exposure dropping in several of our main industry verticals, and six consecutive years of declining workers' compensation rates in many of our key states, CopperPoint overcame these obstacles through a concerted effort to attract new customers, retain existing policyholders and deliver best-in-class service. As a result of these efforts, I'm pleased to share that CopperPoint posted a record new business year since becoming a mutual insurance company.

It was a year when our substantial investments in infrastructure took firm shape, positioning us to grow both organically and inorganically: consolidating and centralizing platforms, upgrading technology, advancing our data and analytics disciplines to increase the economies and efficiencies of scale, and complementing our shared services model for integration.



It's important to note that we initiated these investments in 2016, the very year that workers' compensation rates around the country began a steep decline. Yet we sustained our investments; this is the power of operating as a Mutual Insurer. With ongoing support from our Board of Directors coupled with our strong balance sheet, we can consistently take a longer-term, more committed approach to our core strategies than public companies, balancing strategic investments against our expenses and premium growth objectives to realize our vision with unwavering certainty.

# Enabling, empowering, enhancing.

In 2021 we focused on our vision of fortifying our company through key investments in Guidewire's full suite of technology solutions, originally initiated in 2016. The benefits of these investments

2021 was the year of the "build" – of evolutionary investments and developments that reinforce and fortify the company.

began to be felt first in our Southwest region, and are now being introduced in California, with plans to continue to our Alaska/Pacific Northwest regions. This critical spend is also benefiting our data and analytics disciplines. Work completed this past year will begin to yield benefits in 2022 with the establishment of our Enterprise Data Warehouse, along with the release of two predictive models for Pricing Risk Selection and Claim Severity. We have also added Pay as You Go for workers' compensation as a core offering to enhance cash-flow benefits for policyholders managing swings in payroll during these volatile times.

We believe these enhancements and critical additions empower our company to build and scale up while remaining nimble and local-facing. They comprise the foundation for an immensely powerful front and back office, providing ease of access to enterprise-wide technology for our agents and brokers, policyholders, and employees — allowing us to focus on what we do best: offer an exceptional consistency of service and support from coverage solutions to personalized claims handling, and a quality experience across all of our relationships. It's the core of a successful, sustainable business model, allowing us to profitably grow our company and ensure that we will be here for our partners, policyholders and communities for years to come.



collaboration, conversation and complementary capabilities — when bringing another company into the fold, were clearly borne out by the newest addition to our family, Alaska National. The completion of our integration, which began just before the pandemic in 2019, saw best practices and additional product lines all flourish, courtesy of their highly skilled team. With the support of the entire CopperPoint enterprise, this culminated in a record year of new business in Alaska and the Pacific Northwest — further evidence that the Alaska National transaction fully realized CopperPoint's acquisition philosophy of One + One > Two.

We firmly remain a workers' compensation company, with focused P&C lines (Property, General Liability, Commercial Auto, Inland Marine and Umbrella) in our Alaska/Pacific Northwest and Southwest regions, plus a blueprint for non-workers' compensation product expansion to all states in our footprint except for California. Building on our specialization, we intend to go deeper with a service offering dedicated to key industry verticals. In 2021 we launched Construction, which will be closely followed by Agriculture, Healthcare and Education in the coming year. We have also enhanced our Small Commercial offering with the introduction of straight through processing, allowing agents to rate, quote, bind and issue workers' compensation policies without the

Our industry specialization deepens via offerings to Construction in 2021, followed by Agriculture, Healthcare and Education.

assistance of an underwriter for certain risks. This program was launched in our California and Southwest regions at the beginning of 2022.

Innovation remains a core element to achieving our long-range vision. To that end, we made strategic investments into the insurtech space, investing in two funds. We see the dual benefit of adding to our alternative investments within the portfolio, while gaining a valuable seat at the table to better understand and, where applicable, implement new and innovative capabilities in the areas of operational efficiency, claims, analytics, and loss control.

### Evolving from within.

These achievements are all the more remarkable, considering the extension of the remote working environment, prompting us to consider and implement a phased hybrid work-from-home/back to the office model. Fortunately, culture is a tangible force at CopperPoint; the feeling and sense of mission that binds us together and drives us remains strong, wherever we operate from within our expanding footprint. Vital to our collective company heart is our Diversity, Equity and Inclusion Council. Under this group's leadership and with the support of our Board and management team, we're making advancements internally that are reflected in our





communications, community outreach and support initiatives — particularly in scholarships and internships for the underrepresented to open not just educational, but career opportunities. The places we live and work, and the neighbors we have, will always be a large part of who we are.

In closing, I'd like to thank the CopperPoint Board of Directors, whose faith and trust in management to deliver on these milestones has been critical. I'd also like to thank our agent and broker partners and customers for placing their trust and business with us, and all of our employees for continuing to perform at

# Culture is a tangible force here: the feeling and sense of mission that binds us together and drives us remains strong.

the highest level to deliver the results and service that once more distinguished the company during a challenging year.

It may be a paradox to say you've reached a turning point when you've no intention of turning — but, rather, see the way ahead, and know you have the capabilities and the power to get there. CopperPoint is realizing the vision we established in 2016: supported by a strong balance sheet, we are building a company that can scale up through expected organic growth, while providing a shared services model that attracts potential new partner carriers, all within an enterprise backed by the security of strong technology, products, and services. We've shown how collaborative integration leads to greater capability and a "best of both worlds" through our welcoming of PacificComp in 2017 and Alaska National in 2019, creating a strong culture unique to our CopperPoint Family of Companies.

As a result of this pivotal year, I believe we all have the sense of expectation and anticipation that the heart of a new standard will be beating even stronger, and the benefits will be felt by even more in the future. And, for that, I thank you all.

With pride, confidence and deep admiration,

Mau E. Schmitten

Marc E. Schmittlein President & Chief Executive Officer

# A new standard, built to last.

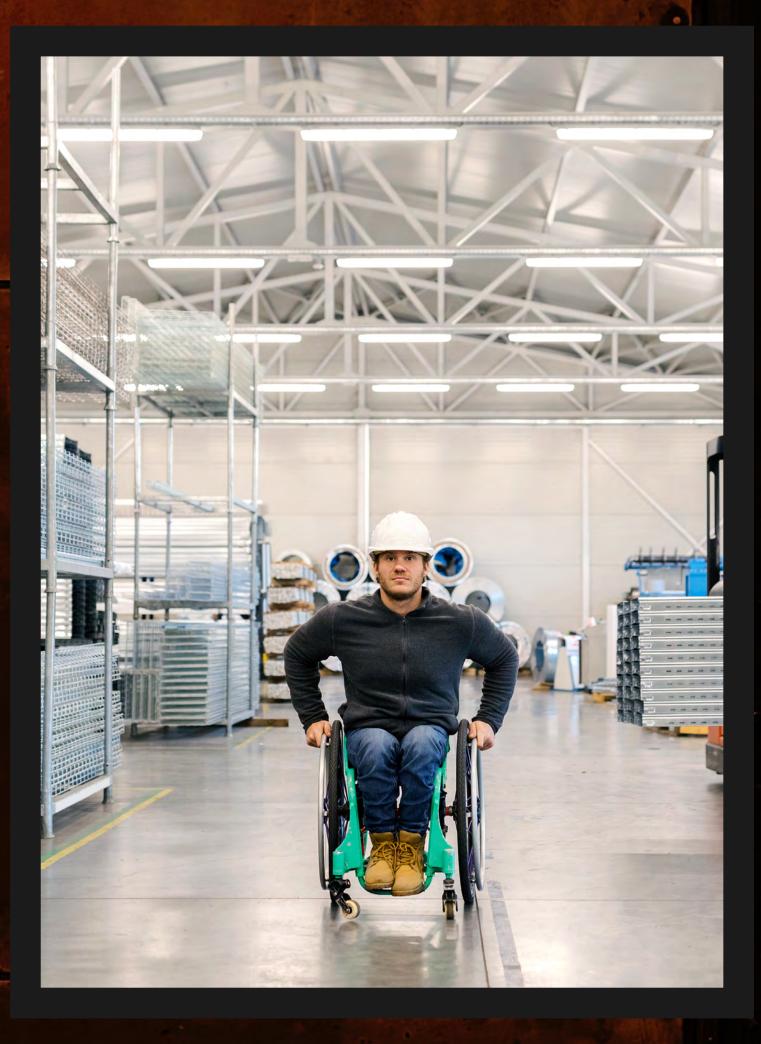
In this year of building and growing, we never forget that at the heart of everything we do is a person. A worker, an employer, a partner, a colleague, a neighbor.

Through good times and challenging ones, we're the people they look to, to look out for them. To help make their lives safer, stronger, more fulfilling.

That's the purpose of all the investments, infrastructure, the integration, the incessant improvement.

To create a company where the power of a balance sheet is as potent as the hearts of the people it empowers to do and be better. Where there's no limit to capacity and capability — or compassion.

That's the standard we stand for. And why we're the insurance company others wish they were — and more people wish they had.



# An additive approach: growing a healthy family.

The year of the "build" was also notable for further validation of our philosophy and strategy for expanding the CopperPoint Family of Companies. The successful integration of both PacificComp and Alaska National over the past 5 years demonstrates the considerable advantages of sourcing and identifying a cultural fit and opportunities that afford a true sharing of complementary capabilities to benefit the whole organization.

Accordingly, CopperPoint's mindset is to respect each brand's integrity, the advantages and equity it brings, and to ask the important questions: Is the family better off with this addition? Does this help us build a better company for everyone?

For PacificComp and Alaska National, the answers have been consistently affirmative, and our collaborative, transparent approach has defined and driven a successful integration and implementation throughout almost two years of a pandemic, while enabling the introduction of new offerings like tiered Risk Management Services and the establishment of our Large Account Center of Excellence.

This is how we will build inorganically, by inviting like-minded carriers who see the benefits of collectivizing strengths, from best practices to products and services to complementary lines and industry verticals. Now, with the considerable infrastructural and technological investments in place, and the proven success of our shared services model, the CopperPoint family becomes an even more attractive destination for prospective partners.





# A core to power consistency of service.

The perennial challenge faced by growing companies like ours is to build and scale while sustaining, even improving the experience everyone has come to expect — in CopperPoint's case, from strategic partner to agents and brokers to policyholder to injured worker. Attaining this balance, remaining true to who we are, is why our investments in infrastructure and technology are so important: they provide our talented people with powerful tools to help them deliver consistency of service.

These substantial investments support technological upgrades and elevate our shared services operating model, driving operational efficiencies and best practices across the enterprise. By combining the strengths from each acquisition and streamlining disciplines from underwriting and claims to finance and operations, we are exponentially increasing both capacity and capabilities.

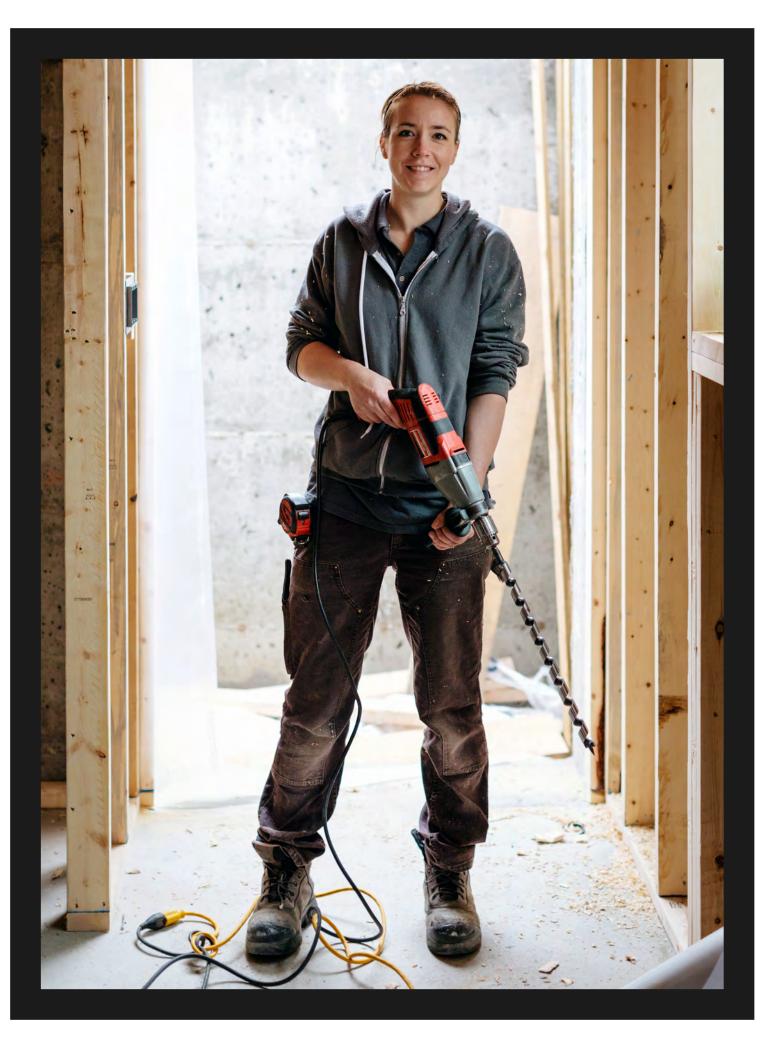
As new technology is brought online, tasks are either eliminated, reduced, or automated — all so our professionals can focus on what they do best. These systemic alignments eliminate redundant data entry and will also support application programming interface (API) integrations with agency systems. From Single Sign-On across web applications, Straight Through Processing on qualified accounts, the potency and efficacy of our technical infrastructure enables us to serve and deepen the human relationships that are the heart of our business. And it's only the beginning.

By integrating robust data and analytics capabilities and building a state-of-the-art enterprise data warehouse, we are evolving our potential to perform at an even higher level,

enabling better risk selection through adequate pricing models, strengthening our distribution management, and driving profitable growth. We can continue to maintain and enhance the dedicated high-touch attention and interaction so vital to larger clients, while scaling and flexing our technology advantages to provide coverage and offerings to a broader range of smaller/middle market businesses and accounts — without sacrificing the quality which is our hallmark.

# Our technical infrastructure enables us to deepen the human relationships that are the heart of our business.

In short, we've put in place a technological spine normally found in organizations of a much larger scale — because that's how and where we intend to grow, advancing our appetite and scope, delivering the deeper value of the CopperPoint experience to more and more businesses, workers, agents and brokers across our increasing footprint.



## Our people, pride, and purpose.

Do the right thing, find the best way, create the answers that work best for everyone involved. That's the heartbeat of the CopperPoint culture. and it's stronger than ever, despite the challenges of working remotely. Grounded in the respect for each other, plus the empathy for our insureds, our injured workers and the partners who make up our distribution network, we've shown repeatedly that we'll go further to get even closer to those we serve.

Despite the pressures and disruptions created by the pandemic, our integration efforts and new system builds, the resiliency and adaptability demonstrated by our people in this environment continues to inspire. The combination of patience, grace, confidence and commitment with which we treat each other as colleagues and human beings creates a peerless level of shared support that galvanizes every one of us to work together towards the same goal.

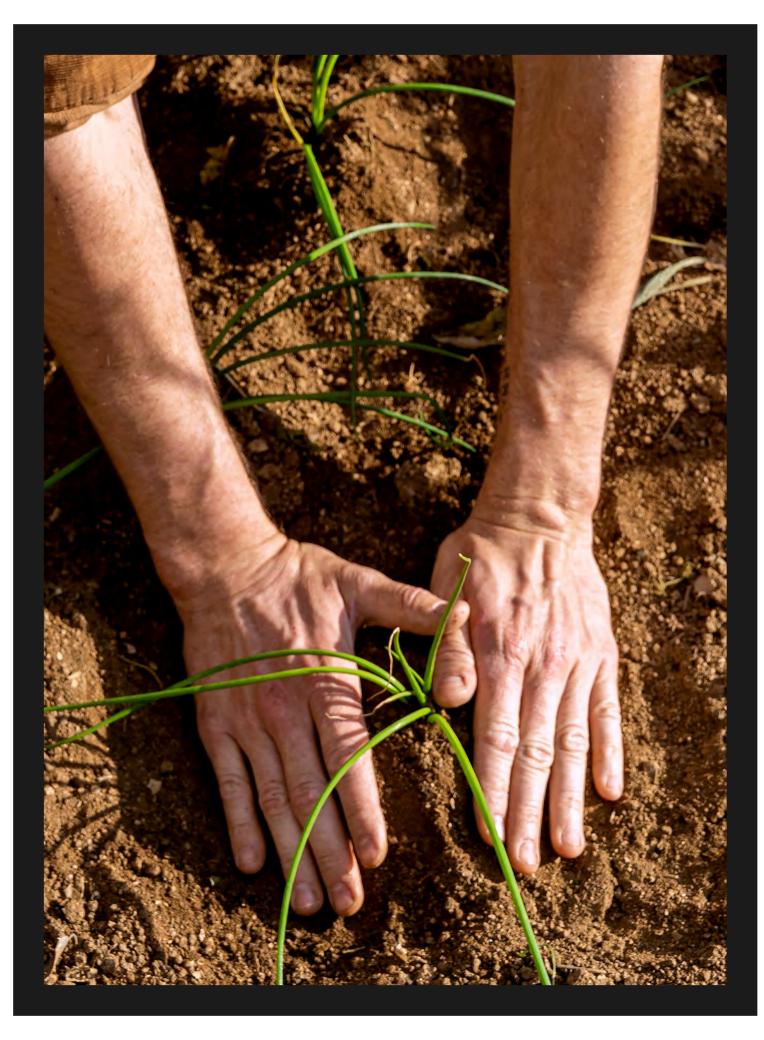
Connection is everything. Through Town Halls and post-meeting surveys, regional meetings, virtual events, and our internal communications inbox, we put the mechanisms in place to ensure our employees can stay close, converse, contribute, and collaborate — all to transcend the remote working model.

As a result, across all disciplines, departments and locations, our standard is continually rising whether we are taking steps to ensure the safest workplace possible, enabling each worker to go home safely and return the next day, secure and productive, or handling an injury and claim with responsiveness, sensitivity, and precision.

It's the sign of a distinctive, truly unified culture, one that reflects a strong reputation and vision, that we not only manage to retain but also attract exceptional talent through these unstable times. It's universally recognized throughout our family that the consequence of this unique mission we share and the empowerment brought

# The consequence of this unique mission we share and the empowerment brought by these massive systems upgrades is, quite simply, growth.

by these massive systems upgrades is, quite simply, growth: growth in our capacity to improve the quality of lives and businesses and reduce risk; personal and professional growth for ourselves; growth in our size and appetite to underwrite; growth in our capabilities to deliver exceptional products, services and offerings; and, most importantly, growth in the trust of all those who rely on us.



### Lifting where we live.

The communities where we live, work and play are always close to the heart of our company. In 2021, as contemporaries curbed giving, under the pressures of the ongoing pandemic, CopperPoint's support, donations, and initiatives in neighborhoods across our footprint continued to grow.

As our organization scales up and spreads, we're more strongly committed than ever to our community pillars of healthy families, thriving workforces and diversity, equity and inclusion (DE&I). From school programs to COVID-19 relief, to homeless outreach and local causes, our efforts did not falter.

Of particular note was our work with 95 DE&I organizations focused on the under-represented and the underserved, in the areas of gender, age, and ethnicity. Through awards totaling \$66.5k, we supported new scholarships for students facing financial insecurity, along with offering internship opportunities and raising awareness of the potential of a career path in insurance. Plus, we're looking to offer seven more scholarships in 2022.

Another highlight was the making of 25,000 hygiene kits for homeless individuals and families, containing basics like soap, shampoo, and toothbrushes — an activity that's become a holiday tradition for many of our CopperPoint employees and their families. And, to reinforce our reputation for resourcefulness, we managed to do a virtual sponsored walk to raise funds for the Lymphoma Society. Our geographical scale is such that we had people making it happen by shoveling snow, marching on their Stairmasters, and walking on the beach.

These varied examples of giving and giving back embody the DNA of our culture. This is not work, but part of our lives and who we are: concern and caring for our neighbors is embedded in everything our family of companies does from leadership and board level through all parts of the business. It distinguishes us and is a significant part of the appeal to new recruits, as well as potential partners and additions to the organization. In a year where our structure took firmer shape, performance intensified and the promise and purpose of our vision advanced, we're still giving of our best from the heart.

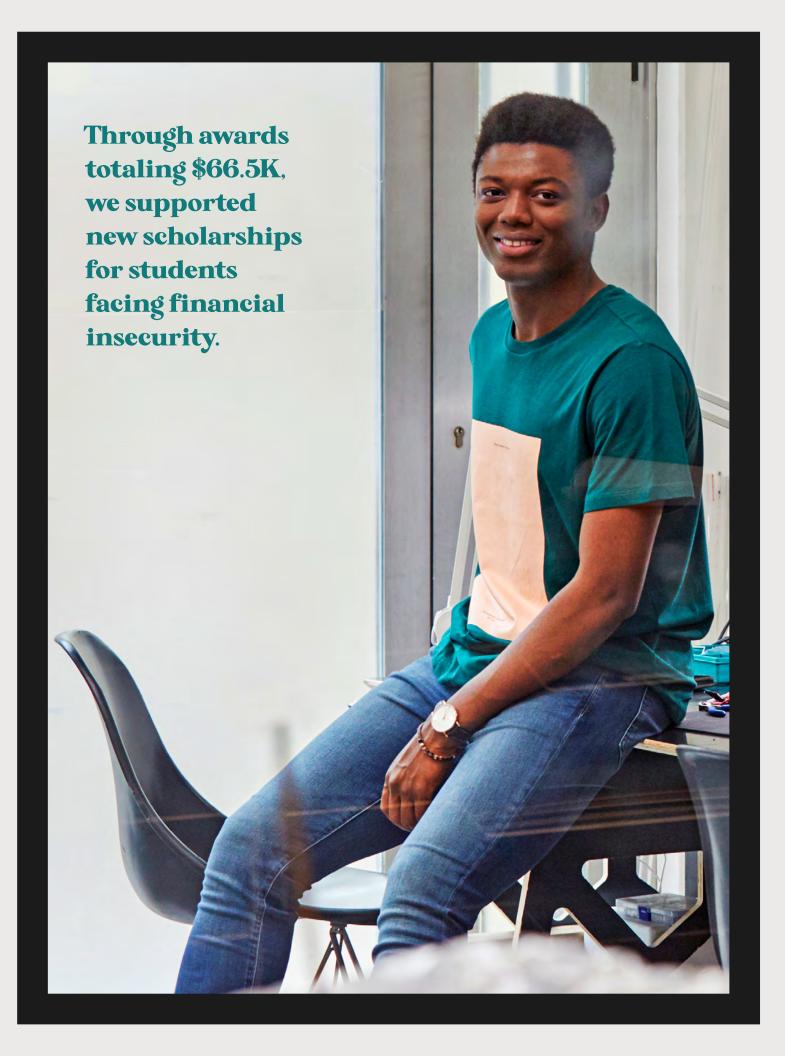
### \$1.6M total community giving

\$250K for COVID-19 relief

965.414 meals served to families. seniors and veterans

\$434K donated through 95 agency partner collaborations

\$66.5K scholarships awarded





# A powerful performance

Despite the headwinds of COVID-19 and declining workers' compensation rates, CopperPoint's financial strength supported impressive results and substantial growth throughout 2021.

### **\$5.1 Billion in Assets**

\$1.56 Billion in Policyholder Surplus

\$615 Million in Gross Written Premium

11-State Western Footprint

**26 States Fully Licensed** 

Rated A (Excellent) by AM Best

**Over 750 Employees** 

25 US Ranking in Workers' Compensation

# **Financial** overview

## A platform for expansion

CopperPoint continues to flourish despite the headwinds in 2021. Our assets and surplus have increased this year, even as we continue to make strategic investments in the business, putting us in the best possible position to support our goals.

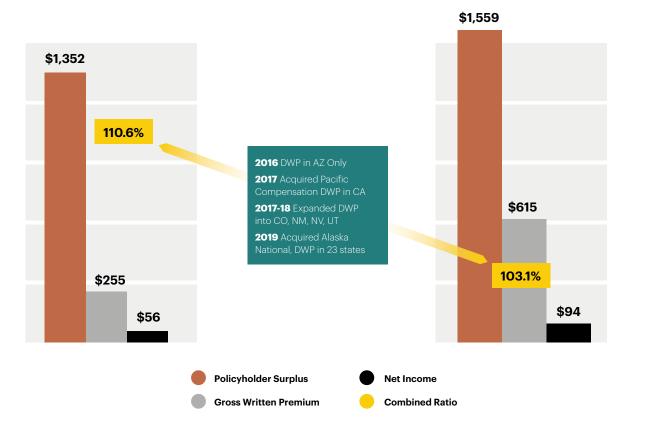
- Capital and surplus totaled \$1.56 billion at December 31, 2021, a 6.1% increase over the prior year.
- Total assets of \$5.1 billion have increased 41% since the end of 2016.
- Net income remained strong in 2021 at \$94 million.

### **FINANCIAL PERFORMANCE**

\$ IN MILLIONS

2016 results: \$3.61 Billion in Total Assets 2021 results:

\$5.1 Billion in Total Assets

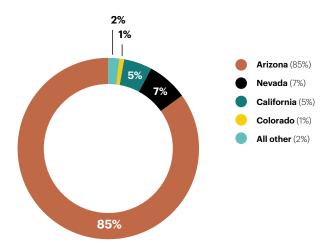


### Diversification of business

Since 2016, we've diversified our mix of business through acquisition and geographic expansion. Our portfolio now represents a more balanced product and service offering across 11 western states.

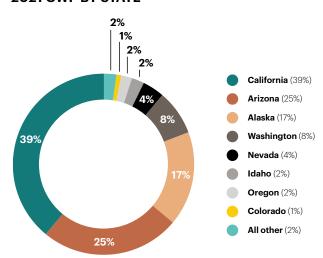
### 2016 results: **\$255 Million (GWP)**

### **2016 GWP BY STATE**

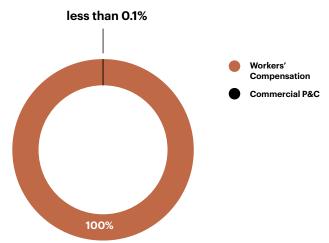


### 2021 results: \$615 Million (GWP)

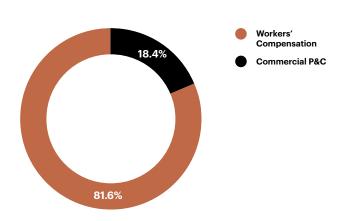
### **2021 GWP BY STATE**



#### **2016 GWP BY LINE OF BUSINESS**



### **2021 GWP BY LINE OF BUSINESS**



### **FINANCIAL OVERVIEW:**

# **Consolidated statutory** financial statements

### STATUTORY STATEMENTS OF ADMITTED ASSETS, LIABILITIES AND POLICYHOLDERS' SURPLUS (YEAR ENDED DECEMBER 31, 2021)

IN THOUSANDS, UNAUDITED

Admitted assets	2021	2020
Investments		
Bonds	\$3,057,876	\$3,005,024
Equity securities	601,439	510,521
Goodwill	142,429	127,117
Mortgages	168,994	208,961
Real estate, net	1,593	28,615
Cash, short-term investments and other invested assets	651,944	625,370
Total cash and invested assets	\$4,624,275	\$4,505,610
Premiums and considerations due	218,265	236,132
Accrued investment income	19,441	19,475
Net tax assets	18,277	25,784
Other assets	214,035	183,845
Total admitted assets	\$5,094,293	\$4,970,846
Liability for losses and loss adjustment expenses	\$2,569,630	\$2,612,944
Unearned premium reserve	256,641	249,097
Borrowed money (including accrued interest)	375,276	375,422
Policyholders' dividends (declared but unpaid)	Ο	244
Provision for reinsurance	133	851
Other liabilities	333,521	263,437
Total liabilities	\$3,535,201	\$3,501,995
Policyholders' surplus	1,559,092	1,468,851
Total liabilities and policyholders' surplus	\$5,094,293	\$4,970,846

### STATUTORY STATEMENTS OF OPERATIONS (YEAR ENDED DECEMBER 31, 2021)

IN THOUSANDS, UNAUDITED

	2021	2020	
Net premium earned	\$559,600	\$576,059	
Operating Expenses			
Loss incurred	287,160	290,941	
Loss adjustment expenses incurred	82,596	84,609	
Other underwriting expense incurred	212,665	207,756	
Total operating expenses	\$582,421	\$583,306	
Net underwriting loss	(22,821)	(7,247)	
Investment Income			
Net investment income	123,867	126,545	
Net realized investment gains	10,633	15,298	
Net investment gain	\$134,500	\$141,843	
Other expense	(1,788)	(2,656)	
Net income before policyholders' dividends and federal income tax	109,891	131,941	
Provision for policyholders' dividends	0	769	
Federal income tax expense	16,047	20,128	
Net income	\$93,844	\$111,045	
Laca and LAC vatio	00.10/	CF 20/	
Loss and LAE ratio	66.1%	65.2%	
Expense ratio	37.0%	33.0%	
Combined ratio	103.1%	98.2%	
Debt to equity ratio	19.4%	20.3%	

# Company leadership

### **Board of Directors**

KEN KIRK | CHAIR

Director since 2011

**MONICA DIGILIO** 

Director since 2022

**MICHAEL MATHIAS** 

Director since 2022

MARC SCHMITTLEIN

President & CEO | Director since 2017

**MARITA ZURAITIS** 

Director since 2021

### STEPHEN TULLY | VICE CHAIR

Director since 2010

LORIANN LOWERY-BIGGERS

Director since 2015

JUDITH PATRICK

Director since 1992

MIKE TULLY

Director since 2019

## **Executive Leadership**

#### MARC SCHMITTLEIN, CPCU, AAI \* +

President & Chief Executive Officer

### **ROBERT ROLAND \* +**

Executive Vice President, Chief Administrative Officer & Chief Operating Officer

### DAWN JAFFRAY \* +

Executive Vice President, Chief Financial Officer

### RACHEL DAVIS-SCHULTZ \* +

Executive Vice President, Chief Human Resources Officer & Enterprise Operations

### SARA BEGLEY, CPCU, AINS, CCPR \* +

Executive Vice President, General Counsel & Chief Compliance Officer

#### DAVE KUHN, CPCU, ARM +

Regional President, California and Southwest, Executive Vice President, Enterprise Distribution

### DANA FERESTIEN +

Regional President, Alaska and Pacific Northwest

#### **BARB FUCHS +**

Senior Vice President, Data Management and Analytics

### MICHAEL GOLDMAN, CPCU, ERM +

Senior Vice President, Corporate Development

### **BRAD LONTZ** +

Senior Vice President, Chief Information Officer

### KRIS MATHIS, JD, WCCP, SIP +

Senior Vice President, Chief Workers' Compensation Claims Officer & Risk Management Services

#### KATHLEEN ZIEGLER +

Senior Vice President, Operations

### WOODY HILL +

Vice President, Enterprise Loss Control

#### MARK MOONEY +

Vice President, Underwriting Systems and Product

### THOMAS PYTEL, JR. +

Vice President, Chief Marketing and Corporate Communications Officer

- \* Executive Committee Member
- + Partners Group

# Proud of our growing presence.

Indicative of CopperPoint's growth and reputation we're gratified to be recognized once more as one of Arizona's Most Admired Companies by AZ Business and Best Companies AZ.





**AzBusiness** 

