LOUDOUN MUTUAL
PIPELINE
A publication for and about the agents and employees of Loudoun Mutual Insurance Company



Back to the Future

By Chris Shipe, President
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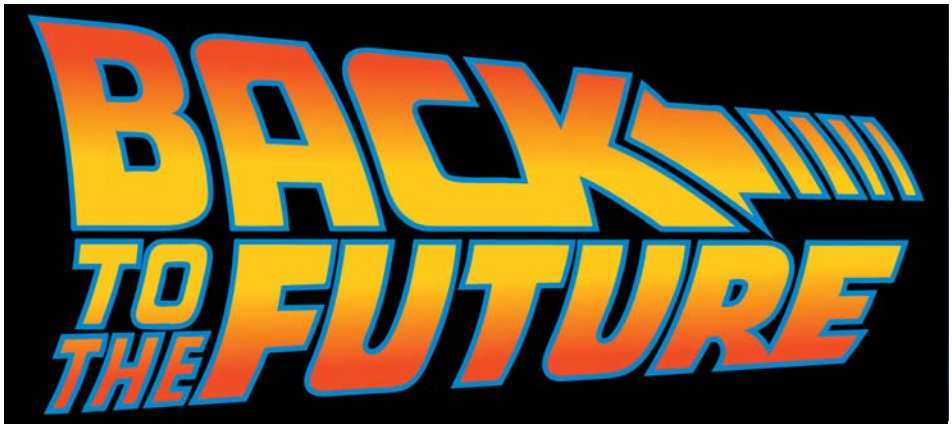

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I STARTED MY insurance career in 1987 at Millville Mutual Insurance Company and have been blessed to be at Loudoun Mutual for the past 20 years. In my 36-year insurance career I have worked through multiple business cycles where insurance becomes unaffordable or unavailable. These cycles cause the insurance industry to go "back to the future" by returning to the fundamentals of sound company operations and making the necessary changes to be successful in the future. As a bit of context, Back to the Future was a 1985 movie where time travel had the potential to address past events for a better future. I would suggest the insurance industry and Loudoun Mutual are currently in one of those "back to the future" moments where we have the potential to address past events for a better future.

While there are normally multiple events that lead up to a back to the future moment, there always seems to be one major occurrence that actually launches us back to the future. Early in my career there was the liability crises, with pollution and asbestos claims exploding. Probably the major event that caused the industry to go back to the future was the collapse of Lloyd's of London. One of the next back to the future moments was Hurricane Andrew where the industry experienced just how devastating hurricanes could be and learned how important managing the accumulation of risk was. Two of the next back to the future moments for the insurance industry were the end of high interest rates, which allowed for "cash-flow underwriting" meaning that insurance was sold at less than the cost of risk just to generate cash flow to invest, and then the terrible events of 9/11. Our current back to the future event is ongoing severe weather and social inflation or the changing of our policyholders' expectations of how their insurance policy should respond at the time of a claim. In my mind the event that caused the most recent launch back to the future was Hurricane Ian in 2022 and the lack of availability and affordability of reinsurance.

Through all these events and cycles, when the industry went back to the future, either a sustainable future was crafted or many significant, recognizable industry names, like Aetna, INA, Federal Kemper, USF&G, either disappeared or became shadows of their former selves. Likewise, many of our mutual peers did not choose a sustainable future and are no longer with us. Sadly, directly to our east there was a Fairfax County Mutual that was significantly larger than Loudoun Mutual but is no longer in business.

At Loudoun Mutual in our 174-year history we have taken these back to the future moments very seriously by never becoming complacent and by continually shaping a sustainable and viable future. In more recent memory, in the 1950s, after Hurricane Hazel we began to purchase catastrophe reinsurance. In the early 1960s, to meet changing policyholder

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FALL 2023

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Back to the Future

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expectations, we were one of the first of our peers to offer this revolutionary product called a homeowners policy. Fast forward to the late 1990s, early 2000s when investment returns would no longer sustain the Company operations, we had to go back to the future and return to adequately pricing for risk. As a reminder, during this period there were years when Loudoun Mutual took multiple double digit rate increases. All of this brings us to our current back to the future moment, which can be described with one word – WEATHER.

As we step into our Delorean or at Loudoun Mutual maybe it is our Pumper, and go back to the future, what are we working on to make a better, sustainable future for Loudoun Mutual and our agents and policyholders? Primarily, we are concentrating on rate adequacy, particularly with homeowners. The weather since 2016, and in particular 2018 and 2022 has added on average twenty-six points to Loudoun Mutual's loss ratio. Validating the industry wide need to price for the weather are multiple recent stories on National Public Radio about homeowners' policies being dramatically underpriced to deal with climate change. A part of our rate adequacy is finding the right balance by further segmentation of pricing to have premiums that more closely reflect the characteristics of the risk. Next is enhancing our approach to the selection of risk. The use of aerial imagery and more detailed analytics allow for better understanding of the risks we insure which in turn allows us to better underwrite them. Along with all this is a continued focus at Loudoun Mutual on serving underserved policyholders by crafting specific solutions for specific risks. Underserved does not necessarily mean less desirable, but it does mean providing insurance for those risks that have unique attributes that are not easily underwritten by a black-box algorithm.

With all the current disruptions in the insurance industry, now more than ever there is tremendous opportunity for Loudoun Mutual to serve underserved policyholders. Since 1849, Loudoun Mutual has maintained a steady, stable, and sustainable presence in the Virginia property insurance market. The 2021 expansion into Pennsylvania has allowed us to begin to serve underserved markets there too.

If you are familiar with the characters in the movie, I definitely identify more with Doc than Marty. As Doc, I am thankful to be part of and I am thankful to be able to help an amazing team of Marty's use this back to the future moment to build a wonderful future for Loudoun Mutual to allow us to continue our 174-year tradition of service to our policyholders and agents.



Busy Bees

By Chuck Good, Vice President & Marketing Manager

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AT THE GOOD RESIDENCE, I have noticed many bees flying around as the air temperatures cool. Like the bees who are preparing their queen, nests, and hives for the winter, the folks at Loudoun Mutual are also flying around getting prepared for the upcoming year. Thus, as I pondered a headline for this newsletter article, "Busy Bees" is a pertinent one. This time of year brings the responsibility of prepping for Wintergreen. Before prepping for Wintergreen, however, the Eighteenth Annual Sales Contest served as the prerequisite event that sets this annual celebration and appreciation extravaganza into motion. The Eighteenth Annual Sales Contest was our most successful contest in the last four years with the bonus payout exceeding the prior year by 20%! The success of the Sales Contest also feeds the prize contest drawing kitty where the drawing will be held on Wednesday night, October 4th. Agents who met the qualifying requirements to take part in this event will get the opportunity to win cash prizes ranging from $250 to $5,000. Thank you to all the agents who participated in the Sales Contest, and we look forward to seeing you at Wintergreen.

Wintergreen also serves as the catalyst for new products and services by means of the second round of Agency Council meetings. Before the general assembly of agents arrive Wednesday afternoon, Agency Council members gather to solve all of Loudoun Mutual's problems…which are few, at best! In seriousness, we all have areas of growth whether those areas are personal or concerned with business. The Agency Council is beneficial in identifying these areas and we are

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Keep Climbing

By Kimberly Fry, Vice President, Finance

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I JUST RETURNED from NAMIC, the mutual insurance company annual trade meeting. One of our speakers, Allison Levine, spoke of her challenges as the captain of the first American Women's Everest Expedition. She had several significant messages in her presentation but one that stuck with me is that progress is not always linear. When climbing mountains, as you work towards the summit, climbers must go up to new altitudes and then go backwards down to base camp almost daily to ensure that you do not get altitude sickness as the air gets thinner at these higher altitudes. Going through this, Allison shared that it is not only physically challenging but also mentally challenging since so much of your climb to the top of the mountain is going down to base camp. Allison's message is to remember that even when going backwards you are still making progress because you are climatizing your body to the altitude. Going back is not losing ground. You are growing stronger so that you can be better the next time. She reminds us that "Backing Up is not the same as Backing Down."

This message really resonates right now with the insurance industry. We continue to battle weather, uncertainty in the investment and reinsurance markets and changing expectations with insureds. At times, both 2022 and 2023 financial results have felt similar to the process of climbing that mountain. Each month there have been highs and lows in the investment markets and the weather, resulting in that yo-yo feeling of going up and down the mountain.

July and August were a reminder that even with the financial results going from a positive to a negative position, Loudoun Mutual has not backed down. We continue to adapt and evolve to move forward to keep Loudoun positioned for the future so we can continue to weather the storms that come. Here are the year over year results:

	Year to Date through August 31, 2023	Year to Date through August 31, 2022
Total Invested	103,170,395	102,137,357
Total Admitted Assets	117,684,888	112,875,028
Underwriting Profit (Loss)	<1,702,215>	<6,682,738>
Investment Income	1,251,675	2,719,944
Net Income (Loss)	<377,079>	<3,874,356>
Combined Ratio	101.0%	115.1%

Busy Bees

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appreciative of the agents, board members, and company staff that participate in this bi-annual exercise.

After we conclude the Sales Contest and before we plan for Wintergreen, the duty of reviewing rates awaits. This tedious exercise also balances the evaluation of agency results, the property & casualty reinsurance market, budgeting, and goals for the upcoming year. Great care and due diligence are put forth to address any threats and to capitalize on opportunities that could potentially improve the health of the company. The 2024 rate book will include the amending of base rates that drive scale through large numbers. The upcoming revision will also include territory rate actions that address geographically problematic areas and lines of business with higher losses and higher frequency of claims. A review of rating tiers, discounts, and underwriting guidelines all jockey for attention as well with the end goal of improving the company's competitive position to target new and retain existing profitable policyholders. On the topic of underwriting guidelines, the broadening of our Mobile Homeowner tier guidelines expands our capacity to grow and serve this market.

This multi-faceted approach concluded with the following rate actions approved by our Board of Directors in September to go into effect January 1, 2024:

- Homeowners rate change of +6.69%
- Dwelling Fire rate change of +0.55%
- Farmowners rate change of +0.50%
- Mobile Homeowners rate change of +3.37%
- Bed & Breakfast rate change of +1.00%
- Existing policyholder coverage will be increased 4.0%

The balanced and subtle updates to rates, coverage, and guidelines will strengthen Loudoun Mutual's hive for 2024. Although we are excited about the future, we are grateful for your past efforts that contributed to the success we enjoy today. Finally, as always, thank you for the business!



Volunteers Volunteering

By Rachel Saunders, Quality Insurance Specialist

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SEVERAL LOUDOUN MUTUAL employees volunteered to help collect bags of trash and brush in the village of Waterford this September. We collected over 20 bags of brush off the Phillips Farm Trail and picked up trash along the trail and streets in town. The new Director of Historic Preservation here in town (Abby), joined us and helped point us towards areas where the village needed assistance cleaning up. They have been battling an overabundance of poison hemlock, an invasive species that has begun spreading and is now present on approximately 11 of the farm's 144 acres. Local hands are working diligently to fight this plant and hopefully remove it permanently. We are glad to have been able to support them in all the hard work they do!

For more information on the town, including their recent construction to stabilize the old mill and other historic preservation efforts, you can visit their website **www.waterfordfoundation.org** or call (540-882-3018). Please consider becoming a member, donating, or supporting the historic preservation by volunteering! They have many upcoming events and projects.

This cleanup event occurred in later September to help the Waterford Foundation prepare for the local Waterford Fair, which takes place October 6-8, 2023. If you have never been, it is a wonderful experience that focuses on local craftmanship, history, and everyone's favorite thing – food! There is always an abundance of food trucks, and some years we even get to sample local wineries and breweries' beverages. Handmade and local goods such as soaps, woodworking, dried flowers, honey, art, and much more are for sale all over the town. There is live music as well. Some of the town residents graciously open their historic homes for multiple tours throughout the weekend. The event is family-friendly and always has interesting displays children will enjoy. Some of those have been blacksmithing, pottery, and glass blowing in past years, which were all amazing to watch firsthand. If you have free time, make sure to stop by this year (or in the future)!




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Annual Conferences

By Tim Koppenhaver,
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I'M WRITING this article from a short-term rental in Abingdon, Virginia. I came to this part of the state to attend the annual conference for Virginia Master Naturalists. It's completely unrelated to insurance but it got me thinking about the value of the many annual conferences we have in our industry.

Over the past month, I've been to conferences for our MIB inspection company as well as NAMIC – the national trade association for the mutual insurance industry. Though I didn't personally attend, our state association (VAMIC) also had their conference in August. Additionally, the IIAV has a Young Agents annual conference coming up soon too. And by the time you read this, Loudoun Mutual will have held its own annual conference at Wintergreen.

Why all the conferences, and are they worth the time to attend? Yes, they are sometimes set up to have a little fun like we all just had at Wintergreen. And seeing old friends and colleagues is great. But most importantly, conferences are about sharing important information that helps us do our jobs better and provide improved products for our policyholders.

There are often discussions about the value of the dozens of vendors that service our industry, and best practices for all the differing insurance company department operations. An example is a tip I learned at a prior conference to be careful insuring short-term rentals with wood burning devices.

Conferences also help you plan for the future by revealing coming attractions, like our announcement of Crisis Care Coverage for churches, or Service Line Coverage for Commercial Properties. Or our inspection company's plan to improve its turnaround time.

So yes, attending annual conferences is definitely worth it. They are great ways to stay current and avoid complacency.

And if you're wondering, the short-term rental in Abingdon did not have a wood burning device.



Let Us Know How We Are Doing

By Ryan McFadden, Business Analyst
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NEVER BEFORE have consumers relied so heavily on the internet and abundance of resources the world wide web offers them. From being able to order a delicious meal with a few clicks of a button, to instantly connecting with a friend on the other side of the globe. This is changing how consumers navigate the market. And one of the most significant ways consumers are changing is through the ability to read and leave reviews for a business.

According to a study conducted by Brightlocal, 77% of people surveyed stated that they always seek out business reviews when researching a product or service. This means that online reviews can influence a consumer's decision before ever interacting with a business. A few prominent reviews can sway someone's decision on who to hire for their home project. A few negative reviews can send customers to a competitor. Now more than ever, a company's online presence is incredibly important.

For all these reasons, Loudoun Mutual wants to hear from you! Have you had good experiences while working with our team? Did you think we could have done something differently? Was one of our staff members particularly helpful with an issue you were facing? Let us know by leaving a review on Google. We value what you think and want you to share your thoughts with us. You can get to our Google review page by scanning the QR code below.



It's Summertime!

By Selena Duggar, Vice President-Claims

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DEPENDING ON where you live in Virginia you may feel there weren't many "pop- up" storms this year. It may surprise you to know, since April 1st through August we have had 9 storms. These storms brought damage from wind, hail, lightning, power surge/ outages, food spoilage, heavy rains, and water back up. Here is the current list with information through the end of August.

As you can see, it doesn't take many claims for the dollars to add up. We have been lucky so far to avoid any named storms/hurricanes. However, knock on wood quickly, we still have a couple of months to go in the season. As always, stay alert and prepared.

We have certainly had enough weather events this year, so I hope the rest of the year is calm. Fall is here, which is many people's favorite season. Enjoy the cooler weather, all things pumpkin, and of course football!

APRIL - AUGUST STORM DATA

DATE	#CLAIMS	STORM TOTAL
4/1/2023	149	$1,499,243
4/6/2023	137	$1,846,784
5/16/2023	31	$ 219,517
6/16/2023	74	$ 823,694
6/26/2023	55	$ 518,807
7/13/2023	59	$ 548,666
7/28/2023	41	$ 467,165
8/7/2023	62	$ 444,423



RISKS WORTH NOTING

- **Property-only coverage on 8 self-storage units**
- **$3,500,000 secondary home under renovation**
- **Dwelling policy covering 28 rental dwellings**



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