

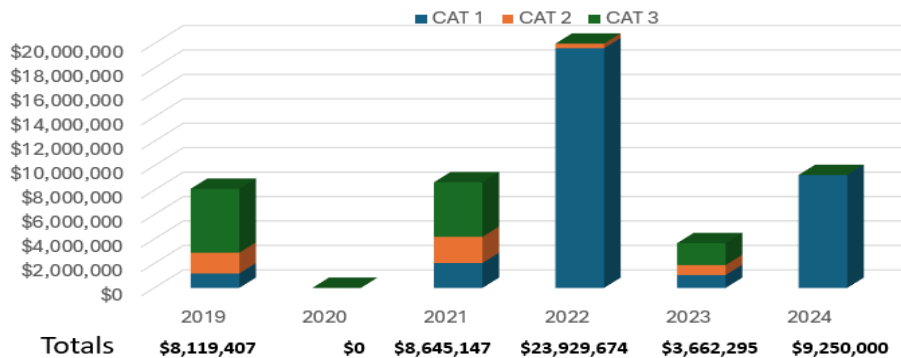
Additional Rate Increase Announcement



It has been a busy summer since we met some of you in June! The May 2024 storm was initially running below our CAT retention of \$3.5 million. As we work on completing our September 2024 financials, the May 2024 storm is now projected to be \$9.25 million for the Group. This storm and an increase in the frequency of fire claims have resulted in a June 2024 Group financial yielding a combined ratio of 162. After a mild storm year in 2023 that yielded a combined ratio for the Group at 113, these are simply unacceptable results. We will inevitably post our 5th straight year of underwriting losses with the conclusion of 2024.

The following exhibit shows our Catastrophe (CAT) losses over the past six years. Collectively, over \$53.5 Million in losses related to storms alone.

CAT Storms – MWG (2019 – Current)



As we discussed at the agent meeting, we have applied multiple changes to impact insurance operations to aid in producing an underwriting gain. We have increased insurance to value which generates more premium for the real exposure present. We have increased deductibles to share some of the loss cost with our policyholders. We are now asking them to share additionally on their roofs with introducing coverage at only ACV subject to depreciation starting in year two.

Last and certainly not least, we have begun to address rate inadequacy. Through the majority of the 2010's, our rates remained relatively flat. During that period, we had done some realignment of rates within our programs, but no significant rating actions. This is not atypical in the Wisconsin marketplace. In 2020, we took a modest 5% increase on Coverage A. In 2022, rate increases were delayed intentionally by management due to the impact to policyholder's premium by raising coverage to appropriate levels.

Beginning in October of 2023, Mutual of Wausau took its most significant rate increase with raising rates by approximately 10% across the board. As we reviewed our financial results for 2023, we recognized that our rate increases taken to date and in flight were not going to be enough. In July 2024, we enacted a 20% increase in Coverage A across all policy types. We announced at the June agent meeting that we hoped this would be enough for a longer period of time. Then the development of the May 2024 CAT event and the associated reinstatement premium now payable to our reinsurers as part of a standard reinsurance program, has led to our aforementioned 162 combined ratio for the Group. Similar rating actions have been taken throughout the Group as well over the similar timeframe.

In September of this year, we updated financial projections for 2024 and 2025. We then assessed what level of revenue will be needed to support operations if the projected claims for 2024 repeat for 2025. ***Ultimately, this memo is to inform you that Mutual of Wausau will be putting forth another rate increase on Coverage A across all policy types at an increase of 30% to be effective at or near January 1, 2025.*** We feel increasing Coverage A premium is measured and addresses where we see the vast majority of claims. This will also lessen the overall rise in premiums in the Farmowner segment. We recognize that this additional change will catch the attention of our policyholders—and understandably so. This is a necessary step to remain viable in the rural communities we serve. Reinsurance has masked the issue in the past, but reinsurance can't and won't fix the problem.

Of course, you are our key ambassadors with our policyholders. Hopefully, we have portrayed that to you in our meetings and appreciation events. We greatly value our partnership, both in the past, now, and hopefully long into the future. We of course need your help as we navigate the coming renewals in 2025.

Feel free to contact me directly with any questions or concerns. My direct-dial toll-free number is 1-855-393-4609.

Thank you!

Todd Lentz, CPA, PFMM
President & CEO
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