

2019

Combined Statutory Financial Statements (Unaudited)

| (Dollars in thousands) | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------------|-------------|-------------|-------------|-------------|
| Direct premiums written | \$ 789,875 | \$ 775,448 | \$ 744,275 | \$ 725,768 | \$ 719,977 |
| Net premiums written | 749,616 | 734,124 | 703,216 | 685,932 | 675,358 |
| Net premiums earned | 742,044 | 716,348 | 690,334 | 684,415 | 668,381 |
| Investment income, including realized gains and losses | 53,831 | 61,194 | 51,198 | 49,223 | 45,280 |
| Net income (loss) | 48,421 | 36,367 | (42,960) | 53,272 | 28,295 |
| Total cash and investments | \$1,556,425 | \$1,478,635 | \$1,456,793 | \$1,420,296 | \$1,369,384 |
| Total admitted assets | 1,808,517 | 1,759,599 | 1,747,004 | 1,763,087 | 1,700,593 |
| Total policyholders' surplus | 663,725 | 591,293 | 586,917 | 623,872 | 580,803 |
| Combined ratio after dividends | 99.3 | 102.5 | 116.9 | 98.5 | 99.2 |

For the year ended December 31, 2019, combined statutory net income was \$48.4 million, accompanied by a combined ratio of 99.3 for the year. This was an increase of \$12.0 million over last year's net income of \$36.4 million, and an improvement of 3.2 points from the 2018 combined ratio of 102.5.

Total net premiums written and earned were higher than the prior year by \$15.5 million or 2.1% and \$25.7 million or 3.6%, respectively. Commercial lines direct premiums written increased over the prior year by 2.7 percent, to a total of \$438.8 million, with the greatest growth achieved in the commercial automobile line of business by way of its renewal premium rate strengthening. In our personal lines of business, an overall direct written premium increase of 0.8 percent was driven by renewal business growth in the homeowners line compared to 2018.

Our net loss and loss adjustment expense ratio decreased by 4.9 points, from the 2018 ratio of 70.4 to 65.5 for 2019. With improvements in both catastrophe and non-catastrophe losses, this year's incurred losses

and loss adjustment expenses of \$485.8 million were \$18.6 million lower than last year. The year was impacted by a total of \$25.1 million or 3.4 points of weather-related catastrophes compared to \$40.9 million or 5.7 points experienced last year. Losses and loss adjustment expenses incurred during 2019 were also favorably impacted by \$16.6 million or 2.2 points of favorable development, \$11.1 million of which is attributed to favorable development in our workers' compensation line of business.

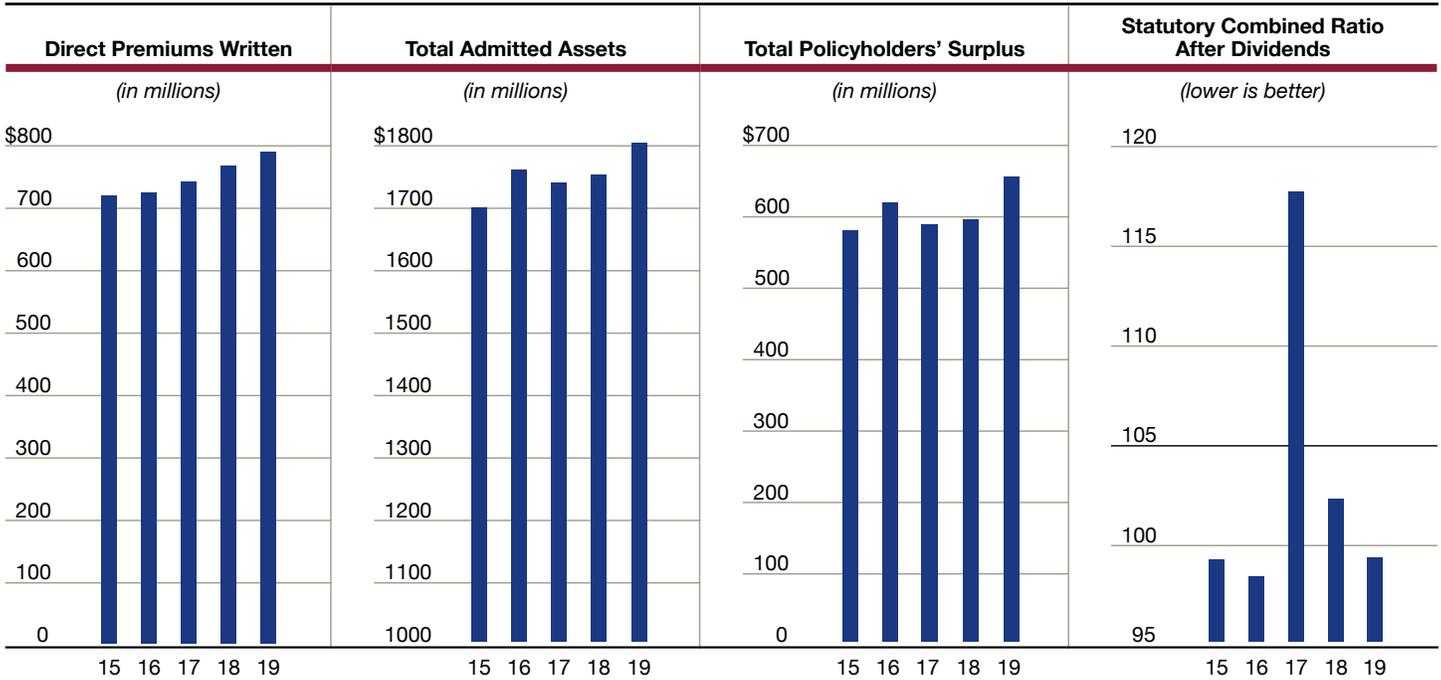
Underwriting expenses for the current year grew by \$17.2 million from last year. This was largely due to increased employee compensation and benefit costs, and amortization on internal software initiatives that were implemented. The overall rise in expenses resulted in a 1.7 point increase in the underwriting expense ratio, from 31.2 for 2018 to 32.9 in 2019.

Our company's total admitted assets exceeded \$1.8 billion as of year-end 2019. Policyholder's surplus increased \$72.4 million during the year, to reach a total of \$663.7 million at December 31, 2019.



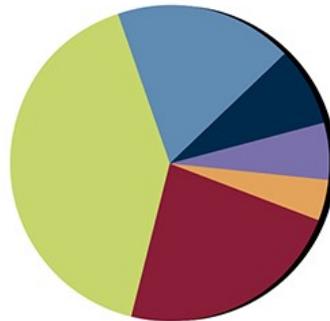
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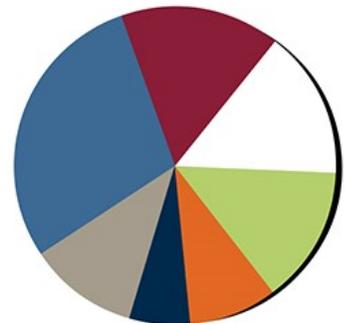
2019 Combined Direct Premiums Written by State

| | |
|----------------|-----|
| Pennsylvania | 41% |
| North Carolina | 18% |
| New Jersey | 8% |
| Maryland | 6% |
| Alabama | 4% |
| Other | 23% |
| Virginia | |
| Tennessee | |
| Wisconsin | |
| Other | |



2019 Combined Direct Premiums Written by Line of Business

| | |
|-----------------------|-----|
| Personal Automobile | 29% |
| Other Liability | 16% |
| Commercial Automobile | 15% |
| Homeowners | 14% |
| Workers' Compensation | 9% |
| Businessowners | 6% |
| Other | 11% |





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Combined Statutory Financial Statements (Unaudited)

Combined Statutory Balance Sheets (Unaudited)

| December 31, (dollars in thousands) | 2019 | 2018 |
|--|-------------|-------------|
| Admitted Assets | | |
| Investments: | | |
| Bonds | \$1,324,496 | \$1,277,301 |
| Stocks | 171,073 | 138,014 |
| Mortgage loans | 15,627 | 16,298 |
| Other | — | 2,084 |
| Cash and cash equivalents | 45,229 | 44,938 |
| Total cash and investments | 1,556,425 | 1,478,635 |
| Agents' balances and uncollected premiums | 207,907 | 207,271 |
| Investment income due and accrued | 9,647 | 10,241 |
| Amounts due from reinsurers | 9,852 | 11,501 |
| Deferred tax asset, net | 15,408 | 20,846 |
| Other assets | 9,278 | 31,105 |
| Total admitted assets | \$1,808,517 | \$1,759,599 |
| Liabilities and Policyholders' Surplus | | |
| Liabilities: | | |
| Reserves for losses and loss adjustment expenses | \$695,988 | \$ 718,730 |
| Unearned premiums | 345,157 | 337,586 |
| Premium taxes and other expenses | 26,818 | 38,138 |
| Drafts outstanding | 15,008 | 21,449 |
| Other liabilities | 61,821 | 52,403 |
| Total liabilities | 1,144,792 | 1,168,306 |
| Policyholders' surplus: | | |
| Surplus notes | 29,500 | 29,500 |
| Unassigned surplus | 634,225 | 561,793 |
| Total policyholders' surplus | 663,725 | 591,293 |
| Total liabilities and policyholders' surplus | \$1,808,517 | \$1,759,599 |



2019

Combined Statutory Financial Statements (Unaudited)

Combined Statutory Statements of Income (Unaudited)

| Years Ended December 31, (dollars in thousands) | 2019 | 2018 |
|--|-----------|-----------|
| Underwriting income: | | |
| Net premiums written | \$749,616 | \$734,124 |
| Increase in unearned premiums | (7,572) | (17,776) |
| Premiums earned | 742,044 | 716,348 |
| Losses and loss adjustment expenses | 485,806 | 504,384 |
| Underwriting expenses | 246,730 | 229,562 |
| Total losses and expenses | 732,536 | 733,946 |
| Total underwriting income (loss) | 9,508 | (17,598) |
| Investment income: | | |
| Net investment income | 47,761 | 46,389 |
| Net realized gains on investments | 6,070 | 14,805 |
| Total investment income | 53,831 | 61,194 |
| Other income, net | 1,287 | 1,386 |
| Income before dividends and federal income tax expense | 64,626 | 44,982 |
| Dividends to policyholders | 6,981 | 6,592 |
| Income before federal income tax expense | 57,645 | 38,390 |
| Federal income tax expense | 9,224 | 2,023 |
| Net income | \$ 48,421 | \$36,367 |

Combined Statutory Operating Statistics (Unaudited)

| Years Ended December 31, | 2019 | 2018 |
|--|------|-------|
| Loss ratio | 55.7 | 59.1 |
| Loss adjustment expense ratio | 9.8 | 11.3 |
| Loss and loss adjustment expense ratio | 65.5 | 70.4 |
| Underwriting expense ratio | 32.9 | 31.2 |
| Dividend ratio | 0.9 | 0.9 |
| Combined ratio after dividends | 99.3 | 102.5 |
| Net premiums written to surplus ratio | 1.1 | 1.2 |
| Net liabilities to surplus ratio | 1.7 | 2.0 |
| Net leverage ratio | 2.8 | 3.2 |