

2021

ANNUAL REPORT



ELCO EXECUTIVES

David A. Bruce	<i>President, Chief Executive Officer</i>
Paul J. Grawe	<i>Executive VP, Chief Financial Officer</i>
Richard P. Leach	<i>Senior VP, Corporate Secretary</i>
Timothy J. Heaton	<i>Senior VP, Chief Strategy Officer</i>
Ponni S. Nainar	<i>Vice President, Treasurer</i>
Lori L. Lemme	<i>Vice President, Human Resources</i>
George A. Seyter	<i>VP, Chief Information Security Officer</i>
Silvio A. Rodia	<i>Vice President, Chief Risk Officer</i>
Bill P. Bruce	<i>Vice President, Marketing</i>
Eric B. Myers	<i>General Counsel</i>
Jeffrey S. Rasmus	<i>AVP, Chief Compliance Officer</i>

BOARD OF DIRECTORS

David A. Bruce	<i>President, CEO, ELCO Mutual</i>
Paul J. Grawe	<i>Executive VP, CFO, ELCO Mutual</i>
Richard P. Leach	<i>Senior VP, Corporate Secretary, ELCO Mutual</i>
William D. Bruce	<i>Director, Chairman Emeritus, ELCO Mutual</i>
James S. Farrell	<i>Director, Communications Consultant, Verizon Business Markets (Retired)</i>
Bartholomew F. Reuter	<i>Director, Attorney, Versiti, Inc.</i>
Chris R. Chigas	<i>Director, Investment Advisor, Access Financial Group, Inc.</i>



Longevity is the result of being both meticulous and flexible. To build on your past achievements and learn from your failures is an essential part of life and business. As an organization that has continued to grow for 75 years, ELCO knows these things all too well.

Our 75th year was filled with many accomplishments. Revenue was up across all lines of business, we made significant additions to our management team, the company received a rating increase from AM Best, the groundwork for digital transformation was laid, and we mapped out our new five-year plan. While the pandemic persists, ELCO's team has proven triumphant at navigating the uncertain waters of COVID-19 once again. Total premium and deposits approached \$450 million as we continued to diversify the product solutions within the ELCO portfolio. New preneed products and the Presidio Plus headlined the expansion as our plan to diversify into life insurance continues.

ELCO's rating with AM Best increased to B+ to affirm our investment grade and financial strength. This increase resulted from the diligent work of our accounting and finance team, building upon our Enterprise Risk Management (ERM), and executing our business strategies. We built upon our experiences and adjusted as needed to accomplish our goals. We will continue to improve on this rating as we grow and become more diverse.

Now, to revisit our anniversary. This year held a special place in my heart. While I haven't been employed by ELCO for the entirety of the 75 years, I have been fortunate enough to be here for a majority of it. When my grandfather founded the company in 1946, he dreamed of creating a strong testing site for his product ideas. However, the organization grew and became so much more under my father's leadership. When I inherited the reigns from Ed Kulpins in 2018, I had one goal in mind: growth while maintaining our human element. ELCO's success can be attributed to being agile and service driven. Our company's brand was built on simple things such as having a live person answer the phone and quick turnaround times on service requests. These values will remain at the core of every decision ELCO makes as we look to lay the foundation for the next 75.

To all our trusted producers, policyowners, and employees, I thank you for another prosperous year. Looking ahead, I only have one thing to say: let's build a better future together.

David A. Bruce

President and CEO

ELCO ended the year with an operating gain of \$2.7 million and a 6% growth in assets. ELCO has taken up several initiatives in 2021 to strengthen our infrastructure and achieve our strategic goals. As a result of these investments, our expenses during 2021 increased by 13% compared to 2020. A majority of the spending was allocated to human resources, marketing, agency, IT, and governance. We are also planning to increase our expenses by 10% for 2022, as we continue to invest in these essential areas and expand upon how we service our policyowners and agents.

During the past two years of a challenging economic environment, we have worked closely with our asset management partner (JP Morgan Asset Management) and investment accounting provider (Clearwater Analytics) to pursue new investment opportunities that support future obligations for our policyholders. The financial health of our assets contributed to AM Best upgrading ELCO's Financial Strength Rating to B+. 2021 was a good year for ELCO and we expect to achieve more in the coming years.

Bonds & Stocks	\$889,180,450
Sch BA Other Invested Assets	\$25,453,396
Home Office Property	\$2,556,407
Policy Loans	\$94,051
Cash/Short Term Investments	\$52,022,929
Reinsurance & Other Misc. Assets	\$11,594,761
Accrued Investment Income	\$7,021,689
Deferred Tax Asset & Tax Recoverable	\$5,195,155
Total Assets	\$993,118,837

Policyholder Reserves	\$869,307,895
Claims in Process	\$570,000
Reserve for Dividends Next 12 Months	\$997,844
Accrued Expenses, Taxes & Fees	\$520,000
Other Liabilities	\$27,110,045
IMR/AVR	\$18,501,482
Total Liabilities	\$917,007,267
Policyholder Surplus	\$76,111,571
Total Liabilities & Surplus	\$993,118,837

Premiums & Considerations	\$219,214,494
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Investment Income/IMR Amortization	\$32,397,638
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Total	\$251,612,132
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Benefits to Policyholders	\$202,134,318
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Increase in Reserves	\$27,805,171
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Subtotal	\$229,939,489
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Other Expenses, Taxes	\$17,285,159
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Total	\$247,224,648
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Gross Gain from Operations Before Taxes & Dividends	\$4,387,484
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Dividends/Federal Taxes/Other	\$(1,637,029)
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Net Gain (Loss) From Operations	\$2,750,455
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2021 continued the transformation and awareness of doing business differently. Working with improved digital tools and supporting corporate strategy, IT realigned to meet the challenges. With the development of a new infrastructure, support channels, process improvement and continued security investments, IT created a path to a digital transformation strategy for the upcoming year.

In 2022, IT will improve customer experience, reduce costs, and improve efficiency. We will see the adoption of new tools to speed up processing via automation, improve upon data analytics for quicker and better decision making, develop portals for our agents, and creating more ways of building partnerships.

ELCO has continued to support both local and national charitable organizations. Employees started last year off by donating school supplies for a classroom in the Beach Park School District. Later in the year, we filled two pickup trucks full of clothes for Midwest Veteran's Closet in support of local veterans. Our team also got together during the holiday season and collected gifts for struggling seniors in partnership with Catholic Charities.

In the spring, our team supported the Northern Illinois Food Bank's Fight to End Hunger 5k. Then, in October, we sponsored the Survivor's Tent at the Strides Against Breast Cancer Walk. Employees gave out sashes to participating survivors and walked the 2.5-mile route. ELCO also co-sponsored the Walk to End Alzheimer's Promise Garden in the fall. Employees came together to hand out flowers with colors representing an individual's connection to the disease. Donations were also made to The Lion's

Club, Lake County Boys and Girls Club, St. Jude Research Hospital, and Wounded Warrior.

We recently took steps to enhance our presence in our backyard. ELCO became the first major corporate donor of Lake Bluff's 125th birthday celebration by sponsoring the first fireworks display in 25 years. In addition, we became members of the Lake Forest/Lake Bluff Chamber of Commerce.

Our team is looking forward to growing the relationships we've built with these local causes. Next year, we will expand our philanthropy efforts by putting more financial and employee resources behind these initiatives. Helping our community is incredibly important to our organization, and there is always more to be done.



ELCO will **cultivate, nurture, and enhance** long standing **relationships** with insurance professionals and policyholders by being a **trusted partner** providing **tailored solutions** to achieve financial goals.

This year marks the start of our long-term strategic plan titled Build a Better Future - ELCO's 5-Year Plan. In many ways, this plan has been 75 years in the making. Rooted in the family values, commitment, hard work, personal relationships, and service, ELCO has persevered since 1946. We took time last year to celebrate several milestones and reflect on what will be necessary to ensure financial stability, enhance the way we service our agents and policyowners, and grow as an organization.

ELCO's solutions are sold through independent licensed professionals across 43 states. We have established a reputation with insurance agents, financial advisors, and attorneys as a carrier of choice for life and annuity products. Our solutions give agents the tools to help their clients prepare for retirement, estate planning, cost of care, and end of life financial planning. Today, ELCO is uniquely positioned with its broad product portfolio for seniors. With the current product portfolio and planned product enhancements, ELCO is taking several steps to expand its solutions to accommodate more life events and planning strategies.

Over 75 years, we have learned many lifelong lessons related to making promises today and being able to honor those promises well into the future. Partnering with insurance professionals, we will

provide solutions to customers with the assurance that the promises are fulfilled at a future time of need. As our policyholders live their lives, and their situations change, they can depend on ELCO to answer their questions and help them adjust to stay aligned with their long-term financial goals.

Of course, our success is not simply rooted in the products we offer. ELCO is known as a service leader. We plan on building on this core value by keeping the human element. However, we understand service is based on preferences, which is why a fundamental portion of Build a Better Future, will focus on how we service our policyowners and make information available to our trusted agent partners. Increasing ELCO's technology capabilities and providing easier access to information will allow policyowners to choose how they want to be serviced—whether that be going online or calling into a live person.

This past year, we collected our thoughts regarding the values and actions that have been essential to ELCO throughout its history, with the intent that these values would serve as a guide to future employees. This purpose statement is the cornerstone on which the 5-year plan was built. For our policyholders, for our partnering insurance professionals, and for our staff – it is time to: Build A Better Future.

In March of 2022, Corporate Secretary Richard Leach will be retiring and starting a new chapter in his life. His 42 years of service are much appreciated by ELCO, agents, ELCO partners, and policyholders.

After serving as a salesman for Gary Steel for several years, Richard Leach came to ELCO on July 1, 1980, taking his initial position as Agency Supervisor. In 1984, he was made Vice President of New Business and Agency.

In the early days, he was ELCO's point man with our agents. ELCO had just acquired Crown Life Company of Illinois, which had hundreds of agents. One of them was Walter L. Lowe, who was a prominent agent with Crown. Richard was the perfect ombudsman with Walter and all ELCO's agents.

When ELCO started selling Universal Life to seniors in 1985, Richard worked closely with ELCO's National Sales Director, David Kane. Over the course of the next several years, ELCO sold approximately \$40M in UL products.

In the mid to late '90's, Richard was the main contact to Barry Rahm Insurance agency which introduced ELCO to the Medicaid Compliant Annuity (MCA) market. After years of fielding the countless ideas from Barry's right-hand man, George Schwartz, he was introduced to Dale Krause a nationally renowned legal expert on MCA's. Richard and Dale became good friends and Richard became schooled on the concepts of the use of the MCA business. He learned so well that Dale has used him in several cases where his deposition was beneficial for the cause.

Richard became Senior Vice President in 1995. He was elected Corporate Secretary in 2010. Even though he is retiring as an officer of ELCO, he will remain a director of ELCO and serve on several committees.

He will now have time to do one of his favorite things, and that is to go fishing with his wife and spend time with his grandchildren.



IN LOVING MEMORY OF



BY DAVID BRUCE

Chairman Emeritus William (Bill) D. Bruce passed away on February 11, 2022. Bill joined the company on February 1, 1954. He was elected to serve as Assistant Secretary and Treasurer later that year. In 1956, he was elected as a director, which he would hold until his death.

Concurrently, he joined his father's actuarial consulting firm, Harley N. Bruce & Associates. He worked alongside his father and older brother, Robert (Bob) E. Bruce.

On August 12, 1973, Harley Bruce made three significant decisions. First, to sell his actuarial firm to his two sons. Second, was he would become Chairman of the Board and third naming Bill president of ELCO. A position he held until 2017.

Originally organized as a legal assessment reserve company in 1946, Bill worked diligently to see that the company was converted to a mutual company. Regrettably, Harley Bruce had died the day that permission was granted. Bill was now not only our president but our Chairman of the Board.

Under Bill's leadership, ELCO had three acquisitions. The first was a merger with Crown Life Company of Illinois on July 1, 1980. This acquisition nearly doubled ELCO's size from \$6.5M in assets to \$11.8M. It brought opportunities with over 200 agents.

About this time, Bill's vision of enhancing ELCO's footprint took place. Being domiciled in Illinois, ELCO was only in one other state, Indiana. Bill applied for admission to 38 states during the 1980s. He would be called into many commissioner's offices to explain why ELCO should be admitted. He succeeded. Under his reign, ELCO was admitted to 41 states in all.

On July 1, 1985, ELCO merged with the Locomotive Engineers Mutual Life and Accident Insurance Association in Cleveland, Ohio. Again, nearly doubling its size from \$15.4M to \$29.6M.

The number of policyholders more than doubled, while the staff only slightly increased.

Bill also had a vision for entering the senior's market, knowing that this marketplace was only to get larger with increased mortality and longevity. ELCO did this initially by marketing universal life to seniors. He insisted that there could not be a vanishing premium and that policy issuance included simplified underwriting. From the mid-1980 to the early 1990s, ELCO wrote over \$40M in universal life.

In the late 1990s, Bill formulated a relationship with Barry Rahm of Barry Rahm Insurance (BRI). This introduced ELCO to the Medicaid Compliant Annuity business. This market was specialized and today is our core business.

In 1995, in celebration of our upcoming 50th Anniversary, he wrote a book on our history titled, *A Fifty-Year Labor of Love*. Twenty years later, he wrote *70 Years... and Counting*.

In 2013, Bill oversaw the changing of our name from Employees Life Company (Mutual) to ELCO Mutual Life and Annuity.

In 2017, Bill stepped down as President and Chairman of the Board for ELCO. Because of his longtime services, the Board designated him as Emeritus Chairman. He continued to serve on ELCO's Board and always brought good value to the meetings. His last meeting was in December 2021.





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