

**Clear***Focus*

**Clear***Vision*

**Clear***Path*  
*to*  
*Success*

Annual Report 2019

 **CLEARPATH**  
mutual<sup>SM</sup>

**Clear***Focus*

**Clear***Vision*

**Clear***Path*  
*to Success*

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## **OUR VALUES**

- We believe in making decisions based on integrity not profitability.
- We believe an injured employee deserves respect and we show respect through prompt and courteous service.
- We believe it is our responsibility, along with our insureds and agents, to keep the workforce at work.
- We believe that there is not now, nor will there be in the future, a better, more valuable, or more conscientious workers' compensation provider than ClearPath Mutual.





2019  
AT-A-GLANCE

**\$227.8** Million in Cash and Invested Assets

**\$48.3** Million in Net Earned Premiums

**\$67.3** Million in Surplus

**89.6%** Policy Retention

**7,069** Policyholders



# MESSAGE FROM CEO

## A CLEARPATH TO SUCCESS



*We are committed to our focused vision and continued growth for a successful future.*

Our name ClearPath Mutual Insurance Company was selected a few years back because we had a clear path to growth and success ahead of us. I am very excited about our progress and the momentum we have created in becoming a leading regional insurance company.

In 2019, we accomplished many goals in our strategic plan. First, we successfully obtained our initial A.M. Best's rating of A- (Excellent), which validated our current financial strength and past operating performance. This rating should give our policyholders, agents, and employees the reassurance that ClearPath Mutual will be there to pay claims and be financially sound well into the future.

In October, we began writing workers' compensation coverage in Tennessee, our first state beyond our Kentucky borders. Then, we continued our journey of state expansion by completing the processes to begin writing in Indiana in March, 2020.

The successes we had in 2019 made it an exceptional year. None of this could be possible without the efforts of our dedicated employees, our loyal agency partners, and our valued policyholders. I am very appreciative of everything they do for ClearPath Mutual, and I want to say, Thank You!

As we look at 2020, ClearPath Mutual knows that it will take a ClearFocus and a ClearVision to continue the ClearPath to Success.

A handwritten signature in black ink that reads "Jeff Borkowski". The signature is written in a cursive, flowing style.

**Jeff Borkowski**  
Chief Executive Officer



## ClearFocus

ClearPath Mutual has strived over the years to be the best workers' compensation provider in Kentucky for our independent insurance agents and policyholders. As we expand into other states, ClearPath Mutual needs to keep a *ClearFocus* to remain the best.

Our *ClearFocus* will enhance our service to our agency partners and valued policyholders. With competition in our territory increasing each day, we look to meet these challenges by centering on the expectations and needs of our customers. We look to change for the better while staying true to our core values.

*ClearFocus* will be centered on our employees, too. We have an incredibly talented, professional team that has done so much in such a short period of time. Our growth plans are targeted around them, and we will provide them with the training and tools to remain the best.

*ClearFocus* on our agents, policyholders and employees will accentuate why ClearPath is clearly better.

# CONDENSED STATUTORY FINANCIAL REPORT

## IN THOUSANDS

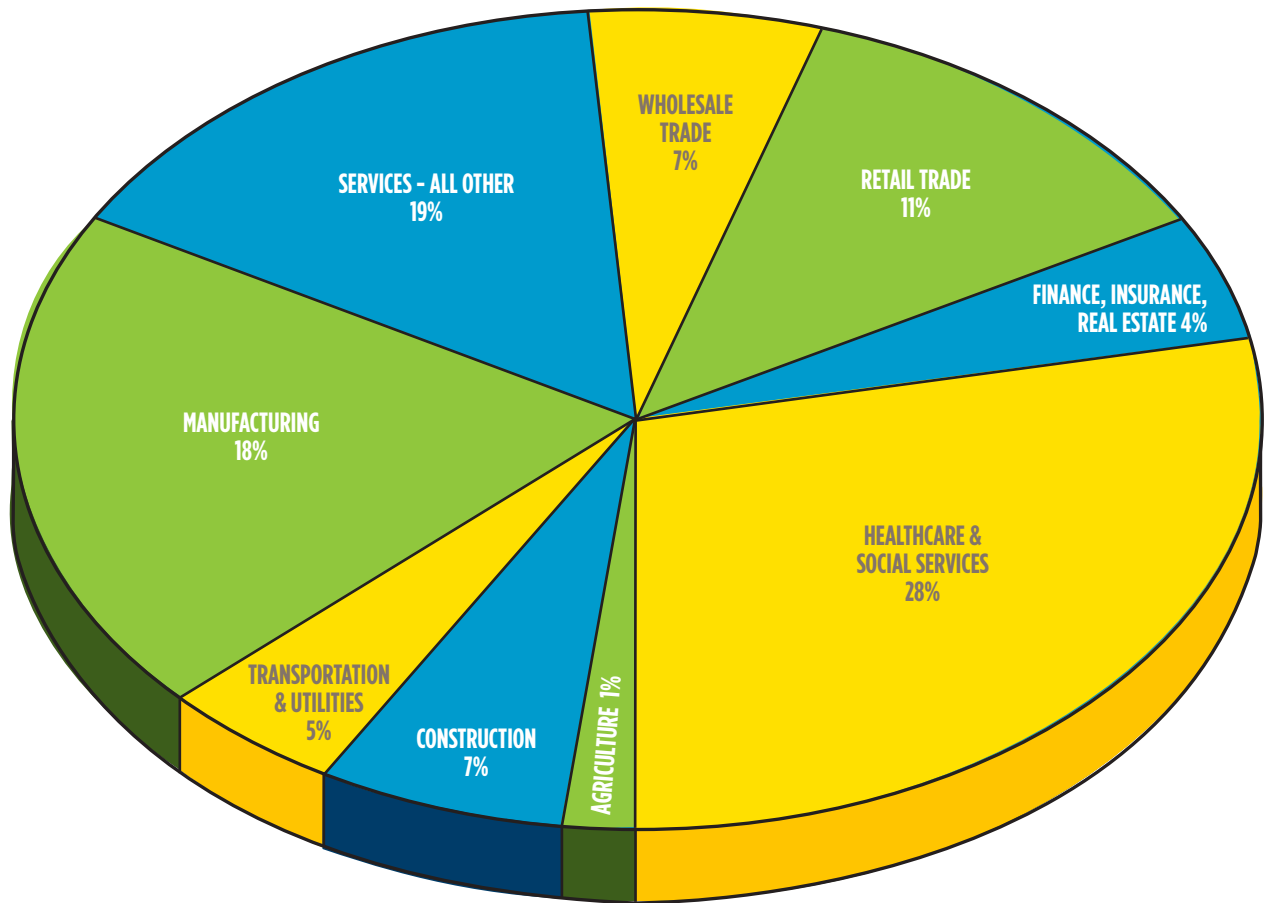
### STATEMENTS OF ADMITTED ASSETS, LIABILITIES AND SURPLUS *as of*

	12/31/19	12/31/18
Bonds	\$212,910	\$193,305
Common Stocks	6,774	8,445
Preferred Stocks	899	1,569
Cash and Short-Term Investments	7,262	22,439
Premiums and Agents' Balances	14,154	16,213
Other Assets	4,731	5,199
<b>Total Admitted Assets</b>	<b>\$246,731</b>	<b>\$247,171</b>
Unpaid Losses and Loss Adjustment Expenses	\$152,609	\$158,724
Unearned Premiums	18,508	21,377
Other Liabilities	8,300	9,495
<b>Total Liabilities</b>	<b>179,417</b>	<b>189,595</b>
<b>Total Policyholders' Surplus</b>	<b>67,314</b>	<b>57,576</b>
<b>Total Liabilities and Surplus</b>	<b>\$246,731</b>	<b>\$247,171</b>

### STATEMENTS OF INCOME *for the years ended*

	12/31/19	12/31/18
Net premiums Earned	\$48,317	\$52,387
Losses and Loss Adjustment Expenses	31,147	34,910
Other Underwriting Expenses	13,544	17,289
Net Underwriting Gain	3,625	188
Investment Income	7,478	5,438
Other (Loss) Income	(81)	122
Income Tax Expense	(1,742)	(1,208)
<b>Net Income</b>	<b>\$9,281</b>	<b>\$4,540</b>

Johnson Lambert LLP performed an independent audit of the company's 2019 financial statements. A complete copy of the audited statements with all explanatory notes and the Independent Auditors' Report is available upon request.



**CLEARPATH MIX OF BUSINESS BY INDUSTRY SEGMENT**

## ClearVision

ClearPath Mutual is constantly working towards the big picture. Our ClearVision has helped us see what has made us successful in Kentucky, and how to have continued success in the future.

During 2019, ClearPath Mutual had a goal of more clearly understanding every part of its book of business, and completed a thorough analysis of all nine of the business segments it serves. This has given the company ClearVision on how to have continued success, not only in Indiana and Tennessee, but in other expansion states in the future. While the book of business may vary slightly based on the demographics of each state, the company expects that Healthcare, Services, and Manufacturing will continue to be a focus of the book.

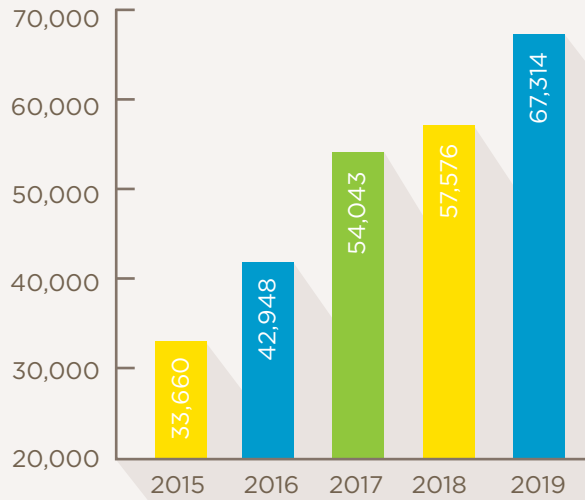
The company has always proudly served its policyholders and agency partners throughout Kentucky based on the core values of stability, consistency, and responsiveness, and this will never change. Our ClearVision gives us the ability to foresee many years of continued service to our customers, and successfully keeping the workforce at work.

ClearVision on how to provide the best option for workers' compensation to our agents and policyholders will point ClearPath Mutual in the right direction towards our ClearPath to Success.

# FINANCIAL HIGHLIGHTS

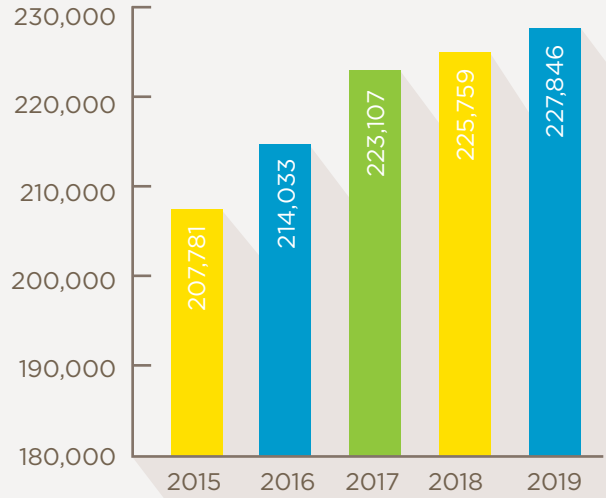
## POLICYHOLDERS' SURPLUS (in thousands)

Statutory Basis



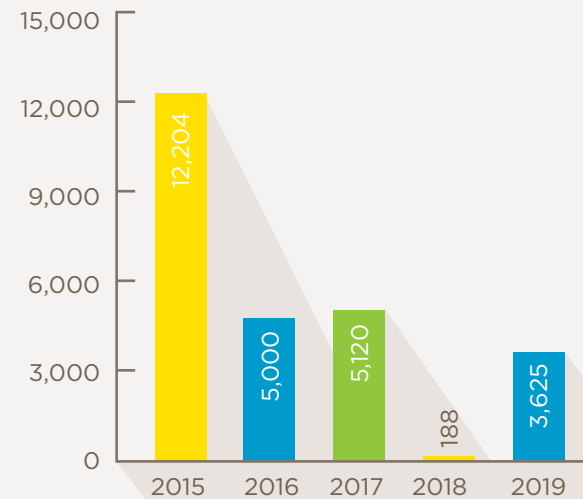
## CASH & INVESTED ASSETS (in thousands)

Statutory Basis



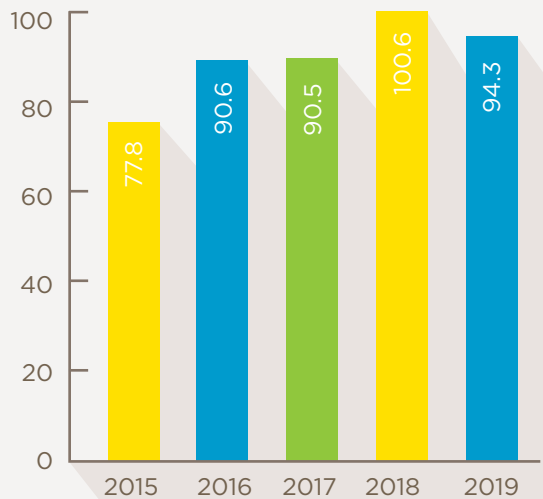
## UNDERWRITING GAIN (in thousands)

Statutory Basis



## NET COMBINED RATIO

Statutory Basis







## ClearPath to Success

ClearPath Mutual's ability to meet expectations and needs of our agency partners, policyholders, claimants, and employees will define our *ClearPath to Success*. We will never lose sight of our drive to be the best workers' compensation provider for our independent insurance agents and policyholders, and a great place to work for our employees. Success has been achieved by listening intently to what our customers have to say, and then following through with timely and appropriate action.

The Workers' Comp insurance industry, like most businesses today, is heavily dependent on data and technology. Our *ClearPath to Success* will be paved by balancing the need for cutting edge technology with the personal touch that has been so integral to our past success. To emphasize the importance that ClearPath places on treating our customers with the respect they deserve, ClearPath Mutual began building a new Customer Experience unit, which is focused on making sure we consistently meet the expectations

and needs of all customers from both a technology and relationship perspective.

In order to enjoy continued success, ClearPath Mutual is focused on looking for ways to outpace our competition by constantly improving the products and services provided to our policyholders and agency partners. We do this by closely monitoring industry standards and proactively searching for innovative ways to enhance our products, services, and pricing strategies.

ClearPath Mutual looks forward to continued expansion into additional states in order to better serve customers in Kentucky, Tennessee and Indiana. A *ClearFocus* on the needs of our policyholders, agency partners and employees, along with a *ClearVision* of how to provide workers' compensation that is clearly better, will give us a *ClearPath to Success*.



## ABOUT US

ClearPath Mutual Insurance Company began operations on January 1, 2018 and is domiciled in Louisville, KY. The company has an AM Best Rating of "A-" (Excellent) with Stable Outlook.

ClearPath Mutual is governed by a policyholder-elected Board of Directors which monitors the company's activities. The Board describes the company's mission and purpose as providing the best value for its policyholders through conservative, profitable growth; financial security; enhanced safety and risk management services; and exceptional customer service. The company is regulated by the Kentucky Department of Insurance, which performs periodic comprehensive examinations.

ClearPath Mutual has approximately 7,100 policyholders and nearly \$50 million in premiums, making it one of the largest and most financially stable providers of workers' compensation in Kentucky. Its policyholders pay a premium based on their exposures, classification codes, payroll and experience modification. Premiums are then used to pay claims and administrative expenses, such as loss prevention services and legal, actuarial, and management costs.

The company's strategic mission is to expand geographically to better serve its agents and policyholders. During 2019, ClearPath Mutual acquired licenses in the states of Indiana and Tennessee, and has started to write business in Tennessee.

## CLEARPATH MUTUAL MANAGEMENT TEAM

**Jeff Borkowski**  
Chief Executive Officer

**Kitty L. Baumgart**  
Chief Financial Officer  
and Treasurer

**Linda K. Davis**  
Human Resources/  
Office Manager

**Kevin Fallahay**  
Vice President of Claims

**Robin Engleking**  
Claims Manager

**Felecia Itson**  
Underwriting Support Supervisor

**Mike Kleier**  
Loss Prevention Manager

**Bob Korsan**  
Vice President of Underwriting

**Linda Ladegast**  
Claims Supervisor

**Rubyanne O'Bryan**  
Systems Administrator

**Alan Simpson**  
Director of IT

**Terry Smith**  
Accounting Manager

## BOARD OF DIRECTORS

**Jeff Borkowski**  
*ClearPath Mutual*

**Gregory L. Buie**  
*ClearPath Mutual - Retired*

**Sean M. Garber**  
*Algar, Inc.*

**Jerry G. Hale**  
*Keeneland Association, Inc. - Retired*

**Clyde D. Lang**  
*Cedar Lake, Inc. - Retired*

**Jane Broadwater Long**  
*Lawyers Mutual Insurance  
Company of Kentucky*

**Louie Seger**  
*Beeline Courier Service*

**Tony Stottmann**  
*Wells Fargo Insurance  
Services, Inc. - Retired*

**Jan West**  
*Goldberg Simpson*

## ADVISORS AND CONSULTANTS

**Actuary**  
Pinnacle Actuarial Resources, Inc.  
Atlanta, GA

**Auditor**  
Johnson Lambert LLP  
Raleigh, NC

**Legal Counsel**  
Frost Brown Todd LLC  
Louisville, KY





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