

A woman with dark hair, wearing a bright yellow short-sleeved dress and dark sunglasses, is smiling and adjusting her sunglasses with both hands. She is standing in front of a vibrant green background with vertical lines, possibly a wall or a screen. The lighting is bright, creating a shadow of her arm and hand on the green surface to her right.

Our
Future
is
Bright

 CLEARPATH
mutualSM

Our Future is Bright

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 of Kentucky 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.





2018

AT-A-GLANCE

\$247.1 Million in Cash
and Invested Assets

\$52.4 Million in
Net Earned Premiums

\$56.7 Million in Surplus

90.5% Policy Retention

7,169 Policyholders



Jeff Borkowski, Chief Executive Officer

MESSAGE FROM CEO

To all of our policyholders, independent agency partners, and employees, welcome to ClearPath Mutual Insurance Company. Thank you for making 2018 a success!

This was a very important year for our company having completed our first year as a mutual insurance carrier. ClearPath Mutual began its operations on January 1, 2018, after successfully

converting from KESA, The Kentucky Workers' Compensation Fund, which began in 1980.

We are proud of our longevity, as well as our reputation. ClearPath Mutual is ranked #2 among workers' compensation carriers in Kentucky. We are represented by just over 400 independent insurance agencies, and we value the relationships we share with them.

I am pleased to be part of an organization that places a high value on providing its policyholders with the financial peace of mind that each claim is handled fairly and reasonably. We also work with our policyholders to prevent the next event that could bring their business to a halt.

I am confident that with the continued efforts of our employees and support of our independent agency

partners, we will be doing this and more for many years to come.



Jeff Borkowski
Chief Executive Officer

ABOUT US

ClearPath Mutual Insurance Company began operations on January 1, 2018 and is domiciled in Louisville, Kentucky. The company has an AM Best Rating “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 goal to become a multi-state mutual insurance

company supports the company’s strategic mission for growth and expansion.

ClearPath Mutual has approximately 7,200 policyholders and more than \$52 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.

YEARS OF SERVICE

25+ YEARS

Page Barrow
Steve Udelhoven

20+ YEARS

Robin Engleking
Kevin Fallahay
Felecia Itson
Michael Miller
Barbara Peper
Suzie Wagner

15+ YEARS

Kitty Baumgart
Linda Davis
Melinda Ellingsworth
Kathy Jones
Gary Kamenish
Debbie Kennedy
Mike Kleier
C. Michael McGee, Jr.
Rubyanne O’Bryan
Gayla Pritchard
Teri Ralston
Nancy Stivers
Sheila Tapp
Cheryl Teives
Richard Vernale

10+ YEARS

Carla Coffey
Mary Johnson
Terry Smith
Marian Weedon
Ruth Young

5+ YEARS

Cheryl Brown
Brad Felts
Melissa Lawson
Russell Lynch
Jo Jo Mudd
Kurt Steutermann



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CLEARPATH MUTUAL MANAGEMENT TEAM

Jeff Borkowski

Chief Executive Officer

Page Barrow, AU

Underwriting Manager

Kitty L. Baumgart

Chief Financial Officer
and Treasurer

Linda K. Davis

Human Resources/Office Manager

Melinda Ellingsworth

Chief Marketing Officer

Kevin Fallahay

Director of Claims

Mike Kleier

Loss Prevention Manager

Rubyanne O'Bryan

Systems Administrator

BOARD OF DIRECTORS

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*

ADVISORS AND CONSULTANTS

Actuary

Pinnacle Actuarial Resources, Inc.
Atlanta, GA

Auditor

Johnson Lambert LLP
Raleigh, NC

Legal Counsel

Frost Brown Todd LLC
Louisville, KY



NEW TERRITORIES

KENTUCKY, INDIANA, TENNESSEE

Here we grow! ClearPath Mutual is excited to expand into Tennessee and Indiana. We have received our Certificate of Authority from the Department of Commerce and Insurance for Tennessee and expect to begin writing workers' comp policies in Tennessee in the 4th quarter of 2019. We have also requested licensure from the Indiana Department of Insurance.

This is the first time ClearPath has enlarged its geographical footprint, and it came about because of the many requests we received from our agency partners. It is increasingly common for Kentucky-domiciled operations to have locations in Tennessee, as well as right over the bridge in Indiana. After gaining agent insight and conducting our own deep analysis of the feasibility of expanding into our nearby states, we believe ClearPath is perfectly poised for growth.

BALANCE SHEET

Year Ended December 31, 2018

Assets

	2018
Bonds	\$193,305,165
Common stock	8,445,461
Preferred stock	1,569,408
Cash and short-term investments	22,438,761
Total cash and invested assets	<u>225,758,795</u>
Accrued investment income	905,234
Agents' balances or uncollected premiums	16,212,715
Amounts recoverable from reinsurers	102,739
Current federal income taxes recoverable	15,281
Net deferred tax asset	4,037,695
Electronic data processing equipment and software	<u>138,422</u>
Total Admitted Assets	<u><u>\$247,170,881</u></u>

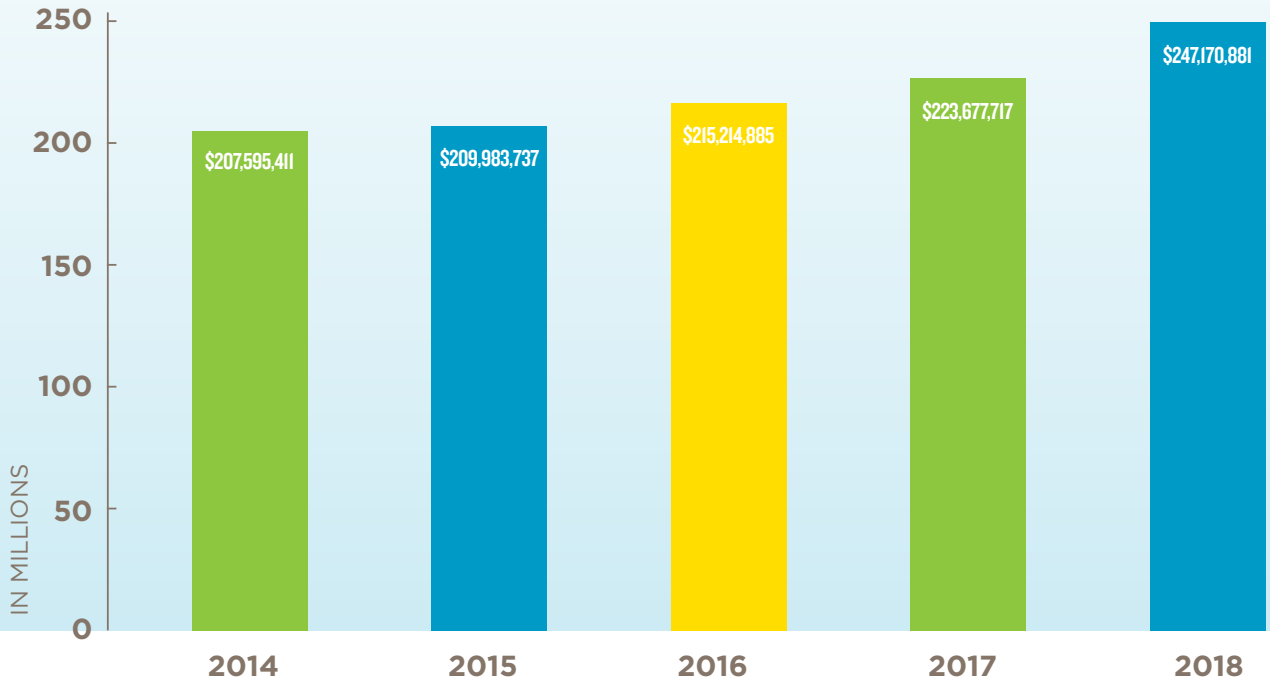
Liabilities and Capital and Surplus

Liabilities:	
Reserve for losses	\$141,829,980
Reserve for loss adjustment expenses	16,893,608
Commissions payable and other similar charges	1,651,709
Other expenses payable	1,656,012
Current federal income taxes payable	15,434
Unearned premiums	21,376,694
Advanced premiums	2,190,403
Reinsurance premiums payable	(136,207)
Amounts withheld for account of others	4,122,622
Remittances and items not allocated	(5,163)
Total liabilities	<u>189,595,092</u>
Capital and Surplus:	
Unassigned surplus	<u>57,575,789</u>
Total capital and surplus	<u>57,575,789</u>
Total Liabilities and Capital and Surplus	<u><u>\$247,170,881</u></u>

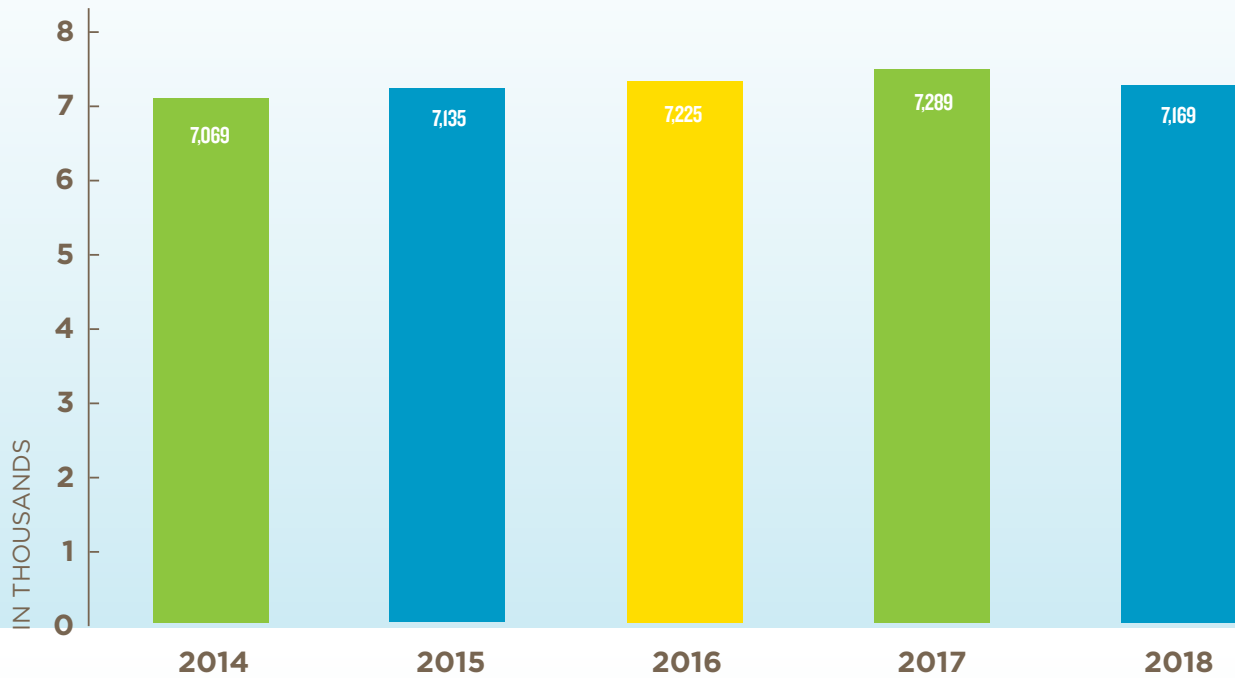
Johnson Lambert LLP performed an independent audit of the company's 2018 financial statements. A complete copy of the audited statements with all explanatory notes and the Independent Auditors' Report is available upon request.

CASH AND INVESTED ASSETS

2014 - 2017 on GAAP basis; 2018 on SAP basis



POLICY COUNT



STATEMENT OF OPERATIONS

Year Ended December 31, 2018

Underwriting income

	2018
Net Premiums earned	\$52,386,725
Deductions:	
Losses incurred	25,141,403
Loss adjustment expenses incurred	9,768,492
Other underwriting expenses incurred	17,288,904
Total underwriting expenses	<u>52,198,799</u>
Net underwriting income	<u>187,926</u>

Investment income

Net investment income earned	5,211,619
Net realized capital gain, net of capital gains tax	<u>226,203</u>
Net investment gain	<u>5,437,822</u>

Other income

Net gain from agents' or uncollected balances charged off	<u>122,362</u>
Total other income	<u>122,362</u>
Net income before federal income taxes	<u>5,748,110</u>
Federal income tax expense	<u>(1,207,958)</u>
Net income	<u><u>\$4,540,152</u></u>

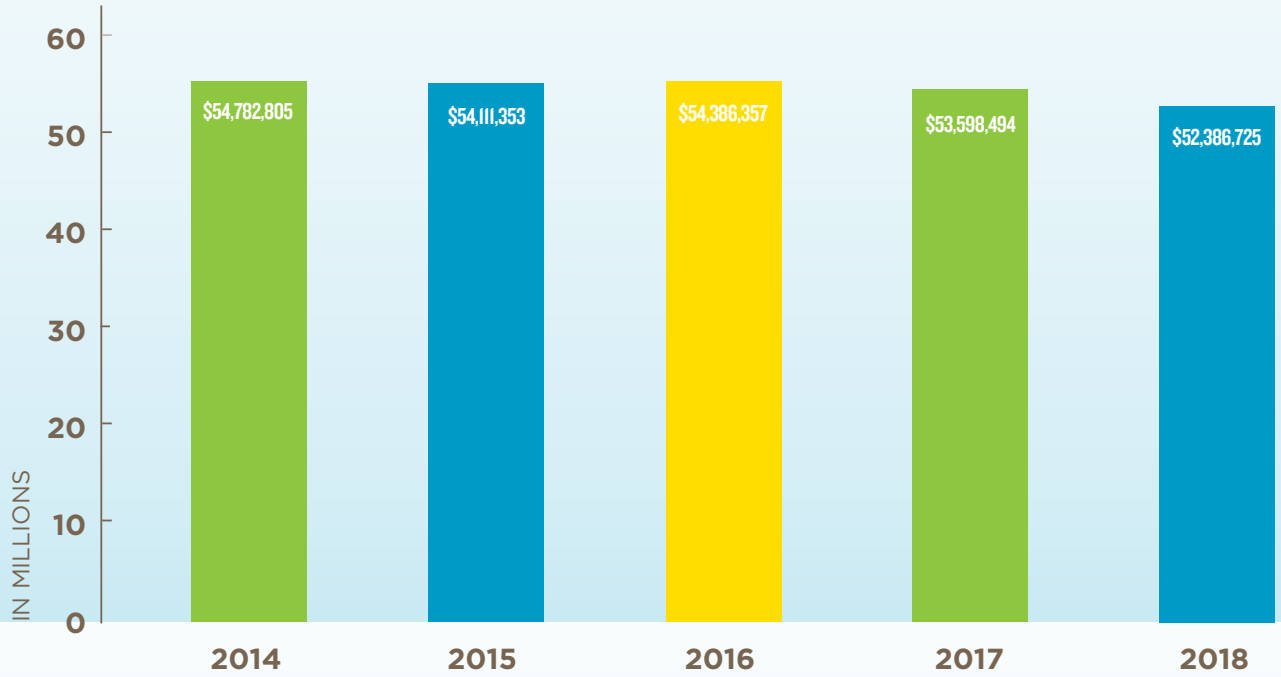
STATEMENT OF CHANGES IN CAPITAL AND SURPLUS

Year Ended December 31, 2018

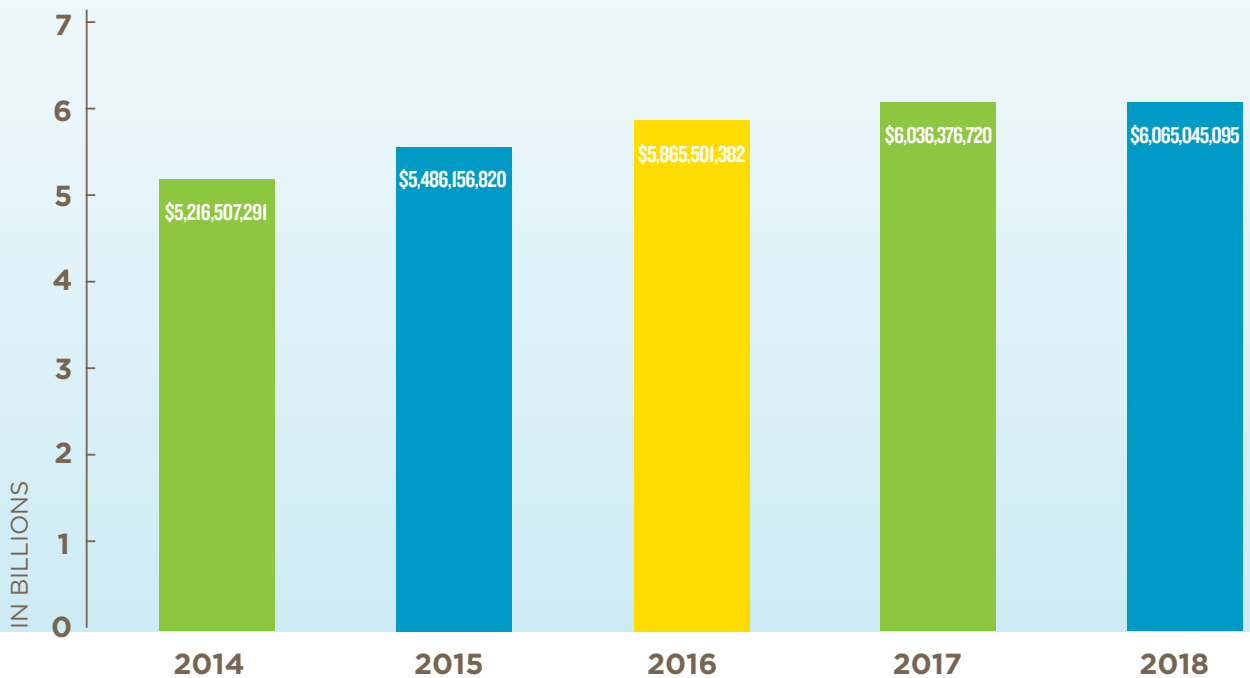
Surplus, beginning of year	\$2,250,000
Net income	4,540,152
Change in net unrealized capital gains, net of deferred capital gains tax	(1,415,450)
Change in net deferred income tax	367,747
Change in non-admitted assets	(825,120)
Change in surplus notes	(2,250,000)
Surplus transfer from statutory conversion	<u>54,908,460</u>
Change in capital and surplus	<u>55,325,789</u>
Surplus, end of year	<u><u>\$57,575,789</u></u>

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NET EARNED PREMIUMS



INSURED PAYROLLS



STATEMENT OF CASH FLOW

Year Ended December 31, 2018

	2018
Cash from operations	
Premiums collected	\$53,131,357
Net investment income received	5,403,011
Miscellaneous income	122,362
Benefits and loss related payments	(29,576,141)
Commissions, expenses and other underwriting expenses paid	(22,900,302)
Federal income taxes paid	(2,464,967)
	<hr/>
Net cash from operations	3,715,320
Cash from investments	
Proceeds from investments sold, matured, or repaid:	
Bonds	101,631,756
Common stocks	4,831,967
Total investment proceeds	<hr/> 106,463,723
Cost of long-term investments acquired:	
Bonds	114,787,662
Common stocks	1,285,279
Total investments acquired	<hr/> 116,072,941
	<hr/>
Net cash from investments	(9,609,218)
Cash from financing and miscellaneous sources	
Cash included in surplus transfer	25,116,435
Other cash provided	966,224
	<hr/>
Net cash from financing and miscellaneous sources	26,082,659
	<hr/>
Net change in cash and short-term investments	20,188,761
Cash and short-term investments, beginning of year	<hr/> 2,250,000
	<hr/>
Cash and short-term investments, end of year	<hr/> <hr/> \$22,438,761

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Our Future is Bright





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