

Momentum in motion.

Annual Report
2022



In a banner year, 2022 saw the benefits of our building the organization to grow both inorganically and organically, as CopperPoint achieved exceptionally strong levels of financial performance, retention and new business.

CopperPoint Insurance Companies
Annual Report 2022

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Results realized by design.

Seven years ago, we presented to the Board the vision on how to maximize CopperPoint's potential. That vision involved building a shared services model supported by a strong scalable IT platform; enhanced Data and Analytics to enable better pricing and risk selection; plus improved resources and disciplines to reinforce Human Resources, Operations and Finance.

Anchored by CopperPoint's strong balance sheet, we showed how this model could attract potential partner carriers, expanding our geographical reach, supplementing our offering with additional talent, products and services, and further enhancing our core, local, customer-facing capabilities: claims, loss control and underwriting. Finally, with these successful integrations, CopperPoint would enjoy the combined, complementary strengths necessary to grow the company organically as well as through mergers and acquisitions.

I'm proud and delighted to announce that, in 2022, CopperPoint achieved strong organic premium growth of 8.3% over prior year, driven by impressive new business and account retention; the latter bearing out our relentless commitment to exceptional service for our policyholders, agents, and brokers.

A model that means more.

In 2021, there was a powerful sense of momentum and anticipation throughout the CopperPoint family, due to the massive effort in completing so many core initiatives and critical groundwork: infrastructure; our unified platform for claims, billing and policy issuance; data and analytics investments; and the integration of Alaska National. This was a precursor to the overwhelming theme of 2022: executing and achieving the results that validate and distinguish our approach to this industry.

Despite an aggregated rate drop of between 40 and 50% since 2016 in our largest line of business, Workers' Compensation, CopperPoint delivered remarkably resilient results, posting net income of \$104.6M and a surplus of \$1.5B, while our combined ratio for 2022 was 99.9%.

The family flourishes.

It's clear that we are now fully capitalizing on the mutual capabilities enhanced by our M&A strategy, and the resultant synergies across industry verticals and territories. The integrations of PacificComp (2017) and Alaska National (2019) have brought greater expertise, talent, products, and services to the enterprise, fulfilling our M&A strategic premise that "1 + 1 > 2", powering the CopperPoint Family along two parallel paths to growth, and driving the strong results we're currently seeing.



Our M&A strategic premise that "1 + 1 > 2" powers the CopperPoint Family along two parallel paths to growth.

With our regional alignment into three areas — Southwest, California, and Alaska/Pacific Northwest — we have successfully harnessed the support and oversight of shared services to sustain our profit centers, while allowing our underwriting and sales teams to operate in their local territories, identifying and optimizing opportunities specific to their region. This approach fueled our California and Alaska/Pacific Northwest regions' strong growth while our Southwest region held steady, driven by our dominance (a leading 16% share) of the Workers' Compensation market in Arizona. This substantiates our philosophy of allowing the characteristic strengths of our component parts to flex, while being underpinned by our shared services model and the security of our balance sheet.

Promoting presence and scale for the future.

With the acquisition of Alaska National in 2019, we created the chance to expand our product base beyond our Workers' Compensation specialty. With this fresh expertise in Property, General Liability, Commercial Automobile, and Inland Marine, the stage is set to build out these additional lines across our Southwest region, while gradually entering new states with an all-commercial lines offering in the future. The build for this initiative will begin in 2023, with full implementation by late 2024.



We also opened our twelfth office in Fresno, California in late 2022 as part of the launch of our latest industry vertical, Agriculture. The Central Valley of California supplies over 8% of the agricultural output for the United States, and we're at the heart of it. By launching our underwriting, loss control, claims, and sales expertise to the Agriculture Workers' Compensation space, we bring tremendous growth and profit potential to our offerings in California, as well as across our entire footprint.

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This expansion of our attributes also enables us to scale our operations to fit the growing needs of our agents and brokers and potential new insureds. As we continue to move our Workers' Compensation model toward specialization in our key industry verticals (Construction, Agriculture, Hospitality and Healthcare), we are mindful of our core strengths across the broader spectrum of the many industries and businesses we insure. In creating great value, deep service, and a consistent quality experience available to all sizes of businesses — small, middle and large accounts — we ensure the heart of a new standard is clearly defined and delivered to more and more people.

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Deeper data directs more precise practices.

As a result of our 2021 investments in the areas of data and analytics, we were able to implement our enterprise data warehouse in early 2022. This accomplishment propelled our analytics team to deliver both our risk selection and pricing model, and our claim severity model right on schedule, adding further dimension and value to our predictive capabilities.

The gathering and application of critical intelligence is a key differential aspect in our service and growth plan. Having the power to harness and leverage our data from claims, loss control and underwriting will allow us to develop new models that positively impact precision and performance. The accelerated launch of our first two models is a significant contributor to being able to grow, retain, and manage profitability across our enterprise.

Powered by our people.

As we entered 2022, we committed to find the work/life balance for our employees who had been housebound for over two years by the pandemic. By mid-year, we re-emerged with a new hybrid model; a challenging readjustment we all navigated sensibly and agreeably, with an emphasis on flexibility, patience, understanding and a recognition of what was lost through the

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lack of in-person interactions. It is an ongoing, respectful process, and all these factors will play a part in how we balance office and work-from-home schedules. The most important consideration, however, and one I'm most proud of, is keeping employee safety at the forefront of all our decisions on when to return to our offices. It also helps that,



We have cultivated a unique culture that emphasizes doing the right thing.

at CopperPoint, we have cultivated a unique culture that emphasizes doing the right thing by each other, as well as by our agents and brokers, policyholders and our communities.

Nowhere is this ethos — the heart of our new standard — felt more strongly than in our community impact efforts. From our DE&I initiatives in educational accessibility that helped provide six \$5,000 scholarships through Scholarship America for underserved students, to the \$130,000 raised for nonprofits, to the \$525,000 donated to our agent/broker areas of passion for Agency Appreciation, and to our enterprise giving campaign for United Way totaling \$500,000, CopperPoint gave over \$1.75 million to communities across our 11-state footprint. Giving and getting involved in our cities and neighborhoods will always have a place in our collective heart.

Finally, my thanks to the CopperPoint Board of Directors for their belief and support; to our agency partners and customers for their trust and for continuing to place their business and livelihoods

with us; and, last but certainly not least, once more to all of our employees for their diligence and dedication, the fruits of which can be seen in the rest of this report.

We have consciously built our company to be bolder, do better, get closer and go further. And this year confirms that what we're doing, works. It's why I'm looking forward with clarity, conviction and — as ever — total confidence in each and every one of us.

Thank you for your consistently remarkable efforts that make us who we are.

Sincerely,

A handwritten signature in black ink, appearing to read "Marc E. Schmittlein". The signature is fluid and cursive.

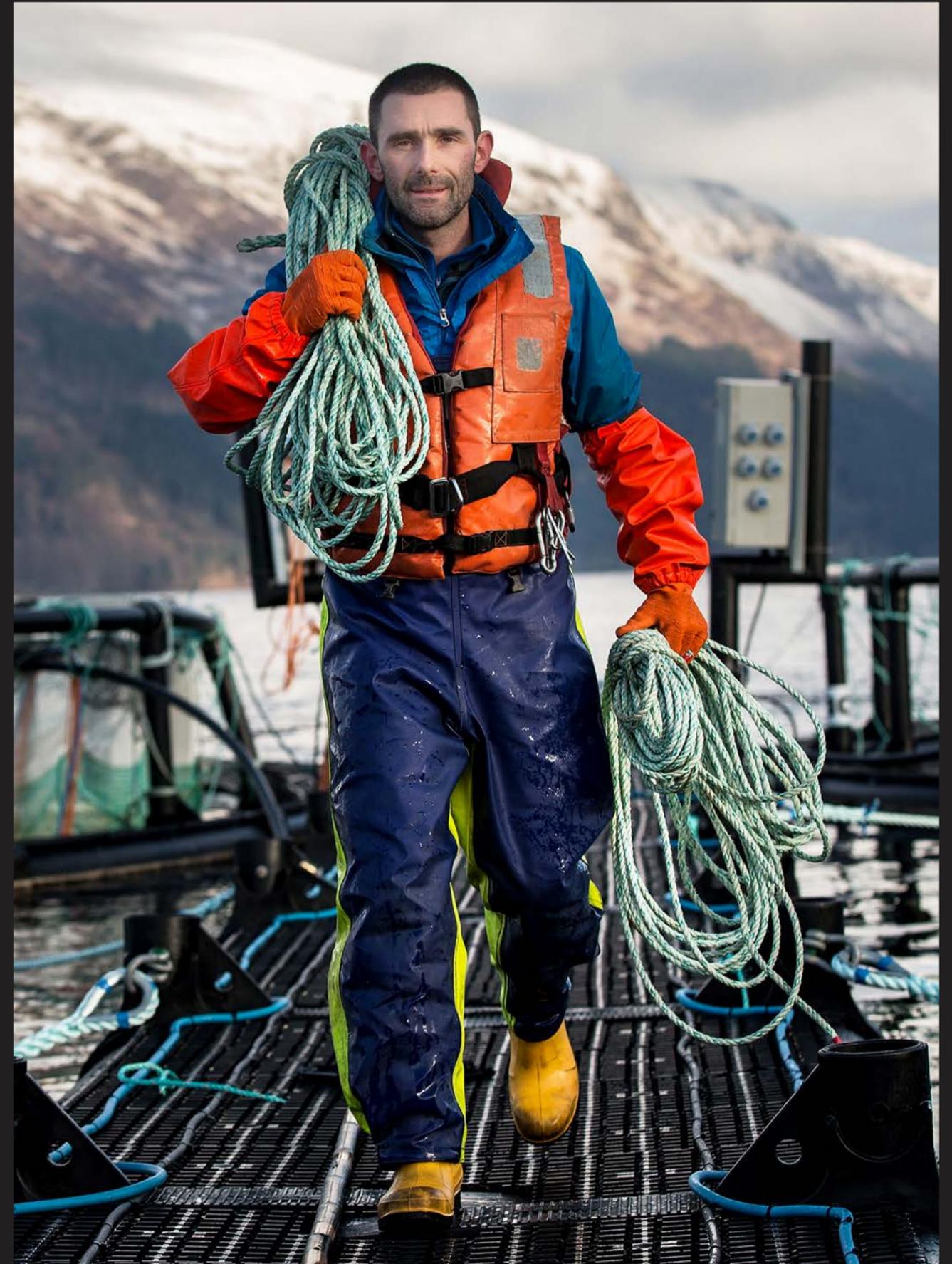
Marc E. Schmittlein
President & Chief Executive Officer

Beating louder: the heart of a new standard.

At the heart of everything we do is a person. A worker, an employer, a partner, a colleague, a neighbor. We're the ones they trust to make their lives safer, stronger, more fulfilling. And every day is a chance to change what insurance really means to them.

The results of the past year reflect just how rapidly and successfully our story is spreading. How we're deepening all the rewarding relationships we have, while welcoming new ones. How the CopperPoint family experience is being brought to more and more lives, businesses and communities.

We're now showing just what our unique company is capable of. A place where the power of a balance sheet is as potent as the hearts of the people it empowers to do and be better.



Growing in confidence.

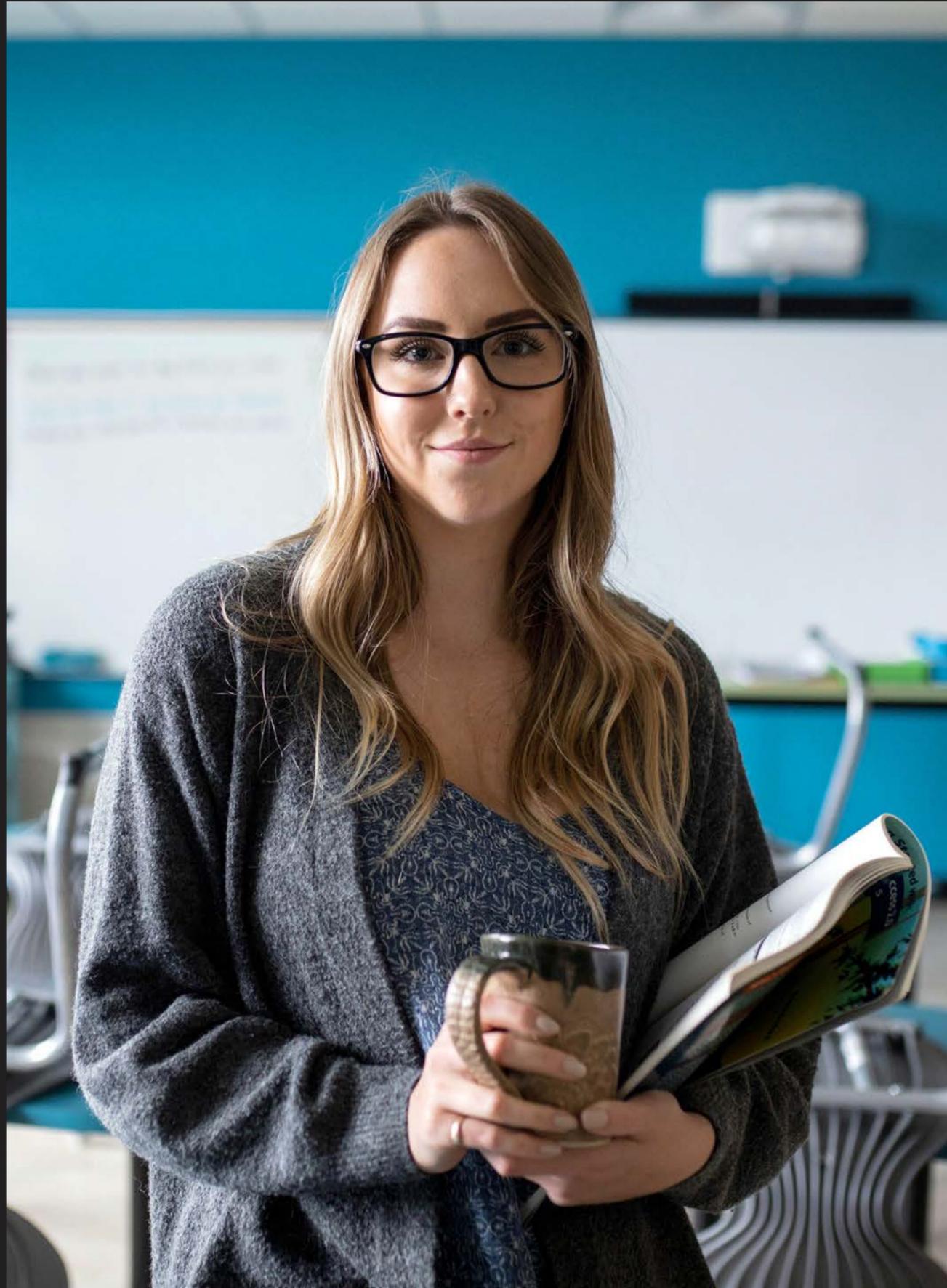
2022 marks another significant step forward in the CopperPoint journey, as the benefits of how we built our company begin to be even more fully realized through substantial organic growth. The positive trajectory is entirely consistent not just with our model and long-term mindset, but also with the philosophy behind our 5-Year Pro Forma plan, the strategic cornerstones of which we are already beginning to execute upon. These are brief summaries of some of the key developments that contributed to this most encouraging year.





One platform propels many strengths.

The shared services model of the CopperPoint family is critical in allowing complementary attributes and offerings to flourish across all regions of our footprint. This is consonant with our approach to acquisition: to welcome, respect and foster the characteristic qualities and additive value new members bring. By investing deeply in the consolidation and calibration of common IT systems, including policy, claims, digital and billing, as well as our investments in analytics, we are achieving a genuinely shared, centralized approach to the business, gaining efficiencies and streamlining our operations. This allows us to better serve those who rely on us, enabling our local underwriting, claims and loss control teams to spend more time in the field working side-by-side with policyholders to protect and progress their businesses. In short, shared services make it easier for everyone to do what they do best — and easier for people to do business with us.



Stability sustains strategy.

Despite the steady deterioration of rates in our core business line, Workers' Compensation, since 2016, we consciously elected to increase investment in our infrastructure — made possible by the unwavering support of the Board in leveraging our solid balance sheet. We knew the framework that would be required to scale up the organization's ability to operate at a higher level, compete and grow. We also knew that this deliberately designed build would bring dramatic efficiencies of scale, as well as an operational consistency that will lower our overall cost structure and balance out the original outlay of expenses over a larger premium base. As a result, we're fulfilling our vision of an exclusive carrier that can complement inorganic with organic growth.

Advancing in verticals.

Our industry expertise and presence in select verticals continue to spur our performance. In addition to our traditional strength in Construction, a perennial mainstay of the U.S. economy, the CopperPoint difference is now being felt in Agriculture, particularly in California; opening the Fresno office last year puts us right in the heart of the nation's premier agricultural market. In 2023, we plan to expand more fully into two other areas we feel are particularly receptive to our skillset and business lines: hospitality and healthcare. The latter in particular shows immense promise and opportunity as the boomer population ages, and investment in facilities and related institutions increases.

Aiming higher: large accounts.

The 1 + 1 > 2 premise of our integration strategy can be seen in the evolved, cumulative power of the CopperPoint family. Each of the legacy companies, CopperPoint, PacificComp and Alaska National, took time to build experience and expert talent. Our model is showing the advantage of harnessing and deploying these original strengths and niche specializations across our entire organizational footprint. Now, together, we have become ideally equipped and positioned to attract, target, and retain large accounts above \$500k with an exclusively superior service-oriented and relationship-based experience.

Getting even closer to this level of customer means tailoring our offerings more precisely, providing true flexibility and customization. Accordingly, our toolbox features products like retrospective rating plans, large deductible options and a dedicated executive risk management services team — integrating everything from loss control services to our proprietary nurse case manager injury triage program, 24/7 Injury Helpline, return to work strategies to outcome-focused claims management to fraud prevention. Effectively, we become a partner in aligning with — and attaining — their business objectives, which is why their growth will continue to fuel ours.





Scalability across the spectrum.

With our shared services model and our scaled offerings, we can bring the CopperPoint family experience to more and more businesses in the small and middle-sized segments. With our industry vertical specialization, our core workers' compensation line and our new lines in other regions (P&C, inland marine, cyber, auto), we are extending our appeal to accounts in the sub-\$25k and \$25k-\$500k categories. Also attracting their interest is the tiering of our exceptional risk management services, plus the availability of products like CopperPay, a convenient payroll software solution for workers' compensation billing that improves cashflow. By design, there really is a CopperPoint answer for every business, and every one of them builds our reputation and reach.

Giving back gives more meaning.

Cultivating and supporting the communities where we live and work is at the heart of who we are, and this year saw the CopperPoint family further strengthen and commit to the pillars of our giving program: Healthy Families; Diversity, Equity and Inclusion; and a Thriving Workforce.

Last year we donated over \$1.75 million to 352 organizations, but the real story, as ever, is simply one of heart: people helping other people in their neighborhoods.

Our commitment to expanding educational accessibility ensured six college scholarships and tax credits to key organizations and institutions. In addition, special mention should be made of the Sherry Isenberg scholarship, inaugurated by our employees to honor her legacy, through increasing opportunity for women in the insurance industry.

Our quarterly enterprise-wide campaigns saw our employees outdo themselves in fundraising efforts for the United Way, Leukemia & Lymphoma Society, homeless relief and volunteering, while our agency partnerships benefitted local charities to the tune of over \$500,000.

**\$1.75M total
community giving**

**\$491,000 in nonprofit/
chamber sponsorship and
board representation**

**\$526,117 in CopperClub,
agency/broker partnerships**

**\$225,000 in enterprise-wide
matching gifts**

**\$244,000 in diversity, equity
and inclusion**

**\$266,000 awarded
in quarterly
enterprise-wide campaigns**

**The real story, as ever, is
simply one of heart:
people helping other people
in their neighborhoods.**



The strengths to grow forward.

In 2022, CopperPoint's strategic investments generated sound performance, organic growth and remarkably resilient results, achieving strong levels of retention and new business, and positioning us well to set and surpass new goals.

\$5.1 Billion in Assets

\$1.52 Billion in Policyholders' Surplus

\$666 Million in Gross Written Premium

11-State Western Footprint

26 States Fully Licensed

Rated A (Excellent) by AM Best

Over 775 Employees

Financial overview

Highlighting momentum despite the headwinds.

Although the economy remains in transition, and the rates in our largest business line (Workers' Compensation) have steadily dropped since 2016, CopperPoint's 2022 performance highlights show a company whose trajectory is consistently positive.

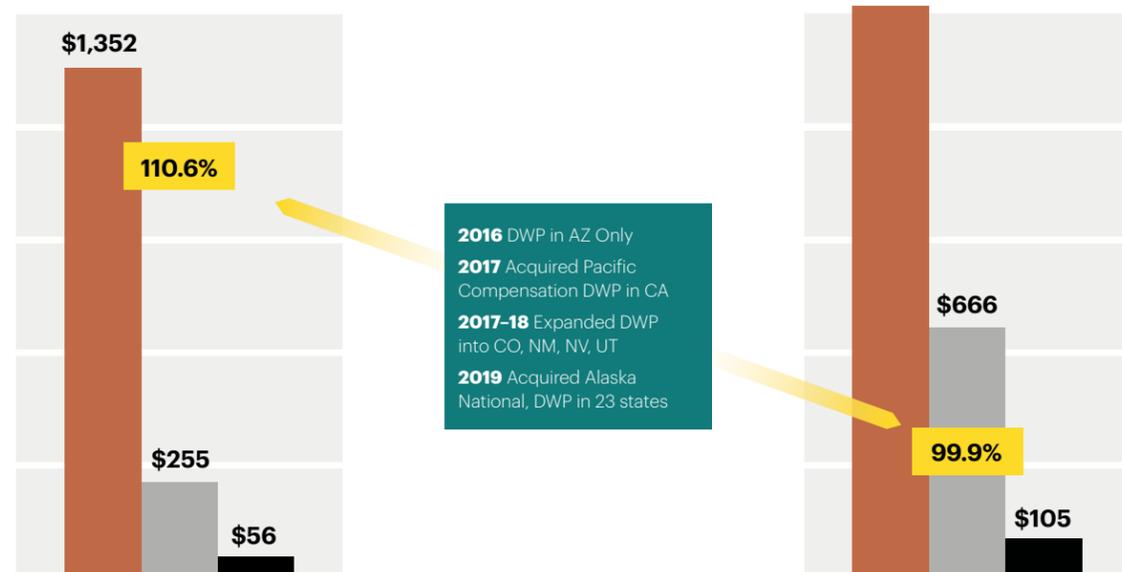
- Policyholders' surplus totaled \$1.52 billion at December 31, 2022.
- Total assets of \$5.1 billion have increased 41% since the end of 2016.
- Net income remained strong in 2022 at \$105 million.

FINANCIAL PERFORMANCE

\$ IN MILLIONS

2016 results:
\$3.61 Billion in Total Assets

2022 results:
\$5.1 Billion in Total Assets



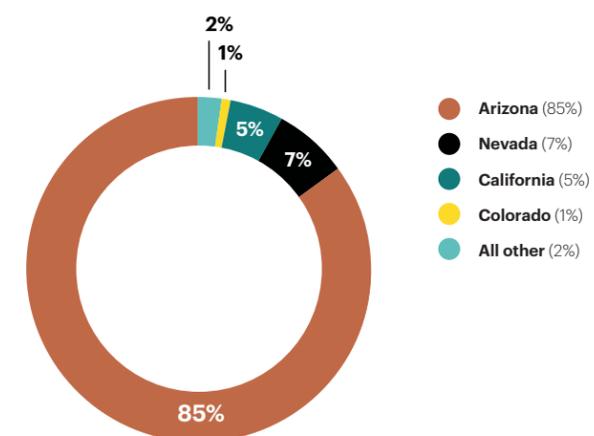
- Policyholders' Surplus
- Gross Written Premium
- Net Income
- Combined Ratio

Diversifying to differentiate our business.

Since 2016, we've diversified our mix of business through acquisition and geographic expansion. This year's breakdown shows how our portfolio continues to balance product and service offerings across our 11-state footprint.

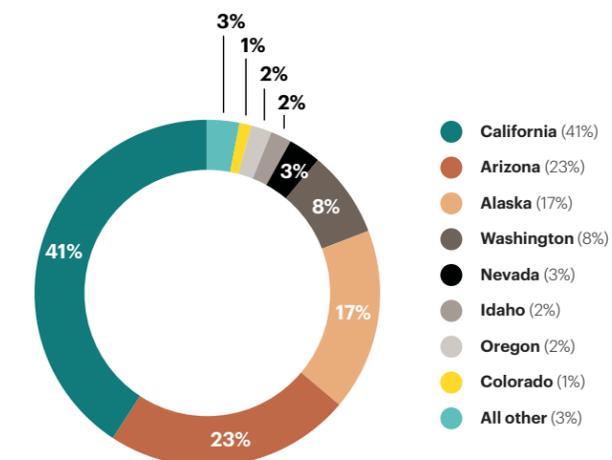
2016 results: **\$255 Million (GWP)**

2016 GWP BY STATE

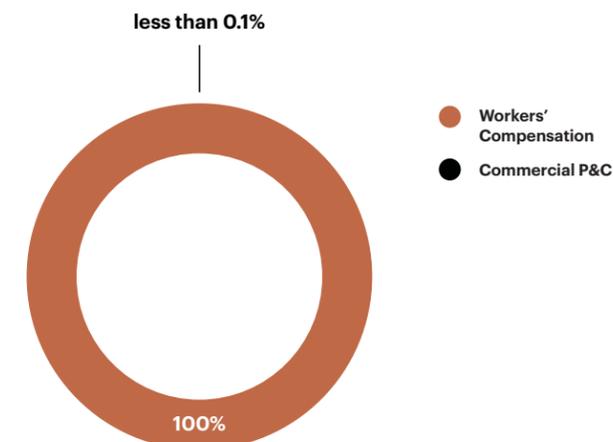


2022 results: **\$666 Million (GWP)**

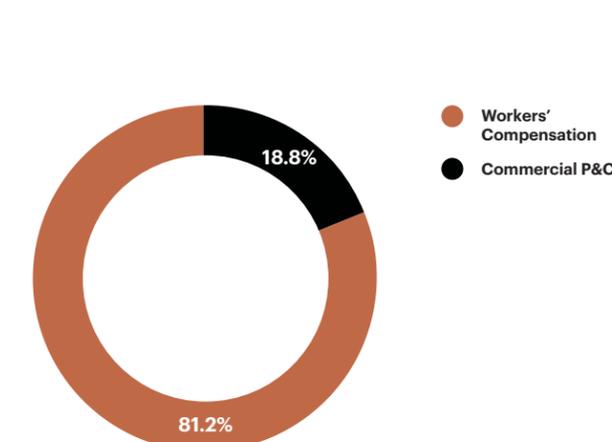
2022 GWP BY STATE



2016 GWP BY LINE OF BUSINESS



2022 GWP BY LINE OF BUSINESS



FINANCIAL OVERVIEW:

Consolidated statutory financial statements

STATUTORY STATEMENTS OF ADMITTED ASSETS, LIABILITIES AND POLICYHOLDERS' SURPLUS (YEARS ENDED DECEMBER 31, 2022 AND 2021)

IN THOUSANDS, UNAUDITED

Admitted assets	2022	2021
Investments		
Bonds	\$3,110,209	\$3,057,876
Equity securities	484,113	601,439
Goodwill	133,308	142,429
Mortgages	259,768	168,994
Real estate, net	1,521	1,593
Cash, short-term investments and other invested assets	578,855	651,944
Total cash and invested assets	\$4,567,775	\$4,624,275
Other Assets		
Premiums and considerations due	227,640	218,265
Accrued investment income	23,390	19,441
Net tax assets	13,023	18,277
Other assets	237,693	214,035
Total admitted assets	\$5,069,520	\$5,094,293
Liabilities and Policyholders' Surplus		
Liability for losses and loss adjustment expenses	\$2,513,212	\$2,569,630
Unearned premium reserve	266,308	256,641
Borrowed money (and interest thereon)	376,538	375,276
Provision for reinsurance	3,312	133
Other liabilities	391,750	333,521
Total liabilities	\$3,551,120	\$3,535,201
Policyholders' surplus	1,518,400	1,559,092
Total liabilities and policyholders' surplus	\$5,069,520	\$5,094,293

STATUTORY STATEMENTS OF OPERATIONS (YEARS ENDED DECEMBER 31, 2022 AND 2021)

IN THOUSANDS, UNAUDITED

	2022	2021
Net premiums earned	\$620,697	\$559,600
Operating Expenses		
Loss incurred	315,596	287,160
Loss adjustment expenses incurred	80,558	82,596
Other underwriting expense incurred	222,658	212,665
Total operating expenses	\$618,812	\$582,421
Net underwriting gain (loss)	1,884	(22,821)
Investment Income		
Net investment income	127,005	123,867
Net realized investment gains	1,438	10,633
Net investment gain	\$128,443	\$134,500
Other expense	(2,722)	(1,788)
Net income before policyholders' dividends and federal income tax	127,605	109,891
Provision for policyholders' dividends	58	-
Federal income tax expense	22,915	16,047
Net income	\$104,633	\$93,844
Loss and LAE ratio	63.8%	66.1%
Expense ratio	36.1%	37.0%
Combined ratio	99.9%	103.1%

Company leadership

Board of Directors

KEN KIRK | CHAIR
Director since 2011

MONICA DIGILIO
Director since 2022

MICHAEL MATHIAS
Director since 2022

MARC SCHMITTLEIN
President & CEO | Director since 2017

MARITA ZURAITIS
Director since 2022

STEPHEN TULLY | VICE CHAIR
Director since 2010

LORIANN LOWERY-BIGGERS
Director since 2015

JUDITH PATRICK
Director since 1992 | Retired 2022

MIKE TULLY
Director since 2019

Executive Leadership

MARC SCHMITTLEIN, CPCU, AAI * +
President & Chief Executive Officer

ROBERT ROLAND * +
Executive Vice President, Chief Administrative Officer
& Chief Operating Officer

RACHEL DAVIS-SCHULTZ * +
Executive Vice President, Chief Human Resources Officer
& Enterprise Operations

KEVIN KINROSS * +
Executive Vice President, General Counsel
& Chief Compliance Officer

KELLY RUUD, CPA, CPCU * +
Senior Vice President, Chief Financial Officer

JOHN CAREY, CPA, CPCU +
Senior Vice President, Chief Underwriting Officer

DAVE KUHN, CPCU, ARM +
Regional President, California
Executive Vice President, Enterprise Distribution

DANA FERESTIEN +
Regional President, Alaska and Pacific Northwest

MIKE SHARR +
Regional President, Southwest

BARB FUCHS +
Senior Vice President, Data Management and Analytics

MICHAEL GOLDMAN, CPCU, ERM +
Senior Vice President, Corporate Development

BRAD LONTZ +
Senior Vice President, Chief Information Officer

KRIS MATHIS, JD, WCCP, SIP +
Senior Vice President, Chief Workers' Compensation
Claims Officer & Risk Management Services

KATHLEEN ZIEGLER +
Senior Vice President, Operations

WOODY HILL +
Vice President, Enterprise Loss Control

MARK MOONEY +
Vice President, Underwriting Systems and Product

* Executive Committee Member

+ Partners Group

Grateful to be recognized.

It's a sign of our constant growth in both performance and reputation that we continue to be honored both regionally and nationally.



ARIZONA

Phoenix — Headquarters

ALASKA

Anchorage

CALIFORNIA

Fresno

Irvine

Westlake Village

Walnut Creek

COLORADO

Denver

CONNECTICUT

Farmington

IDAHO

Meridian (Boise)

NEVADA

Las Vegas

OREGON

Lake Oswego (Portland)

WASHINGTON

Seattle



All companies are rated A
(Excellent) by AM Best.

copperpoint.com

alaskanational.com