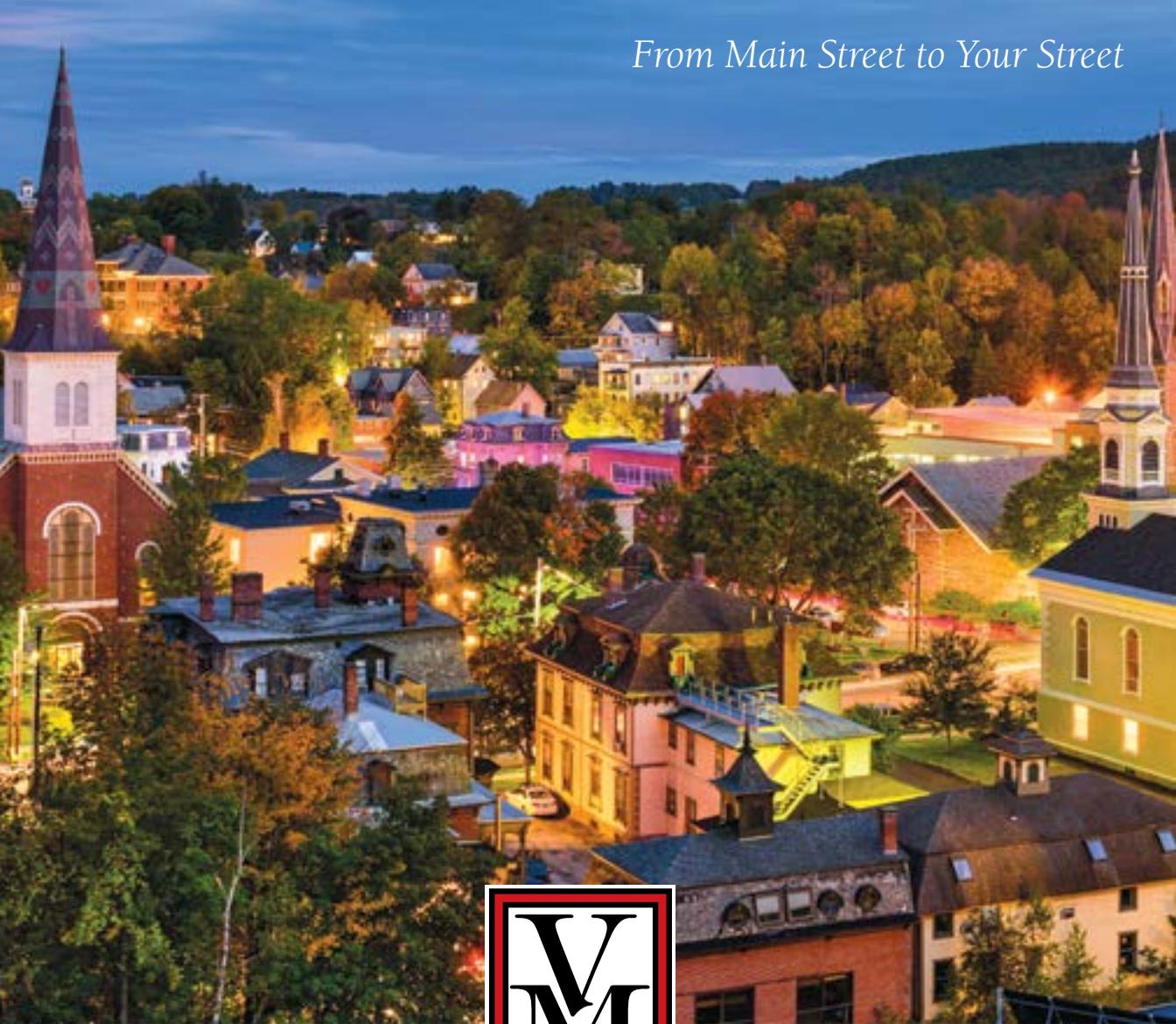


*From Main Street to Your Street*



®

SINCE 1828

**VERMONT MUTUAL**  
INSURANCE GROUP

A N N U A L   S T A T E M E N T   2 0 1 6



## Main Street to Your Street

For 189 years Vermont Mutual has provided peace of mind to customers throughout the northeast—partnering exclusively with Independent Agents to provide the right solutions from *Main Street to Your Street*.

This past year was one of the most successful in our history. Our financial performance was exceptional, operational improvements were significant and the growth and development of our team positions us to meet the needs of our Agent Partners and their clients for years to come.

With our relationship-based approach in claims, underwriting and marketing, our Agent Partners continued to favor us with their best business, writing \$64 million in new business, growing written premium by 8.2% to a historic \$424 million and insuring more than 295,000 customers.

Our loss experience in 2016 was tempered by mild weather in the first quarter. While adverse weather the prior year confirmed that we are prepared for the challenges catastrophes can bring, we were pleased to be spared the disruption and loss that accompanied the severe weather in 2015. With record new business, strong retention and moderate loss activity, we produced an 89.3% combined ratio for 2016, resulting in record policyholder surplus of \$420 million. Our premium to surplus ratio of .91 to 1.0 further strengthened Vermont Mutual for our policyholders, agents and employees.

This success allowed us to invest in our business. We continued to modernize our systems and processes, enhanced our data and analytics capabilities and challenged ourselves to find better ways to execute our strategy. We remain committed to enhancing our team through leadership development, mentoring, technical training and an expanded intern program.

We've given back to the communities we serve through record distributions from our Vermont Mutual Charitable Giving Fund. Our staff also demonstrated their generosity through countless hours of company-supported volunteer work and personal financial contributions to charities across the region.

But we're not the only ones to acknowledge our success. Our A+ rating was affirmed by A. M. Best, we were recognized as a Ward's Top 50 Property & Casualty Insurer for the eighth consecutive year and were again chosen as one of the *Best Places to Work in Vermont*. To be recognized as one of the best in your field and an exceptional employer, is really something special and a tremendous compliment to the entire Vermont Mutual team.

With 2017 underway, we remain very appreciative of the partnerships that contribute to our success, enthusiastic about our future and committed to being there...from *Main Street to Your Street*.



*Daniel C. Bridge*

Daniel C. Bridge  
Chairman, President & CEO  
dbridge@vermontmutual.com



*Mark J. McDonnell*

Mark J. McDonnell  
Executive Vice President & COO  
mmcdonnell@vermontmutual.com

# 189<sup>th</sup> ANNUAL STATEMENT

AS OF DECEMBER 31, 2016

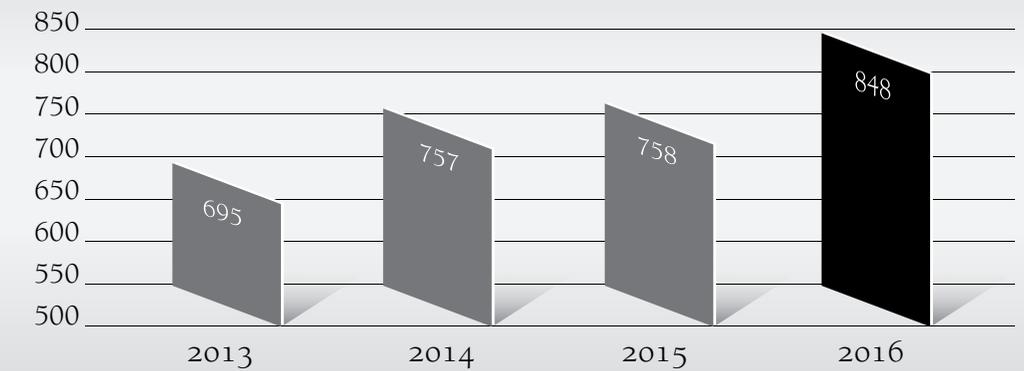
| ASSETS              | 2016               | 2015               |
|---------------------|--------------------|--------------------|
| Cash & Short Term   | 31,166,725         | 47,243,174         |
| Bonds & Notes       | 562,079,109        | 478,751,340        |
| Stocks              | 117,463,668        | 104,688,283        |
| Real Estate         | 3,290,592          | 3,442,278          |
| Premium Balances    | 77,623,922         | 72,868,365         |
| Other Assets        | 56,140,442         | 51,096,013         |
| <b>Total Assets</b> | <b>847,764,458</b> | <b>758,089,453</b> |

| LIABILITIES                            | 2016               | 2015               |
|--|--------------------|--------------------|
| Reserves for Unearned Premium          | 209,432,827        | 192,841,633        |
| Reserves for Loss & Loss Expense       | 145,960,257        | 136,447,999        |
| Other Liabilities                      | 71,914,886         | 47,919,051         |
| <b>Total Liabilities</b>               | <b>427,307,970</b> | <b>377,208,683</b> |
| <b>Policyholders' Surplus</b>          | <b>420,456,488</b> | <b>380,880,770</b> |
| <b>Total Liabilities &amp; Surplus</b> | <b>847,764,458</b> | <b>758,089,453</b> |

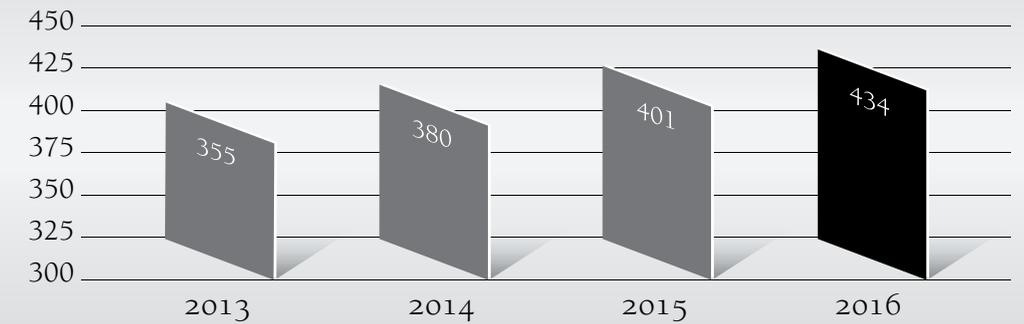
A.M. Best Company Ratings "A+" Superior, Class IX

# 189<sup>th</sup> ANNUAL STATEMENT

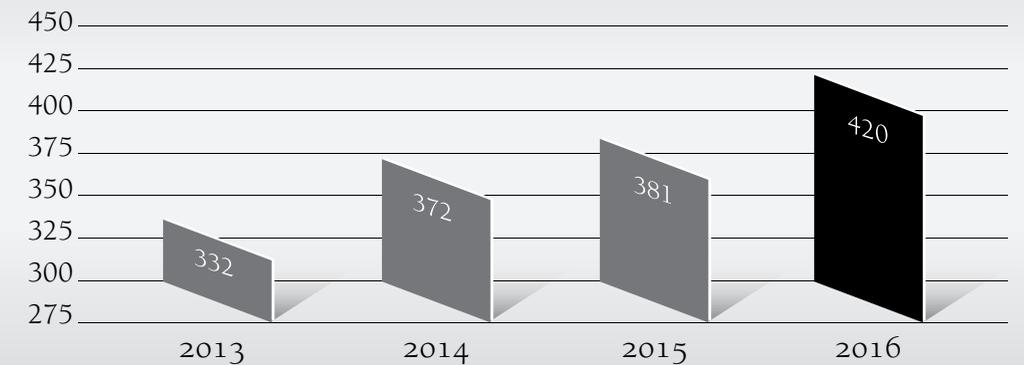
ASSETS (IN MILLIONS)



DIRECT PREMIUM (IN MILLIONS)



POLICYHOLDERS' SURPLUS (IN MILLIONS)





From Main Street...

VERMONT MUTUAL INSURANCE COMPANY | NORTHERN SECURITY INSURANCE COMPANY, INC. | GRANITE MUTUAL INSURANCE COMPANY

From *Main Street to Your Street*, Vermont Mutual Insurance Group® offers the very best in comprehensive protection for both your commercial and your personal insurance needs.

#### MAIN STREET...

As a recognized leader in the insurance industry, our commercial customers benefit from both our superior financial strength and our fast and reliable claims service, allowing us to provide the very best in insurance protection.

Our commercial policyholders value comprehensive coverage, including Business Interruption Insurance with no 72-hour waiting period and Equipment Breakdown Coverage. Habitational, mercantile operations, restaurants, hotels, service & processing, offices, and artisan contractors are just some who benefit from Vermont Mutual's commercial lines of insurance.

#### AWARD WINNING

Financial strength, stability and consistency form the cornerstone of a good insurance company. Our disciplined approach and business integrity contribute to our superior financial position as evidenced by our A+ (*Superior*) Financial Stability Rating from A. M. Best. Our consistency is recognized by Ward Group's inclusion of Vermont Mutual as a Top 50 U.S. Property and Casualty company for the past eight years. We are recognized locally for our community contributions and volunteer efforts throughout our marketing territories and were named a finalist for the Deane C. Davis Outstanding Business of the Year Award.



#### EXCEEDING EXPECTATIONS

At Vermont Mutual we continually strive to exceed the expectations of both our customers and our Agent Partners. We're pleased to say that 2016 included several significant enhancements to our online systems for both our Agent Partners and our policyholders.



Our customers have asked for online accessibility to their Vermont Mutual accounts and we've listened. The new *myVM* customer portal provides our customers secure access to policy information, claim status, billing history, online payment options, auto ID cards, convenience reminders and much more. When coupled with the exceptional service that can only be obtained through an Independent Agent, it's a combination that can't be beat.

#### CONTINUING EDUCATION

Vermont Mutual is proud to offer both our Agent Partners and employees a variety of training opportunities designed to assist and advance careers. This benefit includes our monthly *Webinar Wednesday* training sessions that are regularly attended by hundreds of agency staff and Continuing Education (CE) credits for completion of several of our in-house developed training programs. We are also proud of our sponsorship of the new Vermont Insurance Agents Association (VIAA) Education & Learning Center in Williston, Vermont.

#### BASED IN MONTPELIER, VERMONT SINCE 1828

While it may be true that Vermont Mutual has grown significantly over the past two centuries, expanding to seven states with nearly 300,000 policyholders, you will still find us at 89 State Street, Montpelier, Vermont—where it all began back in 1828.



Vermont Mutual's first office, 1828



...to Your Street

VERMONT MUTUAL INSURANCE COMPANY | NORTHERN SECURITY INSURANCE COMPANY, INC. | GRANITE MUTUAL INSURANCE COMPANY

### YOUR STREET...

In an ever-changing world, we all look for some form of financial security and protection. Personal insurance is one of the surest ways to protect against the misfortunes life can sometimes bring. At Vermont Mutual you will find a full range of personal lines products for individuals and families, from homeowner to renter. Our personal lines offerings also include coverage for multiple-unit rental dwellings, bed and breakfasts, secondary and seasonal properties, as well as auto protection in MA, ME, NH and VT.

### A MUTUAL INSURANCE COMPANY



Vermont Mutual Insurance Group® is the oldest insurer in Vermont and one of the oldest mutual insurers in the country. By definition, a “mutual” is a company that is owned by its policyholders, which means that we all have a vested interest in one another. As a group, each of us gains from the strength of over a quarter of a million fellow policyholders who rest easy knowing they are well protected with Vermont Mutual.

### RECOGNIZED ONCE AGAIN AS A “BEST PLACE TO WORK”

Vermont Mutual Insurance Group® has been recognized as a long-time leader in financial security, but we’re equally proud to be once again recognized by our employees as a “Best Place to Work”. Providing a productive, empowering and enjoyable working environment, combined with a strong compensation and benefits package, is just as important to us as providing top-tier insurance coverage for our policyholders.



### AGENT PARTNERS

For nearly two hundred years, the word “partner” has been a hallmark of the relationship we enjoy with our Agent Partners. Our Vermont Mutual Personal Lines Council is just one of the many ways we maintain strong and open communications with our partners. The Council, with representatives from each of the seven states where we do business, acts as an advisory panel designed to provide an expert voice on key initiatives. The smooth launch of our new personal lines homeowners and dwelling fire quote and issue system would not have been possible without the input of this group.



Vermont Mutual 2016 Personal Lines Council

Vermont Mutual proudly serves seven states throughout the northeast through our extensive network of Independent Insurance Agents. We remain exclusively committed to our Independent Agent Partners who deliver the very best service to our mutual customers. And thanks to Vermont Mutual’s high rate of customer satisfaction, our Agent Partners benefit from policyholders who continue to place their trust in both Vermont Mutual *and* their Independent Insurance Agent.



View our TV Commercial showing the benefits of working with an Independent Agent.

At Vermont Mutual, we believe that what benefits our Agent Partners also benefits their customers. This is the motivation behind our goal to be a *Stable, Predictable, Competent, Partner* for the Independent Agents who represent us.



VERMONT MUTUAL INSURANCE COMPANY | NORTHERN SECURITY INSURANCE COMPANY, INC. | GRANITE MUTUAL INSURANCE COMPANY

## OFFICERS

**Daniel C. Bridge**

Chairman, President & CEO

**Mark J. McDonnell, CPCU, CIC**

Executive Vice President & COO

**Richard N. Bland**

Vice President, General Counsel & Secretary

**Susan L. Chicoine**

Vice President, Human Resources

**Joanne M. Currier**

Vice President, Information Technologies

**David N. DeLuca, CPCU**

Vice President, Claims

**Brian C. Eagan, CPCU**

Vice President, CFO & Treasurer

**Shaun P.T. Farley**

Vice President, Marketing

**Terry J. Moore**

Vice President, Underwriting

## DIRECTORS

**Richard N. Bland (2000)**

Vice President, General Counsel & Secretary  
Vermont Mutual Insurance Group

**Daniel C. Bridge (2014)**

Chairman, President & CEO  
Vermont Mutual Insurance Group

**William A. Catto, CPCU (1996)**

Retired President & CEO  
Vermont Mutual Insurance Group

**William P. Cody (2003)**

Account Vice President  
UBS Financial Services, Inc.

**John N. Evans, Ph. D. (2006)**

Professor, UVM College of Medicine  
Former Dean of the UVM College of Medicine

**Michele S. Gatto (2006)**

Retired Executive Vice President  
National Life Group

**David J. Provost (2012)**

Executive Vice President  
Finance & Administration  
Middlebury College

**Thomas J. Tierney (1993)**

Retired President & CEO  
Vermont Mutual Insurance Group

**Steven P. Voigt (2013)**

Retired President & CEO  
King Arthur Flour Company

## DIRECTORS ADVISORY COUNCIL

**William H. Brooks (1973)**

Retired President & CEO  
Vermont Mutual Insurance Group

**William A. Gilbert (1997)**

Retired Attorney

**John D. Hashagen, Jr. (1988)**

Retired President  
Vermont National Bank

**J. Timothy Ide (1980)**

Retired President  
E.T. & H.K. Ide, Inc.

**George D. Milne (1978)**

Retired President  
Granite Savings Bank & Trust Co.

## MARKETING TERRITORIES

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**John L. Altieri, CIC**  
Massachusetts

**Ashley H. Bouchard, CPCU, AU**  
Vermont

**Anthony M. Corvelo**  
Massachusetts

**Diane M. Hanson**  
Massachusetts

**Diane M. Hashagen, CPCU, CIC**  
New Hampshire & Vermont

**Deborah S. Metivier**  
New Hampshire

**Steven G. Rahl, CPCU**  
Maine

**George J. Syrotiuk**  
Connecticut, Rhode Island  
& Massachusetts

**Brian G. Whalley, CIC, CPIA**  
New York

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**VERMONT MUTUAL**  
INSURANCE GROUP

STABLE    PREDICTABLE    COMPETENT    PARTNER

89 State Street, P.O. Box 188, Montpelier, VT 05601 | 800.451.5000 | VermontMutual.com |



COVER PHOTO: MONTPELIER, VERMONT