



2 0 0 5    A N N U A L    R E P O R T

*“Service in the Vermont tradition that is second to none”*



UNION MUTUAL  
OF VERMONT

**TO OUR POLICYHOLDERS AND AGENTS:**

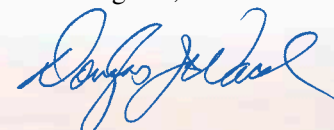
Weather has always been a very important component of our business and financial results. The major weather event of 2005 was Hurricane Katrina that directly affected millions in the Gulf Coast region and the whole country with higher energy and commodity prices. Fortunately, New England and upstate New York were spared the brunt of these weather events, resulting in very strong 2005 financial results for the Union Mutual of Vermont Companies.

Steady premium growth consistent with overall market conditions resulted in total premiums reaching \$99 million in 2005. By working closely with our Independent Agency partners, we maintained disciplined underwriting standards to achieve record underwriting profits and net earnings resulting in a 14.6% growth in Policyholder's Surplus. With \$63.4 million in Policyholder's Surplus, we are stronger than ever as we face the uncertainties involving weather and other unforeseen events affecting our policyholders.

The basic fundamentals of our business haven't really changed that much throughout our long history. We are very experienced in paying claims resulting from the smallest of accidents to the largest of natural disasters. Of course, along with our promise of financial security is our commitment to a fair and timely payment of our policyholders' claims in which we strive to treat our policyholders no different than we would expect to be treated.

Sadly, the year ended tragically with the untimely death of Jack McLaughlin. Jack was well known and respected by all who knew him over his prestigious 40 year career in the New England insurance industry. As we look forward to the future and its many challenges, we will always remember his friendly and caring nature – the standard for how we at the Union Mutual of Vermont Companies strive to treat each other, our business partners and our policyholders.

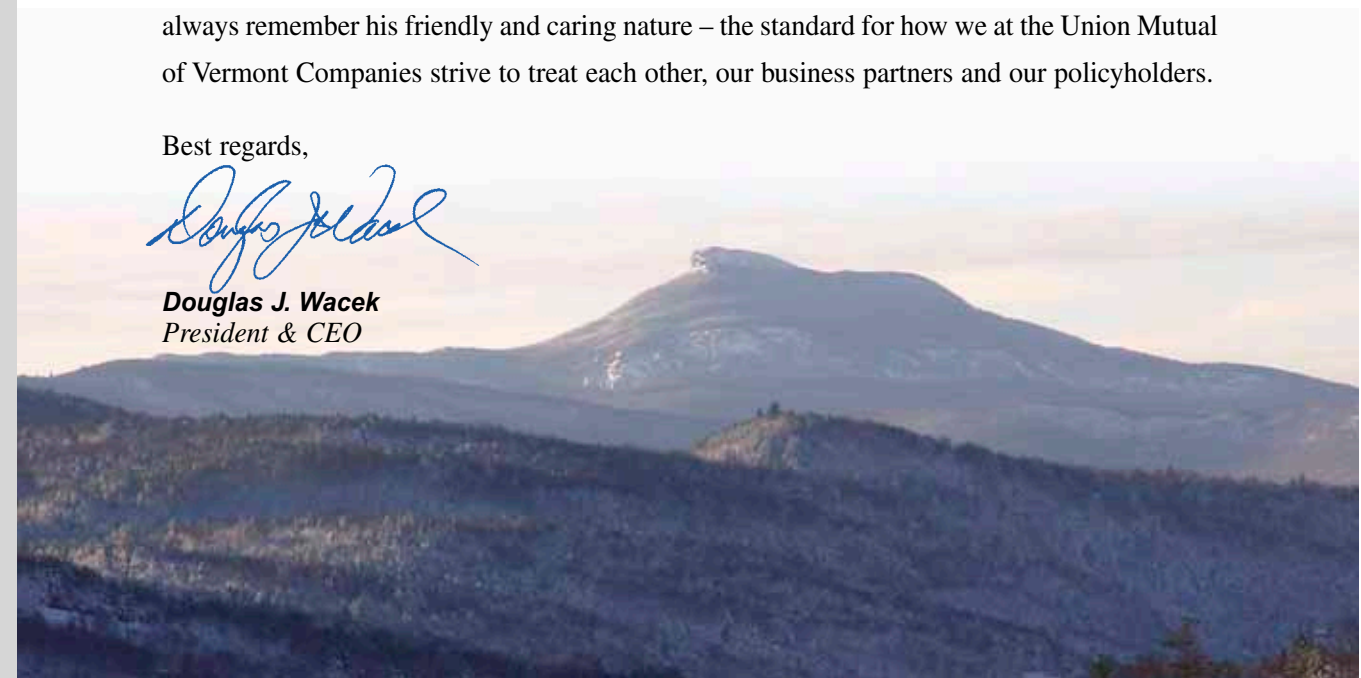
Best regards,



**Douglas J. Wacek**  
President & CEO

***In Memoriam***

**John F. McLaughlin**  
*Chairman and Retired President & CEO*  
*July 7, 1936 – December 2, 2005*



2005 WEATHER

Weather related events dominated the news during 2005. It would be hard to fathom anyone who hasn't heard of "Katrina," the most costly natural disaster in U.S. history. 2005 was the most active hurricane season in modern times, and millions of people were affected by these and other weather-related events across the country. The impacts of these events are still being felt as the insurance industry works to help people rebuild their lives and cope with the aftermath.

Of course, over its long history, the Union Mutual of Vermont Companies have weathered many events, including fires, wind, ice and snow storms and, on occasion, a hurricane. We take our responsibility to operate in a manner to protect our policyholders' interests very seriously, and are always looking for ways to minimize the impacts of these events on our policyholders.



LOSS PREVENTION

We know that often "an ounce of prevention" can reduce "pounds" of losses and thus keep premiums down, benefiting all of our policyholders.

By means of brochures, web site notices and televisions ads, the Companies have worked to assist our policyholders on identifying and correcting conditions that might result in claims. Additional information regarding these loss prevention techniques can be found on our web site at <http://www.unionmutual.com>.

**To avoid water damage to your seasonal or secondary home, please take these easy and inexpensive precautions:**

1. Shut off main water supply valve when you leave, to prevent possible water damage.
2. Set thermostat to a minimum of 15 degrees when you are gone. (This may not get to your home's exterior - open updrafts and down draft pipes to insulate.)
3. Ask a trusted neighbor to check the interior of your home periodically. Take in overflowing and exposed sewer damage can substantially increase the severity of a loss.
4. Insult a competent roofer. A poorly installed roofline can leak if you if the environment in your home has fallen below a safe level.
5. Having regular maintenance on your heating system and windows. Bad defective windows can fail and cause 20% of living losses when you are out of town.

**Don't let this happen to you...**

Union Mutual of Vermont Companies  
 Union Mutual Insurance Company  
 100 State Street  
 South Burlington, VT 05403  
 Phone: 800-876-7527  
 Fax: 800-346-6745

**PROTECTED HOME** (Protect your winter gear today)

ACE Insurance Company  
 100 State Street  
 South Burlington, VT 05403  
 Phone: 800-876-7527  
 Fax: 800-346-6745

### FreezeAlarm Model Comparison

FEATURE	DELUXE	INTERMEDIATE	BASIC
Temperature Monitoring	Yes	Yes	Yes
Waterproofing	Yes	Yes	Yes
High resolution color printing and data management	No	No	No
Low resolution printing and data management	No	No	No
Waterproofing	No	No	No
Low resolution printing and data management	No	No	No
Number of total and wireless sensors	1	1	1
Temperature sensor range and length of cable (feet)	1000 ft / 100 ft	1000 ft / 100 ft	1000 ft / 100 ft
Security/ tamperable	No	No	No
Warranty	1 year	1 year	1 year
Warranty transferable	No	No	No
Warranty to transfer to other policyholder	No	No	No

**Protect Your Home this Winter and SAVE on your Insurance!**

Union Mutual of Vermont Companies has teamed with Protected Home to offer you a valuable rebate in return for using the FreezeAlarm - the world's #1 Frost Protection Device.

**FreezeAlarm Rebate Certificate**

Indicate quantity and recorder purchase. Multiple quantities allowed.

1. Quantity: \_\_\_\_\_  
 2. Date of purchase: \_\_\_\_\_  
 3. Name of purchase location: \_\_\_\_\_  
 4. Name of salesperson: \_\_\_\_\_  
 5. Name of salesperson phone: \_\_\_\_\_  
 6. Name of salesperson address: \_\_\_\_\_  
 7. Name of salesperson city: \_\_\_\_\_  
 8. Name of salesperson state: \_\_\_\_\_  
 9. Name of salesperson zip: \_\_\_\_\_

NAME: \_\_\_\_\_  
 ADDRESS: \_\_\_\_\_  
 CITY: \_\_\_\_\_  
 STATE: \_\_\_\_\_  
 ZIP: \_\_\_\_\_

KEYWORD: \_\_\_\_\_

UNION MUTUAL OF VERMONT COMPANIES  
 100 STATE STREET  
 SOUTH BURLINGTON, VT 05403  
 PHONE: 800-876-7527  
 FAX: 800-346-6745



UNION MUTUAL  
OF VERMONT

UNION MUTUAL OF VERMONT COMPANIES

UNION MUTUAL FIRE INSURANCE COMPANY

<b>Assets</b>		<b>Liabilities</b>	
Bonds . . . . .	45,486,000	Unearned Premiums . . . . .	22,703,000
Stocks . . . . .	33,639,000	Loss & LAE Reserves . . . . .	15,120,000
Cash & Equivalents . . . . .	4,638,000	Other Liabilities . . . . .	8,559,000
Other Assets . . . . .	20,043,000	<b>Policyholders' Surplus . . . . .</b>	<b>57,424,000</b>
	<b>\$103,806,000</b>		<b>\$103,806,000</b>

NEW ENGLAND GUARANTY INSURANCE COMPANY, INC.

<b>Assets</b>		<b>Liabilities</b>	
Bonds . . . . .	45,775,000	Unearned Premiums . . . . .	22,703,000
Stocks . . . . .	9,093,000	Loss & LAE Reserves . . . . .	15,110,000
Cash & Equivalents . . . . .	401,000	Other Liabilities . . . . .	5,015,000
Other Assets . . . . .	10,954,000	<b>Policyholders' Surplus . . . . .</b>	<b>23,395,000</b>
	<b>\$66,223,000</b>		<b>\$66,223,000</b>

EASTERN MUTUAL INSURANCE COMPANY

<b>Assets</b>		<b>Liabilities</b>	
Bonds . . . . .	7,600,000	Unearned Premiums . . . . .	3,432,000
Stocks . . . . .	1,197,000	Loss & LAE Reserves . . . . .	2,632,000
Cash & Equivalents . . . . .	1,285,000	Other Liabilities . . . . .	501,000
Other Assets . . . . .	2,495,000	<b>Policyholders' Surplus . . . . .</b>	<b>6,012,000</b>
	<b>\$12,577,000</b>		<b>\$12,577,000</b>

*We acknowledge and extend our best wishes to William B. Robie, Treasurer, who retired in February 2006 after 40 years of service.*



UNION MUTUAL  
OF VERMONT

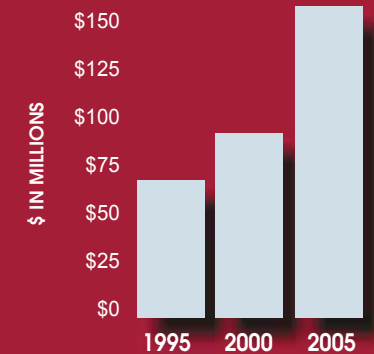
UNION MUTUAL OF VERMONT COMPANIES

Combined Balance Sheet  
December 31, 2005

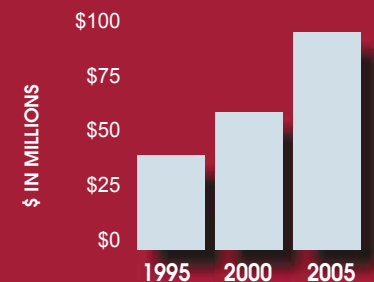
<b>Assets</b>		<b>Liabilities</b>	
Bonds . . . . .	98,862,000	Unearned Premiums . . . . .	48,838,000
Stocks . . . . .	20,534,000	Loss & LAE Reserves . . . . .	32,861,000
Cash & Equivalents . . . . .	6,324,000	Other Liabilities . . . . .	12,070,000
Other Assets . . . . .	31,485,000	<b>Policyholders' Surplus . . . . .</b>	<b>63,436,000</b>
	<b>\$157,205,000</b>		<b>\$157,205,000</b>

**A.M. Best Ratings of "A- (Excellent)"**  
*have been assigned to each of the  
Union Mutual of Vermont Companies*

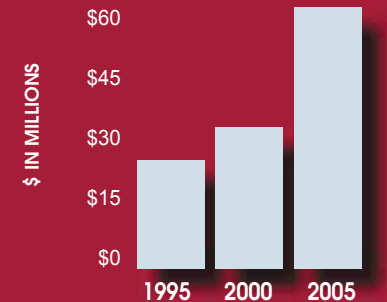
TOTAL ASSETS



WRITTEN PREMIUM



POLICYHOLDERS' SURPLUS





EASTERN MUTUAL INSURANCE COMPANY



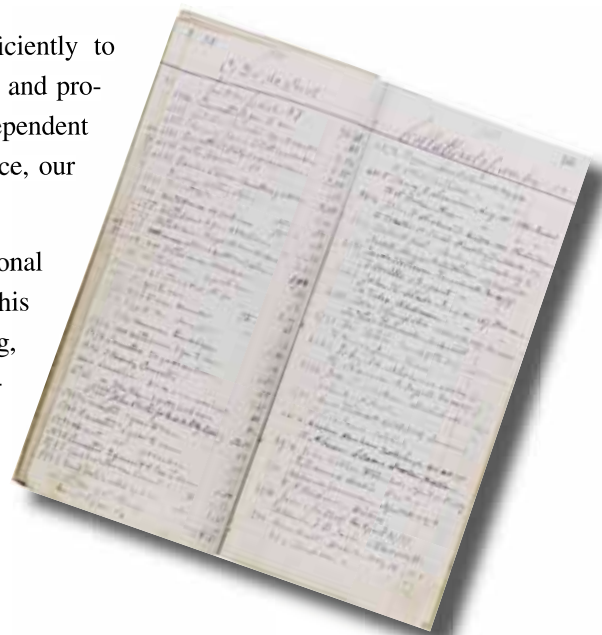
## Celebrating 150 Years

In 2005, Eastern Mutual celebrated 150 years of insuring the upstate New York community. We attribute our success to our employees, our most valuable resource. Our mission is to maintain the human aspect of doing business as we continue to use cutting edge technology to maintain a cost efficient and competitive operation.

Eastern's focus is to use technology efficiently to provide a quality product, delivered in a timely and professional manner to our policyholders and Independent Agents. Technology will assist, but never replace, our goal of personal service.

Our competitive edge is grounded in a personal response to our agents' and insureds' needs. This approach allows us to be creative in our thinking, and informed in our decisions, while maintaining a consistent approach to our Company's strategic goals.

We congratulate and thank our employees for their commitment to our corporate success.



EASTERN MUTUAL INSURANCE COMPANY



Left to right: **Arlene K. Ingalls** (Personal Lines); **Jacqueline F. Rauf** (Commercial Lines); **Susan M. Fancher** (Vice President, Underwriting & Marketing); **Joseph D. Aguirre** (Claims); **Julie A. Hallenbeck** (Personal Lines); **Carole A. Bates** (Commercial Lines).



Front row: **Jennifer A. Bungay** (Accounting); **Jacquelyn A. Menagh** (Information Systems).  
Back row: **Darlene R. Saitta** (Accounting); **Valerie A. Davis** (Vice President & Secretary); **William R. Scrafford** (President & Treasurer); **Kristin A. Earl** (Administrative Services); **Irene L. Truesdell** (Administrative Services); **Wanda L. Parks** (Administrative Services).



**UNION MUTUAL FIRE INSURANCE COMPANY  
NEW ENGLAND GUARANTY INSURANCE COMPANY, INC.**

### Claims Department

Our Claims Department has more than four centuries of experience in the insurance business with the average claims professional having 12 years of employment with the Companies. This knowledge and experience, combined with our friendliness and professionalism, are the cornerstones of our relationship with our policyholders and Independent Insurance Agents.

We have several Regional General Adjusters located throughout New England to provide high-quality, fast and courteous claims service. In addition, we have numerous adjusters and claims supervisors in our office in Montpelier. We are further supported by long-standing relationships with an excellent network of independent adjusting firms that are available “24-7.”

In 2005, the Department handled more than 10,000 property, casualty and automobile claims. Policyholders are usually verbally contacted the same day a claim is received and most are resolved within a few weeks.

The Companies remain committed to using technology to enhance our capacity and provide personal service in the handling of all claims. Over the past two years, we have begun using new imaging technology and a new adjuster-driven Claims Management System to better service our policyholders. These efforts will continue as we remain committed to providing fast, courteous and fair claims service to all of our policyholders.



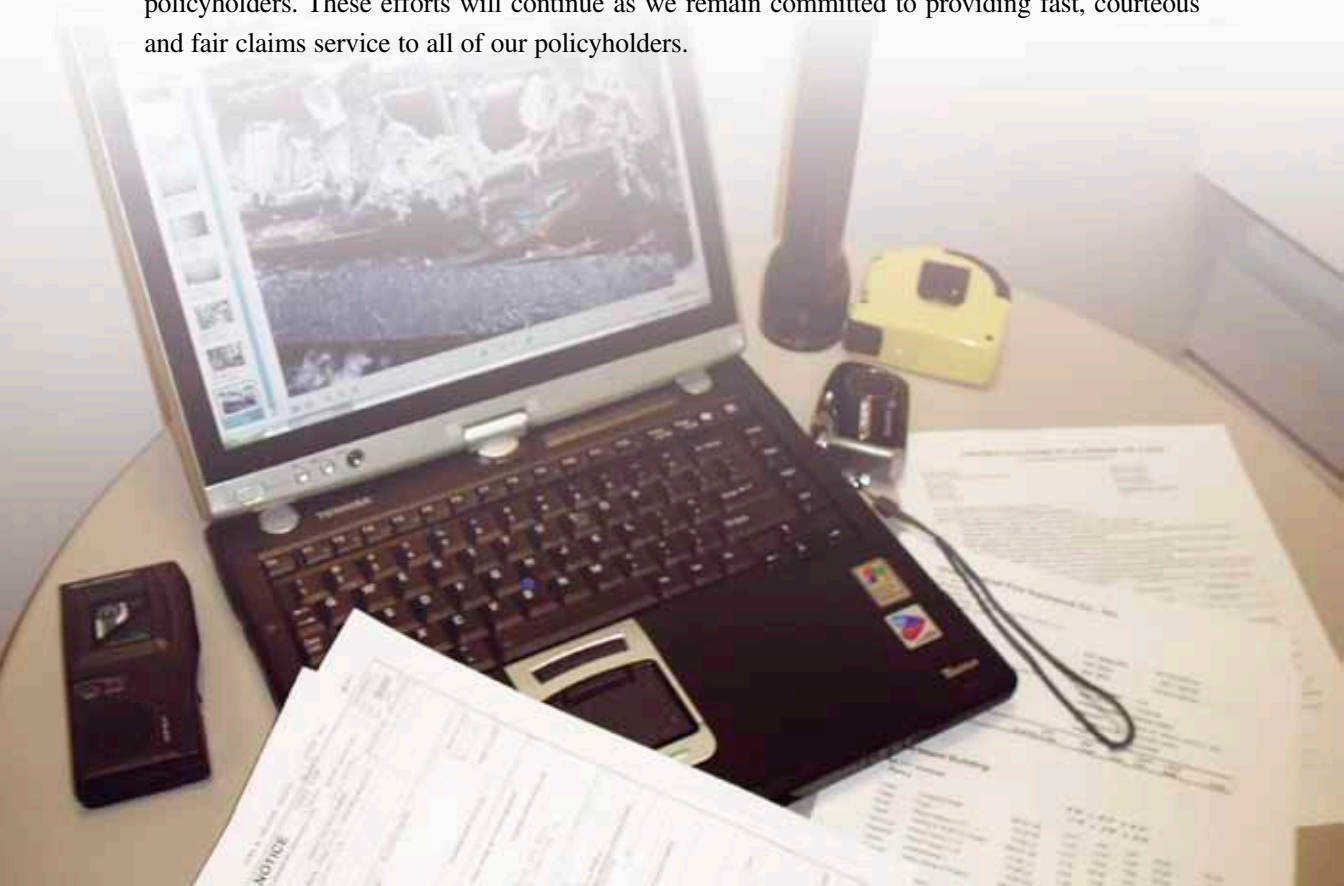
**UNION MUTUAL FIRE INSURANCE COMPANY  
NEW ENGLAND GUARANTY INSURANCE COMPANY, INC.**



*Left to right: **Joe Baroffio** (Automobile Adjuster); **Debbe Squairs** (Automobile Supervisor); **Peter Heitmann** (Casualty Supervisor); **Donna Newell** (Multi-Line Adjuster); **Michael O’Hara** (Automobile Adjuster); **Josh Fitzhugh** (Vice President); **Lee Walther** (Casualty Claims Specialist); **Angie Lawrence** (Automobile Adjuster); **Guy Graham** (Claims Manager); **Jennifer Brault** (Property Adjuster).*



*Left to right: (Regional General Adjusters unless otherwise indicated) **Steve Wilson** (New Hampshire/Vermont); **Phyllis Larose** (Claims Assistant); **John Murnane** (Massachusetts); **Dave Walker** (Property Supervisor); **Jim Harvey** (Vermont/New Hampshire); **John Amick** (Vermont); **Matt Rice** (Massachusetts); **Paul Anderson** (New Hampshire); **John Trainor** (Massachusetts).*



## UNION MUTUAL FIRE INSURANCE COMPANY & NEW ENGLAND GUARANTY INSURANCE COMPANY, INC.

### Officers

**Douglas J. Wacek**

*President & CEO*

**Ian B. Chisholm**

*Vice President, Underwriting*

**John H. Fitzhugh**

*Vice President, General  
Counsel & Secretary*

**Bradley S. Keysar**

*Vice President,  
Information Systems*

**Lisa L. Keysar**

*Assistant Secretary*

**Michael W. Nobles**

*Vice President, Finance  
& Treasurer*

**Harold L. Robinson, III**

*Regional Vice President*

**William R. Scrafford**

*Regional Vice President*

**John R. Walker**

*Vice President, Marketing*

### Board of Directors

**Frederic H. Bertrand**

*Chairman, CVPS &  
Former CEO, National Life  
Insurance Company*

**David R. Coates**

*Former Managing Partner,  
KPMG*

**John E. Corning**

*Former Sr. Vice President,  
Union Mutual*

**Kathleen H. Davis**

*Deputy Managing Partner,  
Downs, Rachlin & Martin*

**Allen Martin**

*Chairman, WICOR Americas*

**James A. McDonald**

*President & CEO,  
J.A. McDonald, Inc.*

**S. John Osha**

*Chairman of the Board,  
Dairy Farmer & Chairman,  
Randolph National Bank*

**Douglas J. Wacek**

*President & CEO,  
Union Mutual*

**Everett C. Bailey\***

*Former President & CEO,  
E.B. & A.C. Whiting Co.*

**F. Ray Keyser, Jr.\***

*Of Counsel, Keyser & Crowley,  
& Governor of VT (1961-1963)*

**Lawrence H. Reilly\***

*Former President & CEO,  
Union Mutual*

**Thomas P. Salmon\***

*Former President, UVM and  
Governor of VT (1973-1977)*

*\*Advisory Council Member*

## EASTERN MUTUAL INSURANCE COMPANY

### Officers

**William R. Scrafford**

*President & Treasurer*

**Douglas J. Wacek**

*Chief Executive Officer*

**Valerie A. Davis**

*Vice President & Secretary*

**Susan M. Fancher**

*Vice President,  
Underwriting & Marketing*

**Bradley S. Keysar**

*Vice President,  
Information Systems*

**Michael W. Nobles**

*Chief Financial Officer*

### Board of Directors

**Valerie A. Davis**

*Vice President & Secretary,  
Eastern Mutual*

**Robert E. Flagler**

*Chairman, Retired Assistant  
Controller - Dime Savings Bank*

**Elizabeth J. Friedland**

*Retired Manager, Schoharie &  
Scheneectady Mutual Insurance*

**Scott T. Jeffers**

*President, Sauquoit Valley  
Insurance Company*

**Kent L. Johnson**

*Systems Analyst, Rensselaer  
Polytechnic Institute*

**William R. Scrafford**

*President & Treasurer,  
Eastern Mutual*

**Edward R. Waldron**

*Former Chairman,  
Retired Dairy Farmer*

**Allyn P. Wright**

*Vice Chairman, Independent  
Forestry Consultant*

**Alan P. Zuk**

*Transportation Coordinator,  
Berne-Knox-Westerlo  
School District*



**Union Mutual Fire Insurance Company  
New England Guaranty Insurance Co., Inc.**

139 State Street, P.O. Box 158

Montpelier, VT 05601-0158

Phone: (802) 223-5261

Fax: (802) 229-5580

[www.unionmutual.com](http://www.unionmutual.com)



**Eastern Mutual Insurance Company**

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Greenville, NY 12083

Phone: (518) 966-4491

Fax: (518) 966-5022

[www.easternmutual.com](http://www.easternmutual.com)

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