



Union Mutual *of* Vermont Companies



*Building new
bridges – a
framework for
the future.*

2007 HIGHLIGHTS

- Reached the century mark with over \$100 million in written premium.
- Released **QuoteWrite** for Automobile: This companion to our Homeowners product allows our Agents to quickly and easily quote and submit new personal lines policies, including our Home & Auto Package Policy. Coming soon: **QuoteWrite** for Commercial Lines.
- Developed a new, comprehensive Strategic Plan that involved employees from throughout the Companies and provides a road map for our continued success.
- Expanded our Commercial Lines writings through the deployment of a new Field Underwriter and introduction of new products and coverages, including Commercial Automobile program, Liquor Liability coverage, and a Hotel/Motel Program.
- Expanded and restructured the Information Systems Department to make it more responsive and effective in providing services and development of new business initiatives.
- Undertook a comprehensive Enterprise Risk Management process to help identify and mitigate the different types of risks facing the Companies.
- Undertook new training and employee development initiatives that focus on personal development, change management, project management and a renewed focus on customer service.
- Began planning for the 2008 implementation of a new Customer Support Team. With new systems and tools, these highly trained individuals will be able to respond to most inquiries from Agents and Policyholders without the need for voice mail messages, transferring to different departments, or follow-up calls.
- Restructured our underlying reinsurance programs to allow for more efficient utilization of capital within our risk tolerances.

~ In memory of ~

Edward R. Waldron

February 22, 1922 - September 25, 2007

Director of Eastern Mutual for 52 years
Chairman of the Board for 17 years



TO OUR POLICYHOLDERS AND AGENTS:

I am pleased to report that 2007 was another very good year for the Union Mutual of Vermont Companies from a number of perspectives. Financially, our premium and surplus base grew nicely in the midst of strong price competition that defines a soft insurance market environment. In addition, our conservative investment philosophy served us well in light of the volatile financial markets following the sub-prime mortgage crisis. Thanks to the efforts of our employees and the continued support of our independent agency partners, we are well-positioned for the future as we close 2007 with total Policyholders' Surplus of \$80 million, total assets of \$180 million and premiums of \$103 million.


New England weather always presents its challenges and 2007 was no exception. A late, but cold and snowy winter, a very strong April Nor'Easter and several severe summer thunderstorms resulted in higher loss activity than we had experienced over the past few years. Nevertheless, our catastrophe planning efforts paid off as we were able to provide high quality service to more than 1,000 policyholders during their time of need as a result of this large, late winter storm. Thankfully, despite extensive property damage, no one was seriously injured from this event.

Operationally, we made significant strides during the year on a number of projects and have put in motion several more that will pay future dividends. The recent release of **QuoteWrite**, our new on-line rating and policy submission system for home and automobile, was very well received by our agency partners who like its ease of use, accuracy and overall completeness. We believe this new platform will serve us well as we move towards transforming our commercial lines next year.

The rapid deployment of new technology and a changing society will continue to be major challenges for the insurance industry. The use of predictive modeling, multivariate rating methodologies, credit scoring and a variety of other new tools are having a dramatic impact as insurance carriers search for new ways to predict risk and the ultimate cost of their product. We, along with our independent agents, are facing significant changes as buyers of our products are bombarded with advertising and offered a variety of new choices. Changing consumer expectations and behavior are challenging the industry to rethink priorities and stretch traditional ways of thinking.

Bridging all these changes requires foresight and planning. During 2007, we engaged our employees at all levels of the Company in a comprehensive Strategic Planning initiative. This process culminated in a multi-year Strategic Plan that will guide us in achieving our key objectives. The Plan acknowledges the societal and industry changes underway and reinforces our commitment to organizational and technological changes necessary to be successful in a changing marketplace. Most of all, it reinforces our commitment to our independent agency partners and policyholders to continue our best efforts to provide quality insurance products with service levels that are, in the Vermont tradition, truly **"Second to None."**

Best regards,


Douglas J. Wacek
President & CEO



UNION MUTUAL
OF VERMONT

Union Mutual of Vermont Companies

UNION MUTUAL FIRE INSURANCE COMPANY

Assets

Bonds	\$52,713,000
Stocks	41,303,000
Cash & Equivalents	6,076,000
Premiums Receivable	16,301,000
Other Assets	12,677,000
	\$129,070,000

Liabilities

Unearned Premiums	\$24,272,000
Loss & LAE Reserves	14,836,000
Other Liabilities	17,916,000
Policyholders' Surplus	72,046,000
	\$129,070,000

NEW ENGLAND GUARANTY INSURANCE COMPANY, INC.

Assets

Bonds	\$52,726,000
Stocks	7,711,000
Cash & Equivalents	2,834,000
Premiums Receivable	13,419,000
Other Assets	5,156,000
	\$81,846,000

Liabilities

Unearned Premiums	\$24,272,000
Loss & LAE Reserves	14,829,000
Other Liabilities	12,169,000
Policyholders' Surplus	30,576,000
	\$81,846,000

EASTERN MUTUAL INSURANCE COMPANY

Assets

Bonds	\$10,012,000
Stocks	1,405,000
Cash & Equivalents	1,243,000
Premiums Receivable	1,264,000
Other Assets	1,109,000
	\$15,033,000

Liabilities

Unearned Premiums	\$3,504,000
Loss & LAE Reserves	3,117,000
Other Liabilities	445,000
Policyholders' Surplus	7,967,000
	\$15,033,000

COMBINED BALANCE SHEET

December 31, 2007

Assets

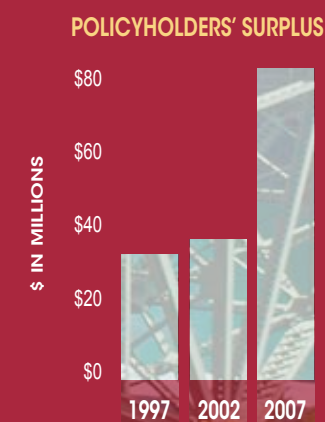
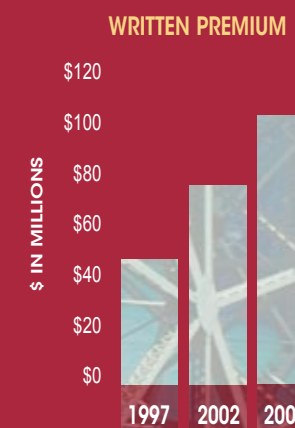
Bonds	\$115,752,000
Stocks	21,834,000
Cash & Equivalents	11,079,000
Premiums Receivable	18,518,000
Other Assets	14,769,000
	\$181,952,000

Liabilities

Unearned Premiums	\$52,047,000
Loss & LAE Reserves	32,782,000
Other Liabilities	17,110,000
Policyholders' Surplus	80,013,000
	\$181,952,000

A.M. Best Rating of "A- (Excellent)"

has been assigned to the Union Mutual
of Vermont Companies



COMMERCIAL LINES UNDERWRITING

With over 225 years of collective experience in the insurance marketplace, our Commercial Underwriting Team strives to provide our independent agency partners the best possible individualized service. This extensive knowledge and experience, combined with our professionalism, enthusiasm and friendliness, allows us to work closely with our agency partners to find creative solutions for their clients' insurance needs.

Our Commercial Underwriters are highly trained and encouraged to design innovative coverage solutions to meet the changing needs of the marketplace. Most are either Certified Insurance Counselors (CIC) or Certified Property Casualty Underwriters (CPCUs) or working towards their designation. By deploying new technologies and tools, we strive to be creative and flexible during the different market conditions. Most of all, we try hard to be a consistent, strong market to our agency partners.

As part of our desire to expand and grow, in 2007 our commercial offerings were expanded in several New England states to include a Commercial Auto product and Liquor Liability coverage. In New York, Eastern Mutual added a new Motel program and Horse Liability coverage, as well as Liquor Liability coverage.

As we expand with new products and deploy new technologies, we continue to believe it is critically important to provide that "personal touch." Each of our Commercial Lines staff strives to service our agents with the objective of exceeding their expectations and providing individual attention to each account.

*Service in the Vermont
tradition that is
"Second to None"*



Union Mutual Fire Insurance Company
New England Guaranty Insurance Company, Inc.
Eastern Mutual Insurance Company



Left to right: **Kim Whitcomb** (*Underwriter – ME*); **Sharon Werbinski** (*Underwriting Tech*); **Sue Martin** (*Underwriter, MA/RI*); **Laurie Tatro** (*Underwriter – VT*); **Ian Chisholm** (*Vice President – Union*); **Leslie Hallenbeck** (*Underwriter – NY*); **Caitlyn Knapp** (*Underwriting Tech*); **Suzie Pazdro** (*Underwriter – NH*); **Chris Palmateer** (*Sr. Underwriter – NY*).



Left to right: **Deb Fraser** (*Underwriter – VT/MA*); **Jean Wilder** (*Underwriter*); **Jackie Rauf** (*Sr. Underwriter – NY*); **Susan Bralich** (*Underwriting Manager*); **Matt Rice** (*Field Underwriter – MA*); **Claudia Coleman** (*Asst. Underwriter*); **Tammy Davis** (*Sr. Underwriting Tech*); **Sue Fancher** (*Vice President – Eastern*); **Janie Rutledge** (*Underwriting Tech*).

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

OFFICERS

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Vice President, Underwriting

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*Senior Vice President,
General Counsel & Secretary*

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Assistant Vice President, Claims

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*Vice President,
Information Systems*

Lisa L. Keysar
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*President & CEO,
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& Governor of VT (1961-1963)*

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

**Advisory Council Member*

EASTERN MUTUAL INSURANCE COMPANY

OFFICERS

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Valerie A. Davis
Vice President & Secretary

Susan M. Fancher
*Vice President, Underwriting
& Marketing*

Bradley S. Keysar
*Vice President,
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Michael W. Nobles
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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

Eastern Mutual Insurance Company

6504 State Route 32, P.O. Box 40
Greenville, NY 12083
Phone: (518) 966-4491 • Fax: (518) 966-5022

www.easternmutual.com