



*Going to New Heights ~ Together*



# UNION MUTUAL OF VERMONT COMPANIES



2009 ANNUAL REPORT



## 2009 HIGHLIGHTS:

- New public websites created for Union Mutual and Eastern Mutual
- Real-time interfaces up and running with PL Rating, AMS and Applied management systems
- Seasoned staff additions in Claims Department to improve capacity and service
- Introduction of new Project Management Office (PMO) and staff to improve project velocity
- Agency experience and commission statements available on Agency Portal
- Adoption of insurance scoring in Vermont and Maine
- Corporate metrics with direct ties to budgeting, investment and expense management
- Eastern Mutual introduces new Agency Portal solution
- Outside evaluation of investment performance

## 2010 INITIATIVES:

- QuoteWrite for Businessowners
- Hurricane precision rating
- Revised Personal Auto model series rating
- Agency Council in Northern and Southern New England

## TO OUR POLICYHOLDERS AND AGENTS:

Thankfully, 2009 was not like the year before. While in general insurance companies fared much better than banks in 2008, they too lost billions of dollars in surplus as a result of the decline in the investment markets. I am pleased to report that the Union Mutual of Vermont Companies bounced back nicely in 2009 and ended the year much stronger than we began it.



All told, the policyholder surplus of the three companies in our group rose 9.1% and ended the year at \$79 million. Direct written premium rose 2.4% while net premiums were flat. This left our companies with an improved leverage ratio, a sign of additional strength and stability.

We began the year without expectation of growth, and underwriting profitability remained our mantra for the entire year (as it is also for 2010). Nevertheless, due to some rating changes in Northern New England to offset market conditions and rising loss ratios, we did grow, aided by solid policy retention from existing customers and continued efforts to add commercial policies in all markets.

On the loss side, incurred losses fell 20% from the year earlier, the change almost equally attributable to a decline in severity and in frequency. Although the year began with two horrendous months, it got better as we moved through it, and the mild Fall weather in Northern New England helped us out considerably. We were pleased to avoid a repeat of the December 2008 ice storm which did so much damage to southern New Hampshire and eastern Massachusetts.

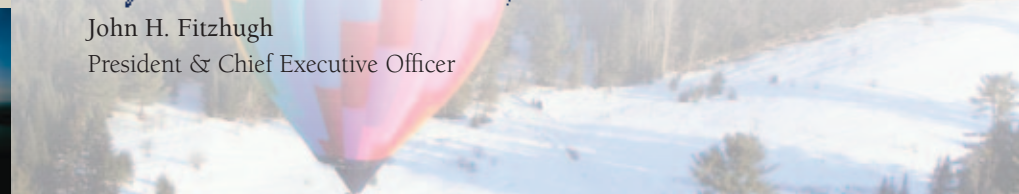
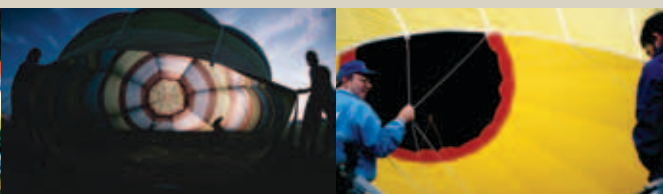
Like other companies in 2009 we also attacked our internal expenses looking for efficiencies, and by yearend had posted a 3.6% reduction in total expenses inclusive of claim adjustment costs, underwriting expenses and investment fees. We managed to do this, I might add, while increasing our employee count by six positions at the end as compared to the start of the year. All of these positions will improve our service levels to agents and policyholders as we continue to fulfill our promise of providing service in the Vermont tradition that is "second to none."

Given the nature of our business, we are highly impacted by weather-related events, so to some extent our 2009 results came with sunny skies and mild winds. But obviously to sustain a healthy company, and a strong financial rating, we have to plan carefully for snow squalls, ice storms and heavy winds. And we do.

As I have said in the past, thank you for doing business with us.

Sincerely,

John H. Fitzhugh  
President & Chief Executive Officer



TEAMWORK

COMMITMENT

SUPPORT

STRATEGY

SUCCESS



# UNION MUTUAL OF VERMONT COMPANIES

## UNION MUTUAL FIRE INSURANCE COMPANY

Assets:	Liabilities:
Bonds ..... \$69,524,000	Unearned Premiums .....\$51,622,000
Stocks ..... 51,622,000	Loss & LAE Reserves .....35,463,000
Cash & Equivalents ..... 10,239,000	Taxes & Other Liabilities .. 10,613,000
Premiums Receivable..... 19,975,000	Policyholders' Surplus .....70,117,000
Other Assets..... 16,455,000	
<b>\$167,815,000</b>	<b>\$167,815,000</b>

## NEW ENGLAND GUARANTY INSURANCE COMPANY, INC.\*

Assets:	Liabilities:
Bonds ..... \$27,469,000	Taxes & Other Liabilities .....\$141,000
Cash & Equivalents ..... 1,868,000	Policyholders' Surplus ..... 32,558,000
Other Assets..... 3,362,000	
<b>\$32,699,000</b>	<b>\$32,699,000</b>

## EASTERN MUTUAL INSURANCE COMPANY\*\*

Assets:	Liabilities:
Bonds ..... \$11,857,000	Unearned Premiums .....\$3,703,000
Stocks ..... 1,207,000	Loss & LAE Reserves .....4,204,000
Cash & Equivalents ..... 1,575,000	Taxes & Other Liabilities ..... 431,000
Premiums Receivable..... 1,247,000	Policyholders' Surplus ..... 8,977,000
Other Assets..... 1,429,000	
<b>\$17,315,000</b>	<b>\$17,315,000</b>

\*New England Guaranty is a wholly-owned subsidiary of Union Mutual Fire Insurance Company and 100% of their underwriting activity is pooled into Union Mutual's.

\*\* Eastern Mutual Insurance Company is a New York domestic company which is affiliated by contract with Union Mutual Fire Insurance Company.

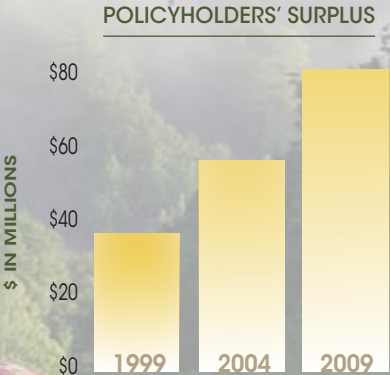
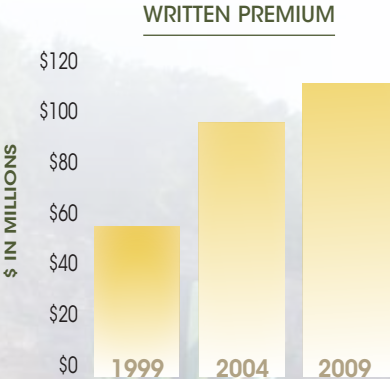
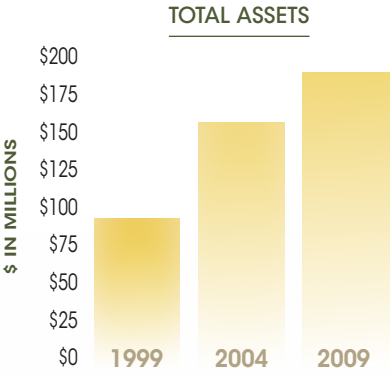
## COMBINED BALANCE SHEET

December 31, 2009

Assets:
Bonds ..... \$108,875,000
Stocks ..... 23,028,000
Cash & Equivalents ..... 13,872,000
Premiums Receivable .....21,222,000
Other Assets ..... 16,356,000
<b>\$183,353,000</b>

Liabilities:
Unearned Premiums .....\$55,325,000
Loss & LAE Reserves .....39,667,000
Taxes & Other Liabilities ..... 9,268,000
Policyholders' Surplus ..... 79,093,000
<b>\$183,353,000</b>

**A.M. Best Rating of  
“A- (Excellent)”**  
*has been assigned to all of the  
Union Mutual of Vermont Companies*



RESEARCH

GOALS

PRINCIPLES

INTEGRITY

SUCCESS

## Going to New Heights ~ Together

As any good coach knows, teams bring home championships, even if there are individual stars. The year 2009 saw some significant changes to the Union Mutual management team. Some people were promoted, others reassigned, and in one key area – underwriting – a new vice president came on board. The entire management team received training in the principles of a high performing insurance operation. At the suggestion of Phil Mondanaro, a management consultant with Insurance Performance Association, we created and staffed an IT Steering Committee and a Project Management Office to prioritize, plan, develop and execute on our long list of initiatives. In 2010 we will continue to harness the values and fundamental principles that have served us well in the past while seeking to use the technologies of the future. We are challenging ourselves to be *“the best that we can be”* and we invite you, our agency and business partners, to join us in this exciting endeavor.

### MANAGEMENT TEAM UPDATES:

- John “Josh” Fitzhugh completes his first full year at the helm as President and CEO
- John Condon joins the company as Vice President of Underwriting, replacing Ian Chisholm, who retired after 11 years
- Carolyn Ix becomes Vice President of Marketing
- Gary Ouellette is named Vice President of Operations, Technology and Enterprise Risk, an expanded department which includes the new Project Management Office
- Bradley Keysar undertakes a new role as Vice President of Strategic Planning & Analysis
- Michael Nobles, Vice President of Finance, assumes the chair of the new IT Steering committee
- Valerie Davis is named William Scrafford’s “interim successor” at Eastern Mutual, should for any reason he be unable to serve



*The Management Team has more than 310 years of experience in the Insurance Industry and nearly 250 years of dedicated service to the Union Mutual of Vermont Companies.*

*Left to right, back row: Harold L. Robinson, III; William R. Scrafford; Michael W. Nobles; John H. Condon; John R. Walker*

*Middle row: Carolyn S. Ix; Bradley S. Keysar; Lisa L. Keysar; Valerie A. Davis*

*Front row: Gary H. Ouellette; John H. Fitzhugh; Guy W. Graham*

*Service in the Vermont Tradition  
that is “Second to None”*



REPUTATION

INSIGHT

TRUST

SERVICE

SUCCESS





## UNION MUTUAL OF VERMONT COMPANIES



UNION MUTUAL FIRE  
INSURANCE COMPANY  
NEW ENGLAND GUARANTY  
INSURANCE COMPANY, 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

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

### OFFICERS:

**John H. Fitzhugh**  
*President & CEO*

**John H. Condon**  
*Vice President, Underwriting*

**Guy W. Graham**  
*Vice President, Claims*

**Carolyn S. Ix**  
*Vice President, Marketing*

**Bradley S. Keysar**  
*Vice President, Strategic Planning & Analysis*

**Lisa L. Keysar**  
*Corporate Secretary*

**Michael W. Nobles**  
*Vice President, Finance & Treasurer*

**Gary H. Ouellette**  
*Vice President, Operations, Technology  
& Enterprise Risk*

**Harold L. Robinson, III**  
*Regional Vice President*

**William R. Scrafford**  
*Regional Vice President*

**John R. Walker**  
*Senior Vice President, Marketing &  
Underwriting*

### BOARD OF DIRECTORS:

**David R. Coates**  
*Former Managing Partner, KPMG*

**John E. Corning**  
*Former Sr. Vice President, Union Mutual*

**Kathleen H. Davis**  
*Partner, Downs Rachlin Martin, PLLC*

**John H. Fitzhugh**  
*President & CEO, Union Mutual*

**Thomas H. MacLeay**  
*Chairman, National Life Group*

**Allen Martin**  
*Retired Chairman, WICOR Americas*

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

**S. John Osha**  
*Chairman, Union Mutual, Dairy Farmer  
& Chairman, Randolph National Bank*

**Mark S. Young**  
*President & CEO, The First National  
Bank of Orwell*

### ADVISORY COUNCIL MEMBERS:

**Frederic H. Bertrand**  
*Former CEO, National Life Group*

**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)*

## EASTERN MUTUAL INSURANCE COMPANY

### OFFICERS:

**William R. Scrafford**  
*President & Treasurer*

**Valerie A. Davis**  
*Vice President & Secretary*

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

**John H. Fitzhugh**  
*Chief Executive Officer*

**Arlene K. Ingalls**  
*Assistant Secretary*

**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  
& Schenectady Mutual  
Insurance Association*

**Scott T. Jeffers**  
*President, Sauquoit Valley  
Insurance Company*

**Kent L. Johnson**  
*Associate Director IT  
Infrastructure, Rensselaer  
Polytechnic Institute*

**William R. Scrafford**  
*President & Treasurer,  
Eastern Mutual*

**Allyn P. Wright**  
*Vice Chairman, Independent  
Forestry Consultant*

**Fred S. Zeitler, CPA**  
*Public Accountant*

**Alan P. Zuk**  
*Retired Transportation  
Coordinator, Berne Knox-  
Westerlo School District*

