

OUR COMMITMENT TO



*Excellence*

2 0 1 0   A N N U A L   R E P O R T



UNION MUTUAL OF  
VERMONT COMPANIES





# 2010 ANNUAL REPORT

*High customer satisfaction scores mean high praise for both agents in the field and the home office employees. Working closely together, these relationships provide Service in the Vermont Tradition, that is “Second to None.”*

## 2010 HIGHLIGHTS:

- Member of Trusted Choice®
- Established Agency Councils for Northern and Southern New England
- Appointed 13 new agents
- Reached new peak in policyholder surplus
- Finished year with underwriting profit
- Increased commercial writings
- Rate filing in MA which considers catastrophe costs by specific location
- Completed new 3-year Strategic Plan
- Hired resident adjuster for Maine
- Retirement of Senior Vice President Jack Walker

## 2011 INITIATIVES:

- Advanced online quote and submit for businessowner policies
- Update ISO Forms:
  - Businessowners (2010)
  - Homeowners (2011)
  - Personal Auto (2005)
  - Personal Umbrella (2006)
- Expanding Agency Plant
- Revised Agency Contract
- Home Office System Upgrades

## TO OUR POLICYHOLDERS AND AGENTS:

*I think people here may get tired of me saying it, but you can learn a lot about management by pruning an apple tree. To be successful – that is, to get good apples – you need to prune the tree yearly and carefully. You need to remove the dead wood, the cross branches that interfere with one another, and the suckers that rise directly into the sun but which don't produce apples. You try to open up the tree to let every branch see the sun. You do it slowly until you are satisfied; if you remove too much the tree will suffer. If you've done a good job – and the weather and the bees cooperate – you'll get some nice satisfaction in the fall. If not, you can try again next year.*

*I think the work we did in 2009 – the pruning if you will – led to better results in 2010. While direct written premium was down a bit, our focus was always on profitability, and that improved from 2009 and 2008. We ended the year with an underwriting profit, and our highest policyholder surplus ever. We grew our commercial lines book, no small feat in a very soft commercial market. Our total combined ratio came in at 97.5%, a nice improvement from 103.1% the year earlier and 2008's 105.5%.*

*At the same time, we did a lot of infrastructure work in 2010. We reassessed our investment advisors, changed one of two, and revised our investment policy. We revised our homeowners' rates in Massachusetts to permit acceptance of risks anywhere in the Commonwealth. We established two councils for better communication with our agency partners, and a board-level committee on enterprise risk. We implemented an online rate and submit product for businessowner policies. We refined our metrics for better management, and at year end, celebrated the retirement of a 34-year veteran of our companies, Jack Walker, whom many of you know and love. In his place we promoted Michael Nobles, our treasurer and reinsurance expert, to Senior Vice President and Chief Financial Officer.*

*I am also pleased to announce that Vermont's popular outgoing Governor, James H. Douglas, has joined our Board of Directors, effective February 23, 2011.*

*As we push forward into 2011, I know there is more work to be done. Maintaining competitive rates while serving our customers and growing our asset base is never an easy task. With your help I look forward to sharing with you the results of this work next year. Cider, anyone?*

Sincerely,



John H. Fitzhugh  
President & Chief Executive Officer



Hardworking people, combining their expertise and ingenuity to provide quality products, service and support, has become the leading hallmark of Union Mutual of Vermont.





## UNION MUTUAL OF VERMONT COMPANIES

### COMMUNITY STEWARDSHIP

The Union Mutual of Vermont Companies proudly donated to over 130 local organizations in the areas of health, education, sports, community and the arts during 2010.

### UNION MUTUAL FIRE INSURANCE COMPANY\*

#### Assets:

Bonds .....	\$109,167,000
Stocks .....	23,247,000
Cash & Equivalents .....	9,204,000
Premiums Receivable .....	19,845,000
Other Assets .....	16,798,000
	<hr/>
	\$178,261,000

#### Liabilities:

Unearned Premiums	\$51,077,000
Loss & LAE Reserves .....	38,154,000
Other Liabilities .....	12,584,000
Policyholders' Surplus .....	76,446,000
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	\$178,261,000

### EASTERN MUTUAL INSURANCE COMPANY\*\*

#### Assets:

Bonds .....	\$13,382,000
Stocks .....	1,362,000
Cash & Equivalents .....	1,162,000
Premiums Receivable .....	1,162,000
Other Assets .....	1,091,000
	<hr/>
	\$18,159,000

#### Liabilities:

Unearned Premiums .....	\$3,542,000
Loss & LAE Reserves .....	3,992,000
Other Liabilities .....	606,000
Policyholders' Surplus .....	10,019,000
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	\$18,159,000

\* Union Mutual contains activity from New England Guaranty, its wholly-owned subsidiary.

\*\* 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, 2010

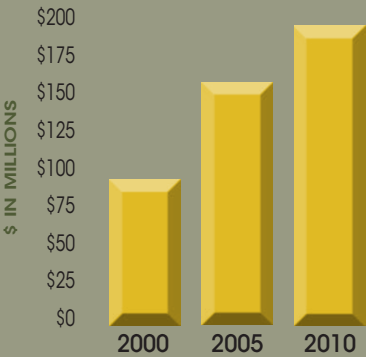
Assets:	
Bonds .....	\$122,549,000
Stocks .....	24,609,000
Cash & Equivalents .....	10,367,000
Premiums Receivable.....	20,905,000
Other Assets.....	17,888,000
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\$196,318,000	

Liabilities:	
Unearned Premiums .....	\$54,619,000
Loss & LAE Reserves .....	42,146,000
Other Liabilities .....	13,088,000
Policyholders' Surplus .....	86,465,000
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\$196,318,000	

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

*has been assigned to all of the Union  
Mutual of Vermont Companies*

TOTAL ASSETS



WRITTEN PREMIUM



POLICYHOLDERS' SURPLUS







## NORTHERN AGENCY COUNCIL

*Standing, left to right: Ken Christian, Bellows-Nichols, Peterborough, NH; Ken Hoyt, Cross Insurance, Alton, NH; Carl Wyman, Wyman Agency, Perkinsville, VT; Bob Sammon, The Insurance Center, Claremont, NH; seated, left to right: Jon Jamieson, Jamieson Insurance, Waitsfield, VT; Deb Balserus, Hackett, Valine & MacDonald, So. Burlington, VT; Kelly Lewis, Cross Insurance, Augusta, ME; Kim Elwell, Kimberly Elwell Insurance, Bar Mills, ME.*



## SOUTHERN AGENCY COUNCIL

*Standing, left to right: Tony Loureiro, L&S Boule Insurance, Marlboro, MA; John Kraunelis, Kraunelis Insurance, Barrington, RI; Dennis Fallon, Fallon Insurance, East Lyme, CT; seated, left to right: Joe Leahy, Leahy & Brown, Springfield, MA; Michelle Vezina, Rua-Dumont-Audet Insurance, Fall River, MA; Steve Ahmed, Ahmed Insurance, Salem, MA.*



## THE VALUE OF OUR PARTNERS – OUR INDEPENDENT AGENTS

Everyone knows that for any business to be profitable their product and service is key to the operation. Without the input of our business partners, we cannot be successful. In 2010, we reached out to our partners – our Independent Agents and created an Agency Council. We created a mission statement for the Agency Council that includes fostering an ongoing dialogue between us for the purpose of sharing our thinking and planning process. We want to provide our partners with a better understanding of our current operations, our business model, and share our vision and plans for the future. We are seeking the voice of our partners – our Independent Agents. As we move forward we will continue to promote this Council for our shared benefit. We will also engage our mutual customer (the policyholder) for additional feedback to enhance our partnership and continue to deliver our superior product and service over time.

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

### OFFICERS:

**John H. Fitzhugh**  
President & CEO

**Michael W. Nobles**  
Senior Vice President, CFO  
& Treasurer

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

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

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

**Lisa L. Keysar**  
Vice President, Customer  
Support & Corporate Secretary

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

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

**William R. Scrafford**  
Regional Vice President

### BOARD OF DIRECTORS:

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

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

**James H. Douglas**  
Executive in Residence –  
Middlebury College &  
Governor of VT (2003-2011)

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

**Aaron R. MacAskill**  
Managing Partner & CPA, A.M.  
Peisch & Company, LLP

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

**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

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

**F. Ray Keyser, Jr.**  
Of Counsel, Keyser & Crowley, &  
Governor of VT (1961-1963)

**Allen Martin**  
Retired Chairman,  
WICOR Americas

**Lawrence H. Reilly**  
Former President & CEO,  
Union Mutual

**Thomas P. Salmon**  
Former President, UVM &  
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

**Michael W. Nobles**  
Chief Financial Officer

**Gary H. Ouellette**  
Vice President, Information  
Systems

### 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

*As of February 24, 2011*

## UNION MUTUAL OF VERMONT COMPANIES



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

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