



STRENGTH IN NUMBERS



UNION MUTUAL

Live life well protected



2017 ANNUAL REPORT



UNION MUTUAL

Live life well protected

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

1 EFFECTIVE WORKFORCE



2017 HIGHLIGHTS

- 6th straight year of surplus growth bringing Company's capital base to an all-time high of \$116 million
- A.M. Best boosted Union Mutual's outlook to "Positive" and reaffirmed rating of "A-"
- Voted one of the "Best Places to Work in Vermont" for a fifth consecutive year
- Voted #1 carrier by New Hampshire insurance agents for our Personal Lines technology
- Achieved record Direct Written Premium
- Offered new Homeowners coverages to reflect changing technologies
- Expanded our "Quick Quote" functionality to include Personal Umbrella
- Moved Union Express to a cloud based platform

STRATEGIC PLAN

2017 marked the first year of the new three-year Strategic Plan. Union Mutual's consistent financial stability is made possible by the strong foundation provided by our Strategic Plan, which revolves around the following key components we believe to be vital to the mutual success and sustainability of our Companies and agency partners:

- Service** – Leverage our employees' combined expertise with industry-leading technology to provide "service second to none" to all of our agency partners and our insureds
- Growth** – Provide insureds innovative products and competitive pricing through a network of independent agency partners; drive towards targeted business goals across all of our market segments; create and nurture a dynamic Company culture that fosters continuous development
- Profitability** – Deliver consistent and repeatable financial results through focus and commitment at all levels of our organization and partnerships

PRESIDENT'S MESSAGE

Union Mutual has a proud tradition of talented employees, longstanding agency relationships, consistent financial results, innovative processes and a commitment to superior service. For over 140 years Union Mutual has provided high-quality insurance products throughout New England and New York, and we are committed to ensuring all of our 140,000+ policyholders are well protected. Leveraging these strengths while balancing them with strategic decision making and precise execution has allowed Union Mutual to withstand – and emerge stronger from – the often unpredictable Northeast weather.

We raised the bar again in 2017 with a fifth year of combined ratio under 100% demonstrating our financial successes. Consistent, targeted growth amongst all our Companies has resulted in a better balanced portfolio, which produces more consistent underwriting results, thereby allowing our surplus to steadily grow to record levels.



Michael W. Nobles

Our commitment to providing exemplary service in an ever-changing insurance landscape is unwavering and demonstrated by the **strength in our numbers:**

- Service: More than 90% of our insureds choose to renew their policies with us **90%+ RENEWALS**
- Our agency plant: 65% of our agents have represented Union Mutual for more than 10 years **65% AGENTS**
- Our employees: 50% have worked for Union Mutual for 10, 20, 30 or even 40-plus years **50% EMPLOYEES**
- Our future: 30% of our employees are millennials **30% MILLENNIALS**
- Our culture: 5 consecutive "Best Places to Work in Vermont" awards **5 CONSECUTIVE YEARS**
- Our financial stability: 5 consecutive years with a combined ratio below 100%
- Your financial security: 6 straight years of surplus growth, with a record surplus of \$116 million

\$116 MILLION SURPLUS

To all of our customers, thank you for your business and your confidence in us. We hope you appreciate and value the difference in doing business locally with one of our Companies working alongside your independent insurance agent.

We would also like to thank our agents and employees for their years of dedicated service to Union Mutual. The strength of their collective expertise and commitment to superior service helps you *Live Life Well Protected*.

Sincerely,

Michael W. Nobles
 President & Chief Executive Officer



STRENGTH IN NUMBERS

Union Mutual employees participated in Pulling for Hope, a competition among companies to pull a FedEx 757 a distance of 12 feet the fastest, all to benefit the American Cancer Society.



EMPLOYEE DEVELOPMENT PROGRAM

The Employee Development Program, which was established in 2016 to provide participants in-depth, on-the-job training across all business units within the Company, continued its success in 2017 and will see its first “graduate” in 2018. The two-year commitment is open to all employees and includes educational and licensure requirements, resulting in a well-rounded employee who can better understand all aspects of the insurance business and how we can best serve our agents and insureds. Additionally, all employees benefit from the increased communication, collaboration and innovation between departments.

2-YEAR COMMITMENT

Back row, from left: Nathan Magne, Kevin Taft; front row, from left: Christine Carter, Taylor Plante-Whitcomb

“The development program provides a tremendous opportunity for employee growth. It enhances the ability for one to recognize how the day to day operations of each department contribute to the achievement of the Company’s strategic goals and initiatives.”

- Nathan Magne
Development Program’s First Graduate



The strength of Union Mutual continues to grow with each employee, each agent and each policyholder.



Back row, from left: Tommy Fitzgerald, Max Campagna, Aidan Breen; front row, from left: Peter Tempesta, Lily Richardson, Tommy Ernst

INTERN PROGRAM

Union Mutual’s Intern Program continues to attract the best and brightest of interns from several area colleges and high schools. The intern experience at Union Mutual allows for real-world experience and mentorship from our talented team of experts in all aspects of the insurance industry. Our six 2017 summer interns contributed to several key projects and continued the tradition of excellence, with several returning during breaks later in the academic year.

6 INTERNS



Pamela LaCount, Director of Customer Support (left), discusses a claim with Hayley Waters, Customer Support Technician

DEDICATION TO CUSTOMER SERVICE

Even when faced with the challenges of unpredictable weather events, our Customer Support and Claims Departments remain dedicated to providing superior service “second to none.” During increased claim periods, such as the Halloween wind storm, our teams worked together to ensure no calls went unanswered and that all claims were processed as quickly as possible.

Throughout the year, our Customer Support Department is also responsible for assisting all branches of the Company in addition to working directly with our policyholders and agents. Our commitment to flexibility and cross training of employees enables us to adapt quickly to fluctuations in workloads and completion of projects. New technology, including an upgraded phone system, call metrics system and dashboard, is used to monitor service level standards to ensure we are constantly focusing on meeting and exceeding expectations.

Opportunities are provided for ongoing staff development, including training on new home technology (smart homes) and updates on industry trends, to help our team stay informed and knowledgeable. Our enthusiastic Customer Support staff continue to be an integral part of our Company operations and remain eager to assist our independent agents and policyholders.

100% RESPONSIVE



www.unionmutual.com

“The claims process is so much easier with a local insurance company. Time and time again Union Mutual is at the top of my list when it comes to referring people to an insurance carrier.”

- Claims customer anonymous survey response

110% COMMITMENT & EXPERTISE
FLEXIBLE, RESPONSIBLE & PASSIONATE 24/7
ONE TRADITION OF EXCELLENCE
PROVIDING QUALITY INSURANCE PRODUCTS FOR OVER 140 YEARS
SERVICE THAT IS “SECOND TO NONE”

5 DEFINING QUALITIES

100% SATISFACTION



COMMUNITY GIVING

Union Mutual is proud to offer a comprehensive charitable giving program that is able to support a variety of worthy causes that are important to our employees, insureds and agency partners in all seven states in which we write business. This program includes charitable funds allocated from an employee-run committee, matching gifts and CEO giving programs.

In 2017, our Tie Tuesday program, which rewards employees for wearing a tie or scarf 10 times with a donation to a qualifying charity of their choice, was tremendously popular. It resulted in over 50 different charitable organizations receiving donations directly related to the passions and concerns of our employees. Union Mutual is also a sponsor of two Vermont Olympians, Nordic Skier Andy Newell of Shaftsbury and Women's Hockey Player Amanda Pelkey of Montpelier, both of whom joined us for community events throughout the year.



Union Mutual Executive & Communications Coordinator Anna Coon, second from left, joined representatives from the Montpelier Senior Center and the Trash Tramps to present new cigarette butt-lers that were then placed around the Montpelier downtown.

Union Mutual sponsored the annual Montpelier Alive July 3rd Parade Competition, and the Trash Tramps created the winning entry and used their winnings to purchase additional butt-lers to further their mission of a greener Montpelier.



Union Mutual-sponsored Olympians Andy Newell, left, and Amanda Pelkey, right, posed with Connor Willett, the son of a Union Mutual employee, at the Opening Ceremonies of the 2017 Special Olympics Vermont Summer Games.



Representatives from Union Mutual independent agency Partners Insurance Group present a donation to Gifts to Give of Acushnet, MA as part of the Union Mutual Marketing Department's annual Giving Tuesday campaign.

COMMUNITY SPONSORSHIPS:

- Aldrich Public Library
- American Cancer Society – Pulling for Hope
- American Red Cross – Hurricane Relief
- Barre Opera House
- Care & Share of East Lyme
- Central VT Humane Society
- Central VT Home Health & Hospice
- Children's Hospital at Dartmouth
- Clear Path for Veterans New England
- Food Banks & Animal Shelters in all 7 states we cover
- Greater Androscoggin Humane Society
- Green Up Day
- Homeless Action Committee
- Maine Cancer Foundation – Tri For a Cure
- Montpelier Alive
- Saratoga Regional YMCA
- Special Olympics Vermont
- Strike Three Foundation
- United Way
- UVM Athletics
- White River Junction Rotary Club



Union Mutual had a record number of participants in the 2017 Corporate Cup and State Agency Race in Montpelier in May.

EMPLOYEE EVENTS & WELLNESS

Live Life Well, the newly adopted slogan of the Union Mutual Wellness Team, is more than words on paper – it's a philosophy brought to life with numerous community and internal events our employees participate in throughout the year. In 2017, highlights included the Dragon Boat Festival, Strike Three Foundation Wiffle Ball Tournament, the American Cancer Society's Pulling for Hope, and the fourth straight year as the lead sponsor of the Special Olympics Vermont Summer Games – which has grown to include over two dozen employees and family members taking part in the Penguin Plunge in early February. The Union Mutual Popsicles were the second highest fundraiser in 2017, bringing in over \$21,000 for Special Olympics Vermont! Internally, the Wellness Team had a successful year, with educational opportunities and regular competitions fit for all abilities, including a Step Up Challenge that saw more than 40 employees join together to walk over 7,000 miles in the month of August!

Union Mutual employees participated in Pulling for Hope, a benefit for the American Cancer Society, where we competed against a dozen other corporate teams to see who could pull a FedEx 757 a distance of 12 feet the fastest. Union Mutual came in 3rd out of 12 teams, and with a time of 6.512 seconds! The event was hosted at the Burlington International Airport in September, 2017.

Several employees also supported Special Olympics Vermont by running as a Miles for a Mission relay team in the Vermont City Marathon.



Union Mutual employees and their families volunteered for a fourth year at the Special Olympics Vermont Summer Games.



The winning Step Up Challenge team, the Super Bowlers, enjoyed an afternoon of bowling after becoming the first team of employees to walk 1,000 miles.



Over two dozen enthusiastic employees and special guests participated in the Penguin Plunge.



2017 FINANCIALS

UNION MUTUAL FIRE INSURANCE COMPANY

Assets:

Bonds	\$155,143,000
Stocks	26,313,000
Cash & Equivalents	16,586,000
Premiums Receivable	28,018,000
Other Assets	18,543,000

\$244,603,000

Liabilities:

Unearned Premiums	\$59,976,000
Loss & LAE Reserves	54,259,000
Other Liabilities	33,212,000
Policyholders' Surplus	97,156,000

\$244,603,000

COMMUNITY MUTUAL INSURANCE COMPANY

Assets:

Bonds	\$641,000
Stocks	106,000
Cash & Equivalents	262,000
Premiums Receivable	876,000
Other Assets	163,000

\$2,048,000

Liabilities:

Unearned Premiums	\$ -
Loss & LAE Reserves	-
Other Liabilities	813,000
Policyholders' Surplus	1,235,000

\$2,048,000

EASTERN MUTUAL INSURANCE COMPANY

Assets:

Bonds	\$17,088,000
Stocks	5,562,000
Cash & Equivalents	1,267,000
Premiums Receivable	1,435,000
Other Assets	1,259,000

\$26,611,000

Liabilities:

Unearned Premiums	\$4,367,000
Loss & LAE Reserves	3,961,000
Other Liabilities	965,000
Policyholders' Surplus	17,318,000

\$26,611,000

A.M. BEST RATING OF

A-

(POSITIVE)

has been assigned to all of the Union Mutual Companies

COMBINED BALANCE SHEET

December 31, 2017

Assets:

Bonds	\$172,870,000
Stocks	31,981,000
Cash & Equivalents	18,115,000
Premiums Receivable	29,654,000
Other Assets	18,291,000

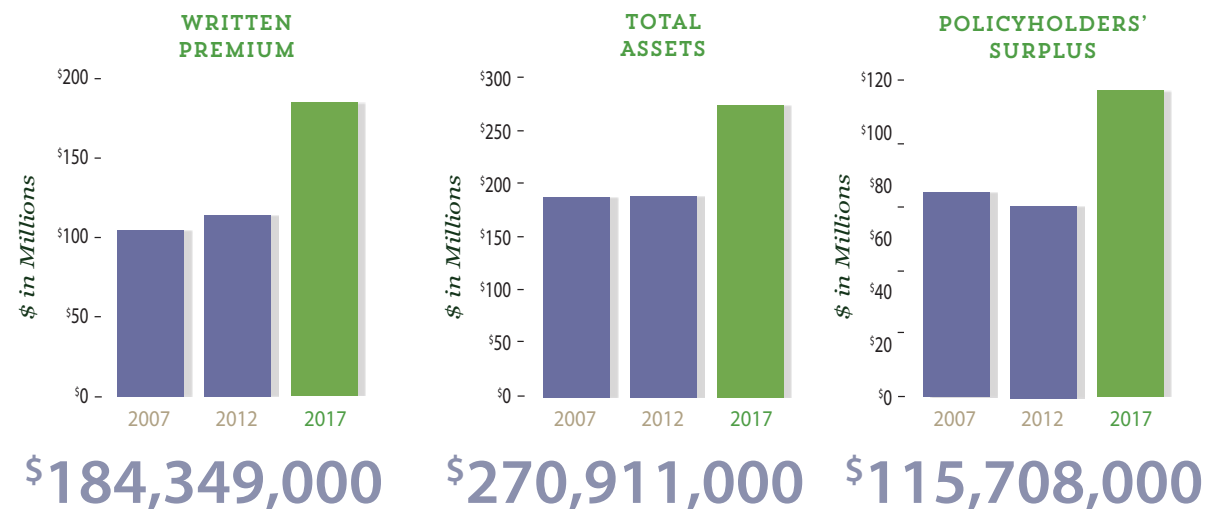
\$270,911,000

Liabilities:

Unearned Premiums	\$64,343,000
Loss & LAE Reserves	58,219,000
Other Liabilities	32,641,000
Policyholders' Surplus	115,708,000

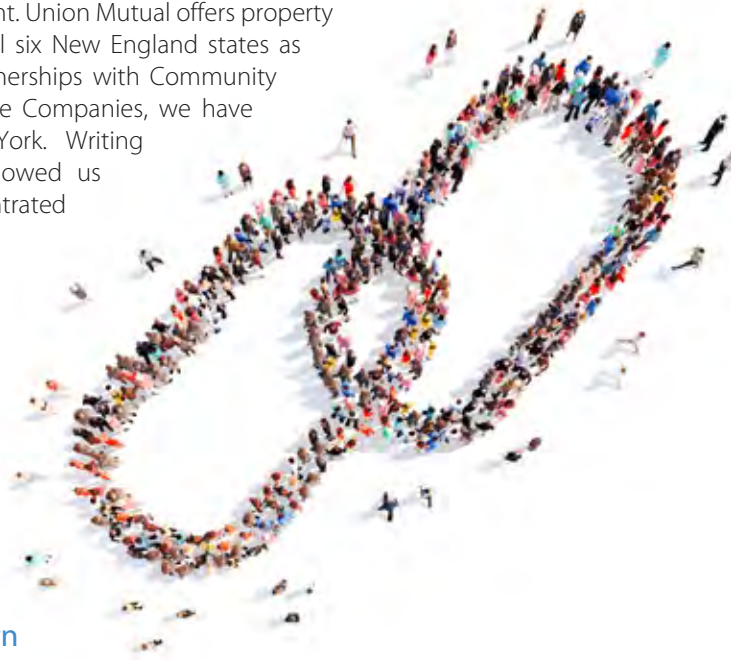
\$270,911,000

\$270,911,000



**OUR COMPANIES
GEOGRAPHIC FOOTPRINT**

Our Companies continue to deliver on our Strategic Plan to be a stable, reliable company for our agents and policyholders by continuing to focus on expanding our geographic footprint. Union Mutual offers property and casualty products throughout all six New England states as well as New York. Through our partnerships with Community Mutual and Eastern Mutual Insurance Companies, we have further expanded into upstate New York. Writing throughout all seven states has allowed us to become less reactive to concentrated weather-related events.



Our partnerships with Community Mutual and Eastern Mutual Insurance Companies have linked agents and policyholders in

7 GREAT STATES

Providing
CONNECTICUT
MAINE
MASSACHUSETTS
NEW HAMPSHIRE
NEW YORK
RHODE ISLAND
VERMONT
*with service that is
“Second to None”*

A team that embodies TALENT, STAMINA and RESILIENCE

Andy Newell of Shaftsbury, VT
Nordic Skiing

Amanda Pelkey of Montpelier, VT
Gold Medalist – Women’s Hockey

**STRENGTH
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DEDICATION

This year’s annual report is dedicated to the two Olympians we sponsor, Andy Newell of Shaftsbury, VT (Nordic Skiing) and Amanda Pelkey of Montpelier, VT (Women’s Hockey). We are so very proud to support and celebrate their incredible talent, stamina and resilience, and their valuable contribution to the USA Olympic team.

3 DEFINING STRENGTHS

UNION MUTUAL FIRE INSURANCE COMPANY AND NEW ENGLAND GUARANTY INSURANCE COMPANY

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EASTERN MUTUAL INSURANCE COMPANY

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