



CO-OPERATIVE INSURANCE COMPANIES



Member owned. Member committed.

2017 ANNUAL REPORT



**Letter from
the President**



Dear Members,

Another year has come and gone. We came very close to our 2017 production goals, and grew across all lines of business, including solid commercial lines gains of more than 16%. We are proud of our many accomplishments in 2017, and I am pleased to share some highlights from the past year and previews of 2018 work.

The first major initiative we completed in 2017 was moving our exclusive agency force to independent contracts. This put our agency partners in much better positions to meet members' future needs, but otherwise has had little direct effect on members. Co-op is now represented in more than 100 independent agency locations throughout Vermont and New Hampshire.

We reached an important milestone in August: rollout of the first line of business on our new company operating system. Agents now write businessowners policies on our Solutions system, and our commitment to developing an easy-to-use, quality product has paid off. Agents' feedback has been positive, and that's borne out by a slight increase in the flow of new BOP business. Commercial Auto, Commercial Umbrella, and some personal lines are scheduled to go live in 2018, along with a new consumer portal. While we continue the systems work, to diversify our business and increase our commercial lines book, in 2018 we are developing BOP enhancements that include protection for cyber and employment practices liability for our members.

On October 29 and 30, we experienced our worst weather-related event in almost 70 years, with wind roaring through our states. We had over 1000 claims and approximately \$5.8 million incurred losses from the storm. Our reinsurance coverage for this catastrophic event helped smooth over results for the year. Most importantly, Co-op's commitment to service shone: Both agents and members had very good things to say regarding our response time and claims handling.

I can't say enough about our staff's commitment with the additional demands this new system implementation has created on top of regular workloads. They are working very hard to manage their assignments while delivering exceptional customer experiences to our agents and members.

Co-op was recognized in multiple ways throughout 2017. AM Best acknowledged our continued success by reaffirming our A (stable) rating in December. We were notified in 2017 that we received the ValChoice award for #1 Best Value for Personal Auto Insurance in both VT and NH in 2016, and made the Best Places to Work in VT list in our first year of consideration for it. (We recently learned that we are a Best Place to Work for a second year running!)

We continued our commitment to giving back to the areas we serve, supporting more than 150 non-profits throughout VT and NH. Some of our larger gifts in 2017 went to Make-a-Wish Foundation of Vermont, the American Red Cross, Vermont Foodbank and NH Food Bank, Green Up Vermont, and the UVM Extension Service.

Our numerous efforts, completed and planned, position us well to meet the future needs of our members, to be here for you when you need us.

Sincerely,
Marie Jewett, AU, API, AIS
President & CEO

BALANCE SHEETS

As of December 31

(In Thousands)

	2017	2016
ASSETS		
Bonds, at amortized cost	\$ 87,109	\$ 79,390
Stocks and Mutual Funds, at fair value	32,608	29,088
Cash and Short Term	1,166	3,840
Real Estate and other	2,275	2,166
Total Invested Assets	123,158	114,484
Premiums Receivable	16,315	15,822
Deferred Income Taxes	1,465	1,970
Other Assets	3,549	2,955
TOTAL ASSETS	\$ 144,487	\$ 135,231
LIABILITIES AND SURPLUS		
Unearned Premiums	37,931	36,740
Reserve for Losses and Claim Expenses	20,232	18,575
Commissions and Expenses Payable	4,362	4,353
Other Liabilities	2,524	2,013
TOTAL LIABILITIES	65,049	61,681
Policyholders' Surplus	79,438	73,550
TOTAL LIABILITIES AND SURPLUS	\$ 144,487	\$ 135,231



STATEMENTS OF INCOME

Year Ended December 31

(In Thousands)

	2017	2016
Premiums Earned, Net of Reinsurance	\$ 66,168	\$ 62,933
Losses Incurred	35,785	28,770
Loss Adjustment Expenses	4,884	4,121
Other Underwriting Expenses	24,663	23,061
Net Gain from Underwriting	836	6,981
Net Investment Income	3,266	2,356
Other Income	4,444	2,417
Income Before Federal Tax	8,546	11,754
Federal Income Tax	2,932	3,724
Net Income	\$ 5,614	\$ 8,030

STATEMENT OF CHANGES IN SURPLUS

Year Ended December 31

(In Thousands)

Policyholders' Surplus, Beginning	\$ 73,550	\$ 66,254
Net Income	5,614	8,030
Unrealized Investment Gains (Losses)	4,660	2,544
Other Surplus Changes	(4,386)	(3,278)
Policyholders' Surplus, Ending	\$ 79,438	\$ 73,550



Co-op's Mission

Our goal is to provide financial security and protection to residential property owners, farm owners and business owners in Vermont and New Hampshire. We deliver our products and services through a professional insurance agency system; our agents are valuable partners in Co-op's success.

Co-op's Core Values

Beyond offering a full array of property and casualty insurance products and services, our actions are guided by our core values of integrity, respect, accountability, and stewardship.

Co-op and the Community

We are also committed to supporting our customers and our community, and by giving back to them we hope to foster a true partnership of loyalty, trust, and mutual respect.



In 2017, Co-operative Insurance gave back to those affected by recent hurricane devastation with a donation of \$10,000 to the American Red Cross. Along with this donation, the company hosted two blood drives donating a total of 47 pints of blood.

L-R: Brad Fortier, Co-op's Executive Vice President of Operations, Maria Devlin, American Red Cross CEO, NH/VT Chapter, Marie Jewett, Co-op's President & CEO, Kevin Mazuzan, American Red Cross, Executive Director, VT Chapter.

#1 Best Value for Auto Insurance in VT and NH

Co-op was recognized as the #1 Best Value for Auto Insurance in Vermont and New Hampshire for 2016 by a service that Forbes Magazine calls “Carfax for insurance.”

The ValChoice awards analyze customer service quality, claims handling, and general pricing into its rankings. Co-op ranked number one in both Vermont and New Hampshire, placing ahead of 62 other insurance companies in Vermont, and 80 in New Hampshire.

“Creating a rewarding member experience is a primary focus for the entire organization,” said Brad Fortier, Co-op’s Executive Vice President of Operations. “Receiving the ValChoice award for number one best value affirms the Co-op team’s ability to consistently meet and exceed customer expectations.”

While the awards were for 2016, ValChoice analysts actually looked at millions of financial and complaint data points for insurers over a three-year period as they ranked companies across the country.

ValChoice makes some of its comparison reports available for free, and more details can be purchased by subscription or for a one-time fee. Their web site (www.valchoice.com) also offers general information about insurance laws and restrictions in each state.



Named a Best Place to Work in 2017

We’re proud to have been named a Best Place to Work in Vermont for 2017! In our first year of participation, Co-op ranked #6 out of the 24 small and medium businesses that made the list.

The process includes a review of company practices and policies, but the results depend mostly on direct survey feedback from company employees.

Co-op management knows that providing a desirable workplace is one of the keys to being able to serve its members well.

“Employees are our greatest asset in consistently delivering an exceptional customer experience,” said president and CEO Marie Jewett. “Our benefits package, competitive pay, commitment to work-life balance, and opportunities to give back to our communities are all factors in recruiting and retaining the strong team we have.”



2018 Community Grants

Co-operative Insurance awarded eleven community grants to organizations in Vermont and New Hampshire in 2018 totaling over \$6,000.



Laura Akerley, Principal of Bellows-Nichols Insurance Agency and Linda Harris, Executive Director of Shelter From The Storm.

Award winners this year are:

Hardwick Historical Society, purchase of windows for restoration project

River Bend Career and Tech Center, rehabilitation of the landscape on Tucker Mountain

Health HUB, dental hygiene program expansion

Nashua Adult Learning Center, replacement windows for center

Enosburg Elementary School, purchase of uniforms for school athletic program

The Space on Main, startup costs for a new community coworking space

Rural Vermont, support for education for farmers using regenerative practices

Boys & Girls Club of Nashua New Hampshire, purchase of sound system for dance studio

Friends of the Justin Morrill Homestead, fundraising campaign to expand programming for our "The Land and the People - Yesterday, Today" Project

Halifax Union Society, church exterior restoration

Shelter from the Storm, support for transitional housing for the homeless

Co-op makes donations to over 100 organizations/groups every year in VT and NH. Here is a partial list of donations that Co-op friends received in 2017:

OVER \$5,000

VT Foodbank
NH Foodbank
American Red Cross
Green Up Vermont
UVM Extension
Wish Kids Golf Classic

\$1,000-\$5,000

Pierce Hall Community Center
Haverhill Library Association
Weathervane Theater Players Inc.
Middlebury Rotary Club
National MS Society
American Cancer Society
All Star Hockey Classic
VT Council on Rural Development
Lake Champlain Maritime Museum
Green Mountain Council
Strolling of the Heifers
Holley Hall Acoustic Fund
Champlain College
United Way of Addison County
Friends of Middlebury Hockey
Youth Safety Council

Wish Kids Golf Classic raised over \$28,000 to benefit Make-A-Wish Foundation of Vermont in 2017.

Back Row (L-R) Cecil Foster (Foster & Son Fine Foods), Dave Wemette (Co-op Insurance) Terrell Titus (Titus Insurance), Renee Porter (Co-op Insurance), Morgan Harrison (Co-op Insurance), Mike Gauthier (Calderwood Insurance), Sandy Lovelette (Hull Insurance). Kneeling: Gary Pinckney (G.W. Savage)

UP TO \$1,000

The Friendly Kitchen
Randolph Area Food Shelf
Middlebury New Filmmakers Festival
Fletcher Brush Memorial Scholarship
Vermont Lions Charities
Vermont Automobile Enthusiasts
Vermont FFA Foundation
United Way of Windham County
Community of Vermont Elders
The Youth Council
Brattleboro Rotary Club
Addison County Chamber of Commerce
Cystic Fibrosis Foundation
Prevent Child Abuse
Boys and Girls Club of Greater Vergennes
ACORN
Camp Ta-Kum-Ta
Elderly Services Inc
Henry Sheldon Museum
Women Business Owners Network
Addison County Fair and Field Days
Addison County Home Health
Girl Scouts of the Green and White Mountains
NAMI Vermont
New Hampshire Farm Museum
Alzheimer's Association
American Cancer Society
American Diabetes Association
Addison County Parent Child Center
Ilseley Public Library
Middlebury Area Little League
Vermont Sheriffs Association
Gene McDonough Scholarship Fund



Leadership



2017-2018 Board of Directors

Front Row (L-R): Pamela Douglass, John Myhre,
Richard Foote, Jean Conklin

Second Row (L-R): Marie Jewett, Laurie Rowell, Jacques
Couture, Hugh Spafford, Jane Sorensen, Michael Ladd



2017-2018 Company Management

Front Row (L-R): Dale Groves, Gina Larrow, Brian Wiles

Second Row (L-R): Randy Roy, Marie Jewett, Brad Fortier,
Christine MacIsaac, Eric Rhoades





**CO-OPERATIVE
INSURANCE**
COMPANIES



*At Co-op, our goal is to serve people by
providing financial security to residential
property owners, farm owners, and
business owners in Vermont and New
Hampshire.*



**CO-OPERATIVE
INSURANCE**
COMPANIES

Patrons Co-operative Fire Insurance Company DBA Co-operative Insurance Companies

Company Management

Marie M. Jewett, President/CEO

Brad Fortier, Executive VP Operations

Gina Larrow, Senior VP Human Resources & Project Management

Christine MacIsaac, Senior VP Finance/CFO

Eric Rhoades, Senior VP Information Services

Randy Roy, Senior VP Underwriting, Marketing & Member Services

Brian Wiles, Senior VP Claims & SIU

Dale Groves, AVP Underwriting

Board of Directors

Jacques R. Couture, Westfield, VT, Chair

Jean Conklin, Haverhill, NH, Vice Chair

Marie M. Jewett, New Haven, VT, President

Pamela J. Douglass, Brandon, VT

Richard P. Foote, Bridport, VT

Michael J. Ladd, Glover, VT

John Myhre, Weybridge, VT

Laurie A. Rowell, Saxtons River, VT

Jane T. Sorensen, Fairfax, VT

Hugh B. Spafford, Rutland, VT

Mary Micklas, Secretary to the Board

Edward A. Lewis, Poultney, VT*

Charles R. Mason, Pawlet, VT*

Richard W. Stickney, Rockingham, VT*

* = Director Emeritus



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