



**CO-OPERATIVE
INSURANCE
COMPANIES**

Member owned. Member committed.

2018

ANNUAL REPORT



Letter from the President



Dear Members,

We are committed to a rewarding member experience through communication, empowerment and respect. What does that mean to us, and what should it mean to you?

We hope that every time you interact with us, you come away pleased that you do business with Co-op. We are in a relationship business, and we appreciate that our members and agency partners choose to deal with us for the long term. We've focused on training our staff to provide exceptional customer service to our members, our valued agency partners, and our co-workers.

We aim to be an employer of choice. We celebrated our second consecutive year of being recognized as a top-ranked employer by the Best Places to Work in Vermont Survey. We use the anonymous feedback that we receive from our employees through this process to consciously improve our work environment and opportunities for job satisfaction, growth, and development.

We set responsible financial goals and strive to hit them while delivering our products and services well. We came very close to our 2018 production goals, and grew across all lines of business, including solid commercial lines gains of more than 18%. We reached a milestone of \$80 million in written premiums in our two states (just over a quarter of our business is now in New Hampshire). We have just over 73,000 policies in force, and our policy retention continues to be very strong: 92% last year. And most importantly for you, in 2018, we were able to add to our policyholder surplus, which is our safety fund for catastrophic events.

We adapt our products and systems for the future. As part of our strategic plan to diversify our business, we developed Businessowner policy enhancements that include protection for cyber and employment practices liability for our commercial members. We continue to develop our new system for all lines of business and began using it for new Commercial Auto and Commercial Umbrella policies this year.

We take seriously our promise and our responsibility to provide great claims service. Paid claims were at an all-time high for 2018. That's not a record we strive for, but we purchase reinsurance to protect our exposure as a company. Recoveries (salvage and subrogation) exceeded expectations, a great effort by our team. And our Net Promoter score measuring our claims department response is at an all-time high, which confirms our commitment to going above and beyond in someone's time of need.

We appreciate being recognized for our strengths. In 2018, AM Best acknowledged our continued success by reaffirming our A – Excellent (stable) rating. We received the ValChoice award for #1 Best Value for Personal Auto Insurance in both VT and NH again in 2018, and as mentioned above, we stayed high on the list of Best Places to Work in Vermont.

We continue our dedication to giving back to the areas we serve. In 2018, we supported more than 150 non-profits throughout VT and NH. Some of our larger gifts 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. On a smaller scale, in conjunction with our agency partners and directors, we recently awarded nine community grants to organizations in both states.

We make decisions for the long haul. I am pleased to report that the Vermont Department of Financial Regulation completed our 5-year exam for the period 2013-2017, focused on solvency, stability, and consumer protection, with no significant findings. We are well positioned to meet the needs of our members, to be here for you when you need us.

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

FINANCIALS

BALANCE SHEETS

As of December 31

(In Thousands)

	2018	2017
ASSETS		
Bonds, at amortized cost	\$ 96,102	\$ 87,109
Stocks and Mutual Funds, at fair value	24,541	32,608
Cash and Short Term	3,271	1,166
Real Estate and other	2,265	2,275
Total Invested Assets	126,179	123,158
Premiums Receivable	16,592	16,315
Deferred Income Taxes	2,048	1,465
Other Assets	4,002	3,549
TOTAL ASSETS	\$ 148,821	\$ 144,487
LIABILITIES AND SURPLUS		
Unearned Premiums	38,990	37,931
Reserve for Losses and Claim Expenses	20,243	20,232
Commissions and Expenses Payable	4,352	4,362
Other Liabilities	4,878	2,524
TOTAL LIABILITIES	68,463	65,049
Policyholders' Surplus	80,358	79,438
TOTAL LIABILITIES AND SURPLUS	\$ 148,821	\$ 144,487





STATEMENTS OF INCOME

Year Ended December 31

(In Thousands)

	2018	2017
Premiums Earned, Net of Reinsurance	\$ 67,919	\$ 66,168
Losses Incurred	35,377	35,785
Loss Adjustment Expenses	5,172	4,884
Other Underwriting Expenses	<u>27,057</u>	<u>24,663</u>
Net Gain from Underwriting	313	836
Net Investment Income	5,551	3,266
Other Income	<u>763</u>	<u>4,444</u>
Income Before Federal Tax	6,627	8,546
Federal Income Tax	<u>179</u>	<u>2,932</u>
Net Income	\$ 6,448	\$ 5,614

STATEMENT OF CHANGES IN SURPLUS

Year Ended December 31

(In Thousands)

Policyholders' Surplus, Beginning	\$ 79,438	\$ 73,550
Net Income	6,448	5,614
Unrealized Investment Gains (Losses)	(5,210)	4,660
Other Surplus Changes	<u>(318)</u>	<u>(4,386)</u>
Policyholders' Surplus, Ending	\$ 80,358	\$ 79,438



• MISSION STATEMENT •
Our mission is to serve people by providing financial security to residential property owners, farm owners and business owners in our marketing territory.



#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 2017-2018 by a service that Forbes Magazine calls “Carfax for insurance.”

This is the second consecutive year the company has won the awards. To win these awards, Co-op provided their customers with a unique combination of excellent customer service, claims handling and value in the auto insurance products they sold over a three-year period. The company ranked ahead of 59 other companies in Vermont, and 78 other companies in New Hampshire!

ValChoice awards recognize the best insurance companies, state-by-state. The company’s data analytics engine is the first to let consumers know which insurance companies offer the best claims handling, service and value.

“We continue to focus on an exceptional customer experience for members, agents and employees,” said Marie Jewett, President & CEO of Co-op. “Receiving the ValChoice award for #1 Best Value affirms that our efforts are being recognized in the two states where we currently do business”.

“Helping consumers by bringing transparency to the insurance industry is the primary objective of ValChoice,” said Dan Karr, Founder and CEO of ValChoice. “It’s great to see Co-operative, a local Vermont company, consistently performing as a great value for consumers.”



Named a Best Place to Work in 2018

We’re proud to have been named a Best Place to Work in Vermont again for 2018! In our second year of participation, Co-op ranked #5 in small and medium sized 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. 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.

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're committed to supporting our customers and the community. By giving back to them, we hope to foster a true partnership of loyalty, trust, and mutual respect. Every year, Co-op awards community grants in Vermont and New Hampshire; in addition, we donate to and sponsor dozens of organizations throughout the two states.

Supporting American Red Cross

Co-op continues to be a huge supporter of the American Red Cross. Along with being the title sponsor for the American Red Cross Everyday Heroes event, the company hosted two blood drives in 2018 donating over 38 pints of blood!



In July, Co-op and our agencies hosted the 18th annual Wish Kids Golf Classic to benefit the Make-A-Wish Foundation of Vermont. We are pleased to report that this year's efforts generated net proceeds of over \$34,000. Over the past 18 years, Wish Kids Golf Classic has been able to donate close to \$350,000 to Make-A-Wish Foundation of Vermont.

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 2018:

UP TO \$1,000

Addison County Chamber of Commerce
Camp Thorpe
Moosalamoo Association
Sheldon Museum
Vermont Morgan Heritage Days
Addison Central Teens
Addison County Benefit Pull
Addison County Fire Fighters Association
Addison County Hospice Volunteer Services
Alzheimer's Association
American Heart Association
American Lung Association (of VT)
COTS
Friends of Norris Cotton Cancer Center
HOPE
Ilsley Public Library
March of Dimes
Middlebury Community Players
Mt. Abe / Vergennes Football
Salvation Army
Vermont Special Olympics
Addison County Maple Sugarmakers
Young Memorial Scholarship
Vermont Troopers Association
Deerfield Valley Blueberry Festival
Middlebury Fire Department
Vermont Assn for the Blind & Visually Impaired
Vermont Elks Charities
Women Safe
Addison County Agricultural Showcase
Camp Ta-Kum-Ta
Friends of Middlebury Hockey
Gene McDonough Memorial Golf Tournament
Girls on the Run Vermont
Governor's Institutes
Middlebury New Filmmakers Festival
Middlebury Regional Emergency Medical Services

NAMI Walks
The Vermont Agency
Vermont Community Loan Fund
American Breast Cancer Foundation
Cystic Fibrosis Foundation
Prevent Child Abuse
Boys & Girls Club of Nashua
CPCU Society
Gifford's Last Mile
Healing Winds
Randolph Area Food Shelf
Vermont Auto Enthusiasts
Vermont Feed/Shelburne Farms
Vermont FFA
Hannaford Career Center
MALT - Trail Around Middlebury

OVER \$1000

American Cancer Society-"Relay for Life"
Boy Scouts of America
Girl Scouts of the Green and White Mountains serving VT & NH
Strolling of the Heifers, Inc.
Vermont Council on Rural Development
Vermont Maple Festival
VT/NH All Star Hockey Classic
Grafton County 4-H Leaders Assoc.
People Helping People Global
United Way of Addison County - pledge
Bridge School
Youth Safety Council of Vermont, Inc.

OVER \$5,000

New Hampshire Farm and Rural Education Foundation
New Hampshire Food Bank
Vermont Foodbank
Wish Kids Golf Classic
American Red Cross





**Serving our
members and
the community**



LEADERSHIP



2018-2019 Board of Directors

Back Row (L to R): Marie Jewett, Jacques Couture, Jane Sorensen, Hugh Spafford, Jean Conklin and Michael Ladd

Front Row (L to R): Pam Douglass, John Myhre, Dick Foote and Christine Moriarty



2018-2019 Company Management

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

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





**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/ERM & Compliance/CFO

Eric Rhoades, Senior VP Information Services

Randy Roy, Senior VP Marketing, Underwriting, & Member Services

Brian Wiles, Senior VP Claims & Facilities

Dale Groves, VP Underwriting Operations

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

Christine Moriarty, Lincoln, 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*

Charles B. Palmer, Pownal, VT*

Richard W. Stickney, Rockingham, VT*

* = Director Emeritus



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