



**CO-OPERATIVE
INSURANCE
COMPANIES**

Member owned. Member committed.

2019

ANNUAL REPORT



Looking Back



Marie Jewett, AU, API, AIS
President & CEO



One of Barb's Girls



Insurance Course Work—1981

Dear Members,

Few people grow up planning a career in insurance, and I was no exception. As I near the end of my 42-year career at Co-op, though, I look back with pride on how our company and team have grown, and truly appreciate the opportunities this industry offers. We can teach our business to anyone capable of learning, but I believe attitude and effort make the difference in someone's success.

My first day was a paid holiday, President's Day, 1978. Hired as one of "Barb's girls," I started as a file clerk at the lowest rung of the corporate ladder. My team leader was former military and ran a tight ship! Three of us kept documents current in thousands of paper files in our windowless cement vault. We were runners, delivering and retrieving files for various departments.

I applied for advancement opportunities when they came up, feeling my manager wouldn't know I was interested in furthering my career otherwise. Co-op has always supported employees' continuing education, and promoted from within when possible. My first move was to Policy Production, where we typed every declaration page, attached policy forms, and prepared mailings.

In 1981, I moved to Underwriting, bringing us to five underwriters. We determined each policy premium using a calculator and manual. We used three-part memos, keeping one for the file and mailing two to the agents. People smoked at their desks.

I got to learn and underwrite every line of business Co-op wrote, and steadily earned designations from the Insurance Institute. This prepared me well for an assistant underwriting manager position; then in 1994, the year Co-op began writing auto insurance, I was promoted to manager.

In 2005, I became EVP of Operations, overseeing Marketing, Underwriting, Loss Control, and Claims.

We kept working through major initiatives to improve underwriting results and “stopped acting like a non-profit,” as AM Best suggested. The company continued to grow, develop products, upgrade systems, and provide exceptional claims service to members, and we earned back our current A (stable) rating from AM Best.

At the Board’s request, in 2008, I stepped in as interim CEO during Jim Sullivan’s medical leave. The Board was pleased, and with the management team’s support, I realized I could push myself out of my comfort zone and become Co-op’s first female CEO following Jim’s retirement.

During my tenure as CEO, we merged our three companies and association back into the original Patrons Co-operative Fire Insurance Company, and still do business as Co-operative Insurance Companies today. We gave exclusive agents the opportunity to transition to independent contracts, and they did. We enhanced our New Hampshire agency network, and now enjoy the benefits of their profitability. We are five years into a major system upgrade I hoped would be completed before I retired; we’re close, but we chose to take the time to get it right over speed to market. We’ve strengthened our leadership team and continue to develop our staff for the future. And for the fourth year in a row, we are recognized as one of the Best Places to Work in Vermont.

The time is right to pass the torch to our next leader, Lee Dowgiewicz, who has been connected to Co-op for 20 years. He has the energy, background and connections to do what it takes to move the company forward, whether it’s through new products, territories or affiliations. I am certain that his attitude and effort, and those of our great team, will lead to continued success.

I can’t say enough about Co-op’s commitment to our members, our employees, our agents and our communities; our commitment to be here for you when you need us. It has been my honor to serve.

Sincerely,

Marie Jewett, AU, API, AIS
President & CEO



Underwriting Department–1988



Underwriting Manager–1994



EVP Operations & Staff–2007



CEO/President–2010



Looking Forward



Dear Members,

When I became a commercial lines underwriter at ITT Hartford in February, 1991, I went through a six-month training program in Albany, NY, and then was shipped out to the Hartford regional office. Even a large company like The Hartford had runners bringing files from a secured room, and two underwriters shared one IBM computer loaded with Lotus 1-2-3. We used it to calculate credits when writing commercial auto or general liability policies. The market was “soft,” and we were directed to get 25% rate increases on all renewals. And our marketing guys smoked at their desks on Friday afternoons after a long lunch.

Fast-forward to my last 15 years as a reinsurance broker working with 150+ mutual insurance companies across the country. I don’t have to explain obvious differences from my early experiences, but there have been much deeper changes. Profitability is no longer the measure it once was of a company’s long-term fortunes. Certainly, most companies I’ve seen were well-run, but the link between size and future sustainability has become more apparent as the technology picture has changed in this industry (and others).

Until recently, many small insurance companies operated for 30+ years with the same policy management system, making only minor software improvements, but regularly making major hardware upgrades. However, the insurance buyer of today is looking for an electronic “experience” to permeate their relationship with their insurance provider, and that software of yore is rarely able to provide that experience. So the long-standing software-hardware expense paradigm has reversed. As more insurance companies embark on the journey of system conversion, the cost to upgrade hardware now pales in comparison and the drag on overall expenses has become a standard of measure.

Those agents and carriers who build out the insurance experience in the most intuitive and satisfying manner will carry the day, and it is a challenge for smaller carriers to make the necessary investment while keeping the short-term financial picture strong.

That’s why we are particularly proud to say that for 2019, our combined ratio was an extremely respectable 97.8%; this despite the significant expense of investing in our new system and our policyholders’ experience. We met our premium growth goals for 2019 and continue to diversify our portfolio with strong growth in commercial lines (thanks partially to that system investment). Our excellent results in 2019 included 4.3% growth in overall premiums to \$83.7M and 12% growth in policyholder surplus to \$90M. We’re pleased to make such significant improvements in both our members’ experience with us and the safety funds we maintain for their protection.

As we continue to look for opportunities in this competitive market, our focus will be state expansion with targeted products that fill a need.

Cybersecurity continues to be an overarching and ever-evolving concern for all businesses. In addition to vulnerability testing performed by outside “white hat” hackers, we conduct regular “phishing” tests internally to keep us all on our toes, as we know the bad guys continue to ramp up their attacks in sophistication and vigor. We continue to improve all hardware and software to minimize our vulnerability.

We will, of course, strive to keep doing the right things for our policyholders, partners, employees, and communities – the sorts of actions that result in our strong AM Best rating, our recognition as an employer of choice, and our outstanding customer satisfaction ratings as measured by the Net Promoter Score.

As we near the end of the first quarter, 2020 has brought unprecedented worldwide challenges associated with the Covid-19 pandemic and the resulting economic uncertainty. Through appropriate and measured steps to insure the continuity of our operations, Co-operative Insurance Companies stands ready to assist our members, our families, our neighbors, and our business partners. As we look ahead at the significant challenges we face as a nation, we have never been in a better position to fulfill our mission. We look forward to continuing our journey with you.

Wishing each of you a renewed sense of appreciation for what really matters and all that you hold dear.

Sincerely,

Lee T. Dowgiewicz, CIC, AIC
President/CEO Elect

FINANCIALS

BALANCE SHEETS

As of December 31

(In Thousands)

| | 2019 | 2018 |
|--|-------------------|-------------------|
| ASSETS | | |
| Bonds, at amortized cost | \$ 96,753 | \$ 96,102 |
| Stocks and Mutual Funds, at fair value | 30,883 | 24,541 |
| Cash and Short Term | 7,955 | 3,271 |
| Real Estate and other | 2,102 | 2,265 |
| Total Invested Assets | 137,693 | 126,179 |
| Premiums Receivable | 17,106 | 16,592 |
| Deferred Income Taxes | 426 | 2,048 |
| Other Assets | 2,683 | 4,002 |
| TOTAL ASSETS | \$ 157,908 | \$ 148,821 |
| LIABILITIES AND SURPLUS | | |
| Unearned Premiums | 39,636 | 38,990 |
| Reserve for Losses and Claim Expenses | 19,851 | 20,243 |
| Commissions and Expenses Payable | 5,267 | 4,352 |
| Other Liabilities | 3,149 | 4,878 |
| TOTAL LIABILITIES | 67,903 | 68,463 |
| Policyholders' Surplus | 90,005 | 80,358 |
| TOTAL LIABILITIES AND SURPLUS | \$ 157,908 | \$ 148,821 |





STATEMENTS OF INCOME

Year Ended December 31

(In Thousands)

| | 2019 | 2018 |
|-------------------------------------|-----------------|-----------------|
| Premiums Earned, Net of Reinsurance | \$ 69,986 | \$ 67,919 |
| Losses Incurred | 33,641 | 35,377 |
| Loss Adjustment Expenses | 5,779 | 5,172 |
| Other Underwriting Expenses | 29,328 | 27,057 |
| Net Gain from Underwriting | 1,238 | 313 |
| Net Investment Income | 3,620 | 5,551 |
| Other Income | 744 | 763 |
| Income Before Federal Tax | 5,602 | 6,627 |
| Federal Income Tax | 598 | 179 |
| Net Income | \$ 5,004 | \$ 6,448 |

STATEMENT OF CHANGES IN SURPLUS

Year Ended December 31

(In Thousands)

| | | |
|---------------------------------------|------------------|------------------|
| Policyholders' Surplus, Beginning | \$ 80,358 | \$ 79,438 |
| Net Income | 5,004 | 6,448 |
| Unrealized Investment Gains (Losses) | 6,040 | (5,210) |
| Other Surplus Changes | (1,397) | (318) |
| Policyholders' Surplus, Ending | \$ 90,005 | \$ 80,358 |







Co-op Named a Best Place to Work in 2019

We're proud to have been named a Best Place to Work in Vermont again for 2019! In our third year of participation, Co-op ranked 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.

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 2019 donating over 41 pints of blood!



In July, Co-op and our agencies hosted the 19th 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 \$30,000. Over the past 19 years, Wish Kids Golf Classic has been able to donate close to \$380,000 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 2019:

UP TO \$1,000

ACTR/Tri-Valley Transit
Addison County Chamber of Commerce
Addison County Ag Showcase
Addison County Benefit Pull
Addison County Community Trust
Addison County Firefighters Association - State Convention
Addison County Home Health and Hospice
Addison County Humane Society
Addison County Maple Sugarmakers
Addison County Parent/Child Center
Addison County Relocalization Network
Addison County Young Life
Addison Volunteer Fire Department
Alzheimer's Association
American Heart Association
Boys & Girls Club of Greater Vergennes
Brattleboro Rotary Club
Camp Ta-Kum-Ta
Champlain Philharmonic
COTS
CPCU Society
Cystic Fibrosis Foundation
Elderly Services
Festival on the Green
Food Worx Enterprises
Franklin County Humane Society
Friends of Middlebury Football
Friends of Middlebury Hockey
Front Door Agency
Gene McDonough Memorial Golf Tournament
Gifford's Last Mile
Grace Episcopal Church
Green Mountain Club
Homeward Bound

HOPE
Ilsley Public Library
Juvenile Diabetes Research Foundation
Lincoln Sports
LYBS
March of Dimes
Mary Hogan School
Middlebury Area Land Trust
Middlebury Area Little League
Middlebury Community Players
Middlebury Fire Dept (Battell Hose Company)
MidSummer Lunch & Recreation
Moosalamoo Association
Mt. Abe / Vergennes Football
Mt. Norris Scout Reservation
Alumni Association
National Alliance on Mental Illness
National Kidney Foundation
New Hampshire Holstein Association
North Branch School
Northern Heritage Mills
Old Spokes Home
Open Door Clinic
Opera Company of Middlebury
Prevent Child Abuse
Randolph Area Food Shelf
Ripton Ridge Run
ShamRockin' For a Cure
Shelburne Food Shelf
Sheldon Historical Society
Capital Campaign
Silver Hooves
SLAMT1D, Inc.
St. Baldricks Foundation
St. Johnsbury History & Heritage Center
Starksboro Sports Program
Touchstone Farm
Upper Valley Humane Society
Vergennes Junior Fishing Derby

Vergennes Partnership
Vergennes Rotary Club
Vermont Agency, The
Vermont Assn for the Blind & Visually Impaired
Vermont Auto Enthusiasts
Vermont Community Loan Fund
Vermont Elks Charities
Vermont Feed/Shelburne Farms
Vermont FFA
Vermont Folklife Center
Vermont Historical Society
Vermont Holstein Association
Vermont Insurance Agents Association
Vermont Special Olympics
Vermont Troopers Association
Women Safe

OVER \$1,000

Boy Scouts of America
Girl Scouts of the Green and White Mountains serving VT & NH
International Association of Arson Investigation - VT Chapter
Lake Champlain Maritime Museum
Old Church Theater
Vermont Council on Rural Development
Vermont Maple Festival
Vermont/NH All Star Hockey Classic
West Brookfield Village Trust
Youth Safety Council of Vermont, Inc.

OVER \$5,000

American Red Cross
New Hampshire Food Bank
United Way of Addison County
Vermont Foodbank
Wish Kids Golf Classic



**Serving our
members and
the community**



LEADERSHIP



2019-2020 Board of Directors

Back Row (L to R): Marie Jewett, Jacques Couture, Jean Conklin,
John Myhre, Karen Furtado, Pam Douglass

Front Row (L to R): Jane Sorensen, Richard Foote,
Hugh Spafford, Christine Moriarty



2019-2020 Company Management

Back Row (L to R): Marie Jewett, Randy Roy, Brian Wiles,
Brad Fortier, Eric Rhoades

Front Row (L to R): Dale Groves, Lee Dowgiewicz,
Tameron Loger, Gina Larrow



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.



IN MEMORIAM

Bradley S. Fortier

July 18, 1957 - February 20, 2020

Co-op EVP of Operations and
President of UI



Brad Fortier joined Co-op as director of marketing in 2008, following 25 years as an insurance agent and in marketing for other Vermont insurance companies. He was appointed president of our brokerage, UI, in 2010, and became Co-op's executive vice president of operations in 2014. Brad was instrumental in Co-op's efforts to transition our exclusive agency force to independent, strengthening our marketing and underwriting departments, and improving our profitability in New Hampshire.

He was mild-mannered, smart and funny; an avid outdoorsman, musician, and music fan; and a pleasure to work with. He will be greatly missed.

Charles B. Palmer

August 27, 1935-February 28, 2020



Charlie Palmer served as a director for Co-op for 30 years (1987-2017), holding the offices of VP of the Patrons Co-operative Fire Insurance Company and Chair of the Governance committee, along with serving at the State and local levels of government for many years. We were fortunate to have someone so committed to his community and to Co-op's success for so long.



Patrons Co-operative Fire Insurance Company

DBA Co-operative Insurance Companies

Company Management

Marie M. Jewett, President/CEO

Lee Dowgiewicz, President/CEO Elect

Brad Fortier, Executive VP Operations

Gina Larrow, Senior VP Human Resources &
Project Management

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

Tamaron Loger, VP Finance

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

Karen Furtado, Windham, NH

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*

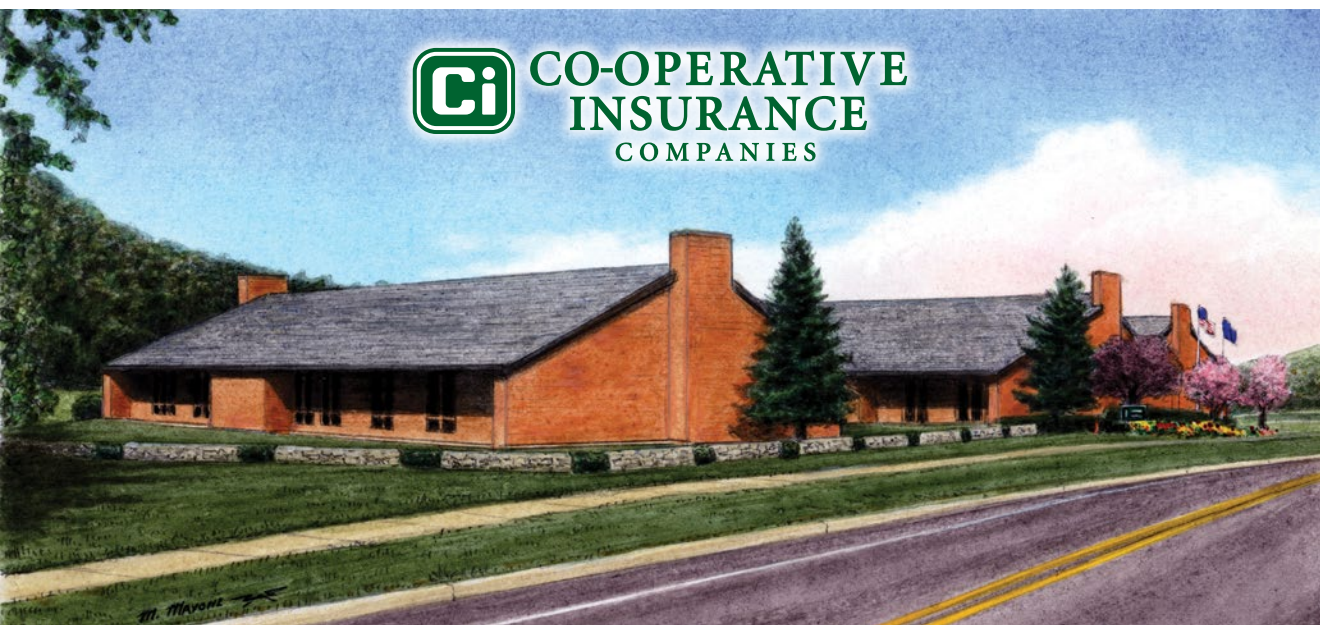
Charles B. Palmer, Pownal, VT*

Richard W. Stickney, Rockingham, VT*

* = Director Emeritus



**CO-OPERATIVE
INSURANCE**
COMPANIES





**CO-OPERATIVE
INSURANCE**
COMPANIES

292 Colonial Drive
Middlebury, VT 05753-5890

www.co-opinsurance.com

