

MEMBER OWNED. MEMBER COMMITTED.

2021 ANNUAL REPORT



**CO-OPERATIVE
INSURANCE**
COMPANIES

Letter from the President



Dear Members, Agents, & Associates,

In looking forward to new opportunities, it is important to reflect on the past.

I am remembering two years back, when the emerging COVID-19 pandemic changed everyday life. Those early days of uncertainty brought new issues to navigate, caused leaders worldwide to make decisions that have affected us since, and gave us opportunity to be guided by the lessons of a pandemic a century before.

Now we have new uncertainty with the possibility of expanding war in Europe. Again, we must look to the lessons of historical conflicts to avoid repeating past mistakes. The quick and unified response of the European community is encouraging. Let us hope for the best for the Ukrainian people, and hope that – as with the pandemic – a terrible situation will also bring with it some lasting changes for the better.



As you review this report, please note the format changes and additional information we hope give you a better understanding of Co-op as a partner.

Co-operative Insurance Companies saw outstanding premium growth in 2021 from all lines, primarily through new policy acquisition, and continued to diversify operations toward commercial insurance per our strategic goals. While our loss experience did deteriorate significantly from 2020, results were in line with our 5-year average and substantiated the rationale for our 20% personal auto refund in 2020.

Pandemic-related production and supply chain issues have led to significant cost increases for building materials and replacement automobile parts. When these costs rise, so do cumulative claims amounts paid.

We are concerned by this and by cost increases in associated construction labor and materials. Recent loss activity has highlighted a need to ensure proper insurance to value on all property. With inflation likely to continue above normal well into 2022, this is a good time to have your insurance agent review your property insurance policy for necessary adjustments to avoid a gap between your insurance limits and repair or replacement costs for your property.

Another new area of focus has been the effects of climate change on losses. Our industry is examining correlation between weather-related losses and changes in climate. Globally, insurance companies are evaluating the extent and relevant long-term effect of weather changes in their geographic areas.

National and international conversations around diversity, equity and inclusion have brought about much-needed evaluation and change for many organizations. Our own board adopted this updated policy in February, 2021:



Co-operative Insurance Companies and the Board are committed to fostering, cultivating and preserving a culture of diversity, equity and inclusion. The collective sum of our employees' and members' individual differences, life experiences, knowledge, capabilities and talent contribute in significant and critical ways to our culture, reputation, and the Co-op's success.

We embrace and encourage our board members' and employees' individual identities, which make each of us unique and Co-op better as a whole.

We will continue our conversations and our improvement on this front.

Like most businesses, Co-op has had to embrace change while positioning for the future. Hopefully you have been unaffected by our continued mostly remote operations and limited ability to interact face to face; whenever possible, our field claims folks continued to meet in person to fulfill our promise of being there for you when you need us. Our continued industry-leading Net Promoter Score® of .75 indicates that our efforts to maintain our valued sense of community in member interactions have been effective. We do anticipate a more hybrid work style and environment as conditions improve in 2022.

We are enhancing our loss control services to our members, with new boots on the ground and new technology in the sky. Through on-site inspections and the use of aerial imagery, we plan to provide better insights into your property's risks, then better recommend ways to mitigate them. Elsewhere

in this report, we introduce our new loss control supervisor, charged with building out this value-added policyholder service.

In late fall 2022, more than a decade after our Webpay service debuted, a new consumer portal will offer enhanced payment services and allow more self-serve options for basic insurance needs, including policy access and printing auto ID cards.

More convenience is already here in our new Risk Protection policy enhancement. Currently available to Homeowners members, this 24/7 online legal service allows you to create a will, tenant lease agreement, service contract, and other common documents yourself.

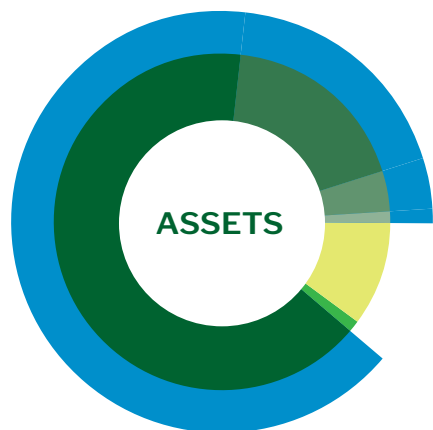
Our 2021 accolades include AM Best's recognition of our continued success and reaffirmation of our "A" (stable) rating. We were again named among Best Places to Work in Vermont, and our Wellness Team earned the Governor of Vermont's Excellence in Worksite Wellness award for their efforts to keep our staff safe, engaged, and connected throughout the pandemic.

The most important measure of our success, of course, is your continued support. As always, thank you for being a valued partner.

Sincerely,

Lee T. Dowgiewicz
President & CEO

Financials



Balance Sheets As of December 31 *(In Thousands)*

ASSETS	2021	2020
■ Bonds, at amortized cost	\$ 120,740	\$ 104,011
■ Stocks and Mutual Funds, at fair value	33,762	35,600
■ Cash and Short Term	7,483	7,722
■ Real Estate and other	1,929	2,043
■ Total Invested Assets	163,914	149,376
■ Premiums Receivable	18,186	17,005
■ Other Assets	1,974	2,332
TOTAL ASSETS	\$ 184,074	\$ 168,713

LIABILITIES AND SURPLUS	2021	2020
■ Unearned Premiums	44,625	40,106
■ Reserve for Losses and Claim Expenses	19,837	17,756
■ Commissions and Expenses Payable	6,426	6,446
■ Other Liabilities	6,169	4,328
TOTAL LIABILITIES	77,057	68,636
■ Policyholders' Surplus	107,017	100,077
TOTAL LIABILITIES AND SURPLUS	\$ 184,074	\$ 168,713

Statements Of Income (In Thousands)

YEAR ENDED DECEMBER 31

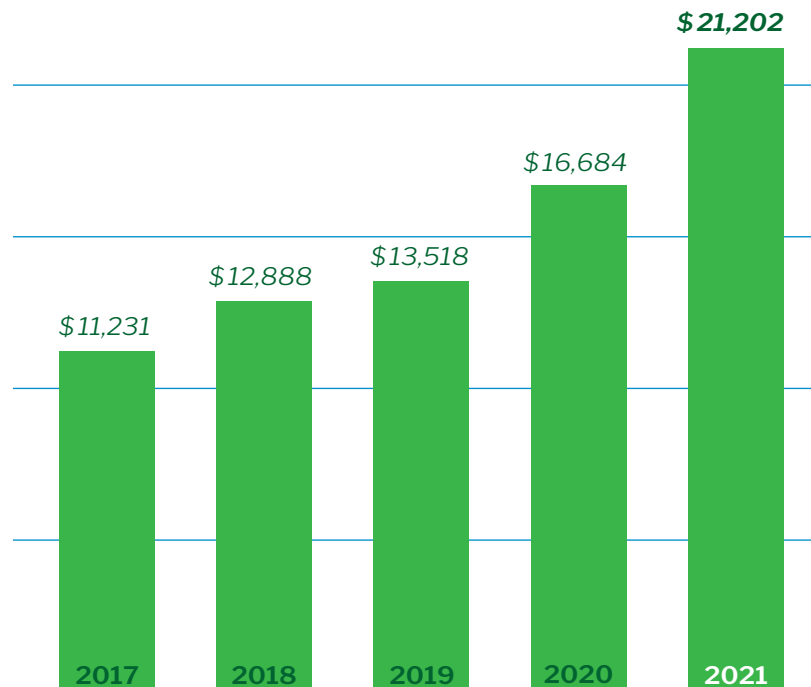
	2021	2020
Premiums Earned, Net of Reinsurance	\$ 75,065	\$ 70,772
Losses Incurred	36,635	28,129
Loss Adjustment Expenses	6,600	5,889
Other Underwriting Expenses	34,803	33,501
Net Gain from Underwriting	(2,973)	3,253
Net Investment Income	7,797	2,555
Other Income	504	613
Income Before Federal Tax	5,328	6,421
Federal Income Tax	1,634	1,103
Net Income	\$ 3,694	\$ 5,318

Statement Of Changes In Surplus (In Thousands)

YEAR ENDED DECEMBER 31

	2021	2020
Policyholders' Surplus, Beginning	\$ 100,077	\$ 90,005
Net Income	3,694	5,318
Unrealized Investment Gains (Losses)	559	3,412
Other Surplus Changes	2,687	1,342

Commercial Written Premiums (In Thousands)



Commercial continues to be a focus of growth for Co-op; it diversifies our solid mix of personal and farm business.

Co-op Donates to Over 100 Organizations & Groups Every

HERE IS A PARTIAL LIST OF DONATIONS THAT CO-OP FRIENDS RECEIVED IN 2021:

Anew Place
ACORN Network
ACTR/Tri-Valley Transit
Addison County Benefit Pull
Addison County Community Trust
Addison County Fair & Field Days
Addison County Home Health and Hospice
Addison County Humane Society
Addison County Parent/Child Center
Addison County Restorative Justice
Addison Volunteer Fire Department
American Cancer Society
American Red Cross
Amyloidosis Center
Boys & Girls Club of Greater Vergennes
Bridges
Bridport Fire Company
Brookfield Historical Society
Caledonia Home Health & Hospice
Camp Ta-Kum-Ta
Cornwall Public Library

COTS
Counseling Service of Addison County
Elderly Services, Inc.
Festival on the Green
The Friendly Kitchen
Gene McDonough
Memorial Golf Tournament
Gifford Health Care
Gifford's Last Mile
Girl Scouts of the Green and
White Mountains serving VT & NH
Green UP Vermont
Healing Winds
Henry Sheldon Museum
Homeward Bound
International Association of Arson
Investigators Vermont Chapter #63
Lake Champlain Maritime Museum
Make-A-Wish New Hampshire
Make-A-Wish Vermont
Middlebury Area Land Trust

Middlebury Community Players
Middlebury Fire Dept. /
Battell Hose Company
Monadnock Area Transitional Shelter
National Alliance on Mental Illness
New Community Project
New Hampshire Food Bank
New Haven Volunteer
Fire Department
Norfolk-Norwood Minor
Hockey Association
Open Door Clinic
Orienteering USA
Orleans/Essex VNA Hospice
Paceline
Poultney Rescue Squad
Ripton Ridge Run
Rockingham Meeting House
Rokeby Museum
Rural Vermont
Rutland Area Christian School

Year in VT & NH

Town Hall Theater
United Way of Addison County
United Way of NW Vermont
UVM Foundation
Vergennes Junior Fishing Derby
Vergennes Partnership
Vergennes Rotary Club
Vermont Achievement Center
Vermont Agency Foundation
Vermont Assn for the Blind & Visually Impaired
Vermont North/South All-Star Football Game
Vermont Council on Rural Development
Vermont Elks Charities
Vermont Feed/Shelburne Farms
Vermont Foodbank
Vermont Special Olympics
Vermont Storm
Women Safe
Youth Safety Council of Vermont, Inc.



Co-op agents and staff were able to collect record donations in 2021 in support of Make-A-Wish Foundation® of Vermont.

While we were unable to tee off together for the second year in a row, our matching donation challenge in memory of former EVP of Operations Brad Fortier brought in more than \$36,000 to benefit the cause – more than any one of our previous tournaments! We are hoping to keep this momentum moving forward as we plan and head off to the golf course in July for the Wish Kids Golf Classic in 2022.



American Red Cross

remains a strong supporter. In 2021 we continued to be a regional sponsor of the Home Fire Campaign, which helps get fire safety tips and free smoke alarms into the neighborhoods where they're needed.

Even though the pandemic changed the way the American Red Cross performs much of its outreach, the organization maintains its prevention and response programs, and Co-op



We're proud to have been named a Best Place to Work in Vermont again for 2021!

In our fifth year of participation, Co-op placed #8 in small business rankings.

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 SPOTLIGHT: Farm Safety Becomes Loss Control

For years, our Farm Safety department has worked hard to understand and help our members identify needed changes in their agricultural operations to help reduce the risk of loss. Now we're making some changes in our own operations and expanding our range of services.

We have renamed the department to Loss Control, and from now on, in addition to working with our farm members, our staff will be sharing their expertise with commercial policyholders and on high-value home and dwelling fire accounts. We are streamlining our processes and

“the goal is for every visit to be conducted in a manner consistent with Co-op's core values of accountability, integrity, respect, and

making better use of software and technology so that our inspectors can spend more time assisting members throughout Vermont and New Hampshire, and less time handling administrative work.

Though the department's role has expanded, the service approach remains the same. We always begin with the desire

to truly understand our members' operations and needs. We continue to partner with them to find solutions and strategies to mitigate the hazards that could lead to disruption of lives and businesses. Loss Control will be an even more valuable resource for our members, our agency partners, and the rest of the company.

Allen Sanford
Loss Control Supervisor



Allen Sanford, Co-op's incoming loss control supervisor, is a risk management, insurance, and finance graduate of Mississippi State University with a family business background in construction and stained-glass repair. He was a loss control specialist for the State of Alabama before joining Co-op's claims department 11 years ago. "No matter whether an inspection is conducted by one of our three full-time field staff or by me," said Allen, "the goal is for every visit to be conducted in a manner consistent with Co-op's core values of accountability, integrity, respect, and stewardship." He and his family reside in St. Albans.

Leadership



2021 – 2022 Board of Directors

Back Row (L-R): Jane Sorensen, Christine Moriarty, Lee Dowgiewicz, John Myhre, Jean Conklin, Marie Jewett

Front Row (L-R): Jacques Couture, Karen Furtado, Richard Foote, Pamela Douglass



2021 – 2022 Company Management

Back Row (L-R): Gina Larrow, Dale Groves, Mark Roberts, Tamaron Loger

Front Row (L-R): Brian Wiles, Lee Dowgiewicz, Eric Rhoades

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

Company Management

Lee Dowgiewicz, *President & CEO*

Tamaron Loger, *CFO, Vice-President—Finance*

Dale Groves, *Senior Vice-President—Underwriting Operations*

Gina Larrow, *Senior Vice-President—Human Resources & Project Management*

Eric Rhoades, *Senior Vice-President—Information Services*

Mark Roberts, *Vice-President—Marketing & Member Services*

Brian Wiles, *Senior Vice-President—Claims, SIU & Facilities*

Mary Micklas, *Secretary to the Board*

Board of Directors

Jacques R. Couture (Westfield, VT)—Chair

Jean Conklin (Haverhill, NH)—Vice-chair

Pamela J. Douglass (Brandon, VT)

Lee Dowgiewicz (Cornwall, VT)

Richard P. Foote (Middlebury, VT)

Karen Furtado (Windham, NH)

Marie M. Jewett (New Haven, VT)

Christine Moriarty (Lincoln, VT)

John O. Myhre (Weybridge, VT)

Jane T. Sorensen (Fairfax, VT)

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

Our core values of integrity, respect, accountability and stewardship guide our actions as we offer a full array of property and casualty insurance products and services.

Co-op & 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 more than 100 organizations throughout the two states.





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