



2022 ANNUAL REPORT



CO-OPERATIVE
INSURANCE
COMPANIES

Letter from the President



Dear Members, Agents, & Associates,

On August 24, 1992, when Hurricane Andrew hit the Florida coast, I first saw how the insurance industry could be turned upside down overnight. I had been a commercial lines underwriter for barely a year, and it was my first real-world lesson in how connected insurance is to current events. (I later got many more demonstrations, including the terrorist attacks of September 11, 2001, and hurricanes Katrina, Rita, and Wilma in that historic 2005 storm season.)

Anyone who experienced or saw images of those natural or manmade catastrophes has some idea of the unforgettable pain and loss they caused for so many on all the levels you might expect.

But there are less visible effects, too, in areas and industries most people might never have heard of. One such industry, widely unknown but incredibly important, is reinsurance. In simple terms, reinsurance is the transfer of some risk from one insurer to another to protect against potentially catastrophic losses. Almost all insurance companies use this mechanism, spreading their risk across globally operating reinsurers. As insurance companies pay losses, especially those due to major events, they seek their own recoveries from reinsurers to smooth out their poor loss experience.

Like any other business, reinsurers need to make a profit. With the recent perfect storm of an underperforming stock market coupled with a continuing series of large loss

events, they are now increasing rates substantially.

When their rates go up, it affects us. As a local policyholder-owned company, Co-op aims to keep our costs as low as possible, which in turn keeps our premiums consistent and competitive over time. The higher cost of capital will regrettably disrupt this long-standing approach.

Unfortunately, in 2022 Co-op experienced its **worst** loss year ever. We saw both our single largest loss ever and our largest catastrophe claim event (that brief, powerful late December storm and cold snap). We had unusually high numbers of losses over six figures. And our personal auto claims for the year were 16 percentage points higher than our 5-year average.

Obviously this is due in part to inflation and supply chain issues. While inflation has calmed, it remains well above the Federal Reserve's 2% target. Continuing scarcity of replacement parts and dramatic labor cost increases also profoundly affected our auto losses. Throw in the effects of Russia's invasion of Ukraine, and China's slow Covid lockdown lift, and you add more volatility and uncertainty to the mix.

Similar influences affected our policyholder surplus (through our conservative mix of fixed income and equity strategy), which still reduced by 13.6% in 2022. However, this came after several years of unprecedented surplus growth. Co-op remains financially solid and looking positively to the future, and A.M. Best reaffirmed our financial rating of "A" (stable).

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Premium growth was a bright spot at +9%, and we surpassed one hundred million in written premium, something we could not have done without the faith and confidence our members and agents place in us. I am proud that, according to plan, much of that growth was new commercial lines policies. With this tailwind, we were able to come in under our budgeted 2022 expenses.

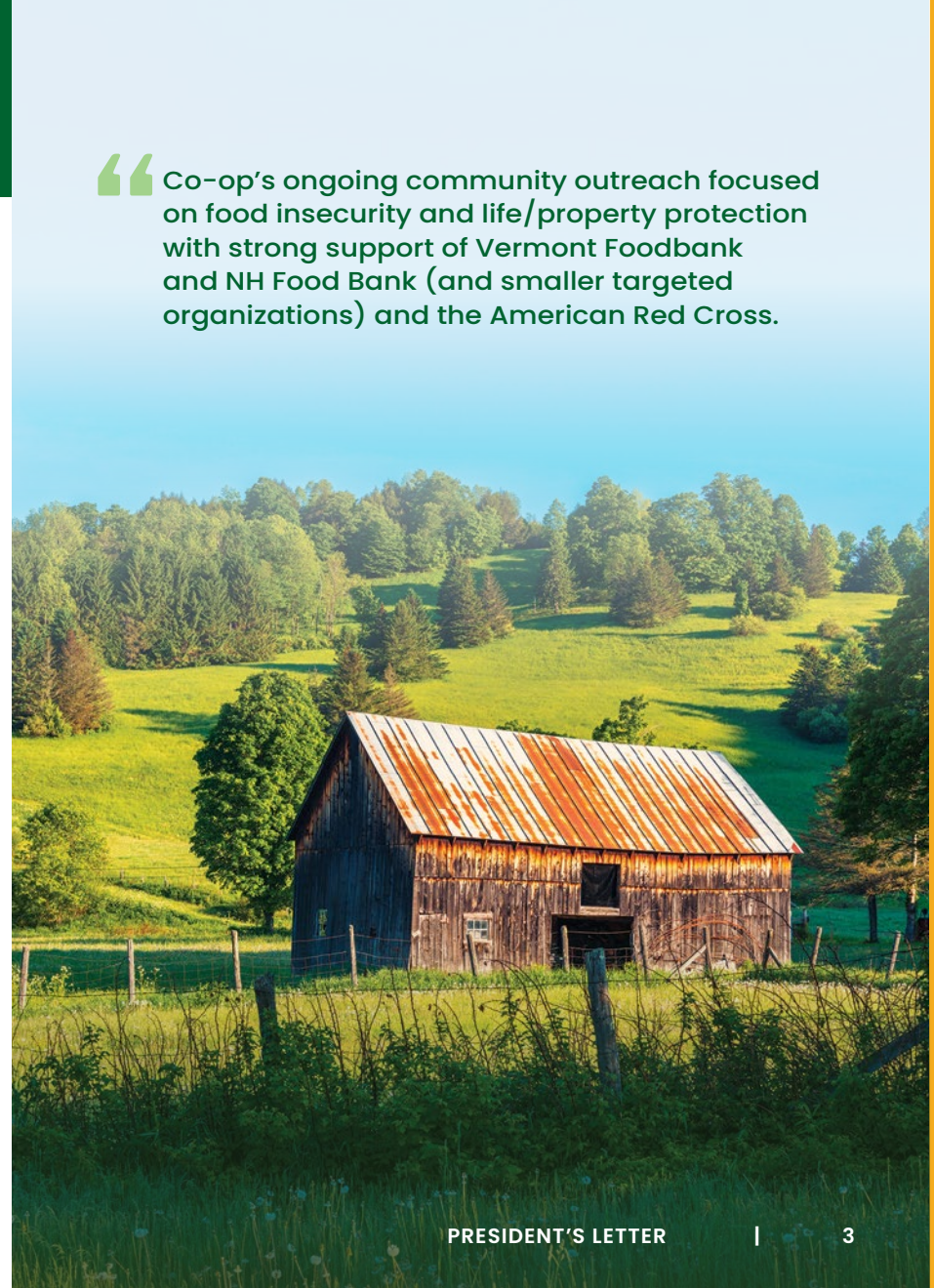
Also among our 2022 achievements: Our staff's strong endorsements placed us on the Best Places to Work in Vermont list for the sixth year running.

Co-op's ongoing community outreach focused on food insecurity and life/property protection with strong support of Vermont Foodbank and NH Food Bank (and smaller targeted organizations) and the American Red Cross. In addition to giving financially, Co-op had seven employees participate in the Red Cross' 2022 Sound the Alarm campaign around Williston, VT. Along with other volunteers, they visited at-risk homes to install new smoke and carbon monoxide detectors. This directly links to the role we already play in our communities, and we intend to participate with the Red Cross in more of these events.

We continue to expand loss prevention activities, helping members better understand and mitigate or eliminate situations that could lead to loss. For example, each season we see 4-6 sugarhouse fires, many preventable. Last fall, we contacted over seven hundred maple sugaring policyholders to schedule a 15-min sugarhouse inspection. We identified multiple situations in which a fire was likely this season, and as a result saved members and ourselves from heartache. We plan similar assistance for members with hospitality-style risks, such as restaurants, B&Bs, and inns.

Thanks to a great idea from our board, we are developing a diagnostic-style report (something like you might receive

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Financials

Balance Sheets As of December 31

(In Thousands)

ASSETS

	2022	2021
■ Bonds, at amortized cost	\$ 116,235	\$ 120,740
■ Stocks and Mutual Funds, at fair value	29,460	33,762
■ Cash and Short Term	8,468	7,483
■ Real Estate and other	2,437	1,929
■ Total Invested Assets	156,600	163,914

■ Premiums Receivable	18,980	18,186
■ Deferred Income Taxes	3,376	—
■ Other Assets	3,019	1,974

TOTAL ASSETS	\$ 181,975	\$ 184,074
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LIABILITIES AND SURPLUS

	2022	2021
■ Unearned Premiums	48,824	44,625
■ Reserve for Losses and Claim Expenses	28,684	19,837
■ Commissions and Expenses Payable	6,121	6,426
□ Other Liabilities	5,887	6,169

TOTAL LIABILITIES	89,516	77,057
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■ Policyholders' Surplus	92,459	107,017
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TOTAL LIABILITIES AND SURPLUS	\$ 181,975	\$ 184,074
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after an oil change) that we can email members with immediate feedback on key areas evaluated during inspections.

We are pleased to launch our member service portal in the spring of 2023. Members will be able to access policies electronically, print auto ID cards, pay bills, submit claims, and more.

As an industry, we have challenges ahead in 2023 and beyond, but through continued high employee morale, technology optimization, and loss prevention, Co-op remains a sound partner for your insurance needs. As always, thank you for being a valued partner.

Sincerely,
Lee T. Dowgiewicz
President & CEO

Statements Of Income

(In Thousands)

YEAR ENDED DECEMBER 31

	2022	2021
Premiums Earned, Net of Reinsurance	\$ 78,301	\$ 75,065
Losses Incurred	52,409	36,635
Loss Adjustment Expenses	6,753	6,600
Other Underwriting Expenses	35,120	34,803
Net Loss from Underwriting	(15,981)	(2,973)
Net Investment Income	16,640	7,797
Other Income	374	504
Income Before Federal Tax	1,033	5,328
Federal Income Tax	846	1,634
Net Income	\$ 187	\$ 3,694

Statement Of Changes In Surplus

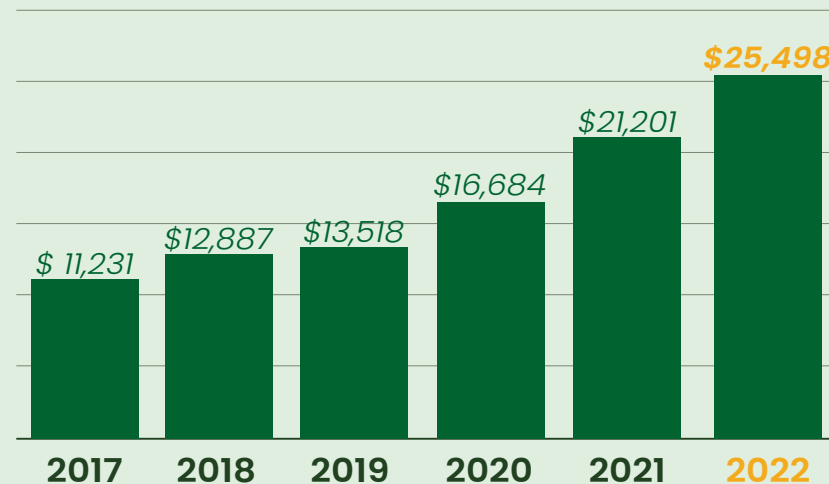
(In Thousands)

YEAR ENDED DECEMBER 31

	2022	2021
Policyholders' Surplus, Beginning	\$ 107,017	\$ 100,077
Net Income	187	3,694
Unrealized Investment Gains (Losses)	(21,564)	559
Other Surplus Changes	6,819	2,687
Policyholders' Surplus, Ending	\$ 92,459	\$ 107,017

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 Year in VT & NH

Here is a partial list of those receiving Co-op's support in 2022:

Acorn Network

Addison County Benefit Pull

Addison County Economic Dev Corp

Addison County Home Health
& Hospice, Inc

Addison County Parent Child Center

Addison County Restorative
Justice Service

Age Well

All Star Hockey Classic

American Red Cross

Battell Hose Company

Brattleboro Rotary Club

Bridges

Camp Ta-Kum-Ta

Cathedral Square Corporation

Central Vermont Chamber

Champlain Philharmonic

Committee On Temporary Shelter

Cornwall Library

Covington Fire And Rescue

Cystic Fibrosis Foundation

East Valley Community Group

Essex Youth Hockey Association

Family Promise Of Southern
New Hampshire

Friendly Kitchen

Friends Of Ripton School

Friends Of The Tunbridge World's Fair

Gather

Gifford Medical Center

Green Mtn Council Boy Scouts
Of America

Green Up Vermont

Happy Valley School

Henry Sheldon Museum

Homeward Bound

Hope

International Association Of
Arson Investigators

John Graham Housing & Services

Mary Hogan School

Memorial Sports Center

Middlebury Area Land Trust

Middlebury Community Players

Middlebury Rotary Club

Middlebury Summer Festival
On The Green

New Hampshire Food Bank

Nordic Spirit Soccer Club

Open Door Clinic

Opera Company Of Middlebury

Prevent Child Abuse VT

Randolph Senior Center

Regal Gymnastics Academy

The Womens Center

Tri-Valley Transit, Inc.



Turning Point Center Of Addison County
UVM Foundation
Upper Valley Arts
Vergennes Day Race, Inc
Vermont Achievement Center
Vermont Adaptive Ski & Sports
Vermont Agency Foundation
Vermont Chapter IAAI
Vermont Children's Museum
Vermont Council On Rural Development
Vermont Foodbank
Vermont Maple Festival Inc
Vermont State Dairy 4-H
VT Agricultural Hall Of Fame
VT Association For The Blind And Visually Impaired
WomanSafe
Wood4good
Youth Safety Council Of Vermont, Inc.

Donations



Co-op agents and staff were able to tee off in 2022 for the Wish Kids Golf Classic in support of Make-A-Wish Foundation® of Vermont after a two-year hiatus from the golf course. With our generous sponsors and donors, the event generated enough funds to provide almost \$27,000 to Make-A-Wish Foundation of Vermont. Wish Kids Golf Classic will be teeing off again July 14, 2023 at the Ralph Myhre Golf Course in Middlebury, VT.



**American
Red Cross**

Co-operative Insurance Companies continues to support the American Red Cross. In 2022, 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. We are dedicated to supporting the American Red Cross and have planned a couple of blood drives at our home office in Middlebury.

We're proud to have been named a Best Place to Work in Vermont again for 2022!

It was our sixth consecutive year of being recognized in the small business category.

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: Loss Prevention Services

In last year's annual report, we highlighted our loss prevention team. Despite the tough loss year in 2022 we feel this will be a huge benefit to us going forward.

As you can imagine, Co-op insures many sugarhouses. Unfortunately, every year we experience fire losses to several of these structures. In a proactive effort to reduce these numbers, we rolled out a 'sugarhouse blitz' inspection program. Our Special Investigation Unit and our loss prevention team* held a training session at the sugarhouse of our board chair, Jacques Couture, in northern Vermont. As a result of our inspections, we found at least three serious issues that if not corrected, would have resulted in major losses. The blitz was above and beyond the other inspections that the team does, so they've been busy! "Our approach is to be a partner with our members, pointing out potential issues and offering suggestions to minimize losses," said Allen Sanford, Loss Prevention Supervisor. "We had positive responses from our policyholders; they want to do what they can to avoid a loss and all of the issues that come with one.

Our next major initiative will likely focus on restaurants.

**The loss prevention team surveys farm, commercial and some homeowner risks for Co-op.*

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Leadership



2022 – 2023 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



2022 – 2023 Executive Management Team

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

Executive Management Team

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—Chair

Jean Conklin—Vice-Chair

Pamela J. Douglass

Lee Dowgiewicz

Richard P. Foote

Karen Furtado

Marie M. Jewett

Christine Moriarty

John O. Myhre

Jane T. Sorensen

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.



**CO-OPERATIVE
INSURANCE**
COMPANIES

MEMBER OWNED. MEMBER COMMITTED.

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CO-OPINSURANCE.COM