



VERMONT MUTUAL INSURANCE GROUP



Since 1828

ANNUAL STATEMENT 2010



VERMONT MUTUAL INSURANCE GROUP

VERMONT MUTUAL INSURANCE COMPANY | NORTHERN SECURITY INSURANCE COMPANY, INC. | GRANITE MUTUAL INSURANCE COMPANY

This past year, our 183rd in business, can best be characterized as one of solid, responsible growth. Success with planned growth initiatives throughout our marketing territory enabled us to increase our Direct Written Premium by 8.5% to \$291,807,709. for 2010, a new high for the Vermont Mutual Insurance Group. We are pleased to report that our unwavering focus on basic underwriting principles and discipline has helped us achieve our 9th consecutive year of underwriting profitability.

Considering our substantial growth, it is especially significant that we were able to attain meaningful underwriting profitability. Our combined ratio for 2010 was 95.4% and our average combined ratio for the past five years is an admirable 92.9%. Successful marketing and underwriting efforts, combined with moderate returns from our conservative investment portfolio, allowed us to increase our policyholders' surplus by more than 11% to \$234,842,955.

We were honored in 2010, as we were in 2009, to be named as one of the Ward Top 50 performing property and casualty insurers in the country. The Ward Group, the recognized leader in insurance company benchmarking and best practices, annually evaluates the safety, consistency and financial performance of more than 3,000 property and casualty companies domiciled in the United States and selects the top 50 performers. To be acknowledged with this distinction for two consecutive years truly validates the mission, vision and values of our Companies.

While the awards and our financial results tell a remarkable story of our progress and commitment, the credit for our success belongs to our loyal, professional Independent Agency partners and our dedicated, experienced employees.

Many of our agency partnerships can be traced back for more than a century. Established by prior generations of management, these relationships have prospered because of the stability and integrity that have been the trademarks of the Vermont Mutual Insurance Company since 1828.

Our steady growth over the past few years has created many opportunities for the insurance professionals that we employ. We are indeed fortunate to have so many dedicated individuals who have embraced the challenges and helped move our Group forward. Their contributions simply cannot be overstated. It is indicative of our success in promoting a positive work environment that more than 25% of Vermont Mutual employees have been with us for over 20 years. With great pride, we also recognize that about one-third of our staff have earned professional insurance designations or post-graduate degrees in their specialized field. Long-term experience and dedication to education are two of the factors that help differentiate the Vermont Mutual Insurance Group from others in the crowded property and casualty insurance marketplace.

The formidable challenges of an ever-changing insurance landscape will become roadblocks for some companies and opportunities for others. We have shown our ability to adapt and prosper even in this extended soft market environment. In the future, we will continue to seek greater efficiencies and aggressively pursue appropriate opportunities. Our commitment to provide financial stability, and to promote relevant, strategic products, coupled with competitive, responsible pricing for our agents and policyholders, will empower us to thrive and prosper in 2011 and beyond.



Thomas J. Tierney
Chairman, President
and CEO



William A. Catto
Chief Operating Officer
President — Granite Mutual

183RD ANNUAL STATEMENT

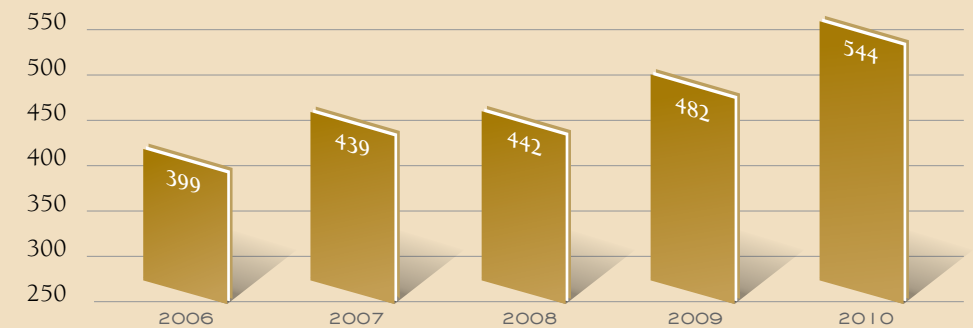
AS OF DECEMBER 31, 2010

ASSETS	2010	2009
Cash & Short Term	26,054,906	24,305,908
Bonds	346,637,003	303,416,347
Stocks	79,171,614	69,164,533
Real Estate	3,990,623	2,976,063
Premium Balances	53,264,334	47,687,601
Other Assets	35,119,368	34,091,004
Total Assets	544,237,848	481,641,456

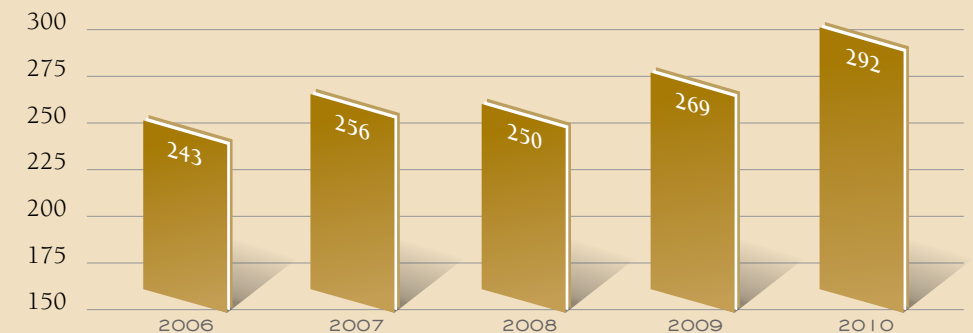
LIABILITIES	2010	2009
Reserves for Unearned Premium	146,810,138	131,537,557
Reserves for Loss & Loss Expense	122,272,928	106,491,020
Other Liabilities	40,311,827	32,523,012
Total Liabilities	309,394,893	270,551,589
Policyholders' Surplus	234,842,955	211,089,867
Total Liabilities & Surplus	544,237,848	481,641,456

A.M. Best Company Ratings "A" Excellent, Class VIII

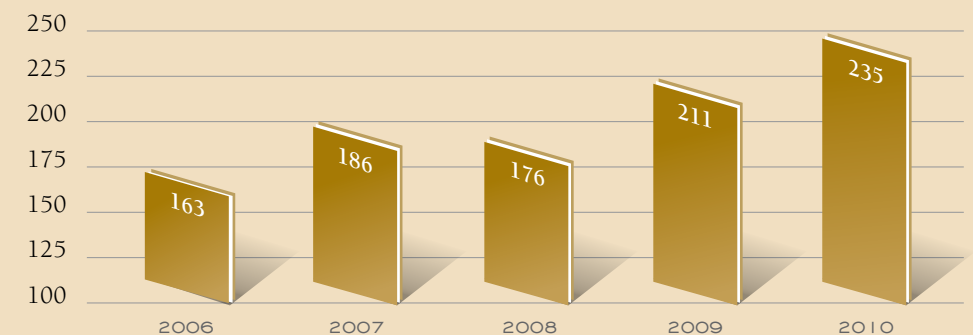
ASSETS (IN MILLIONS)



DIRECT PREMIUM (IN MILLIONS)



POLICYHOLDERS' SURPLUS (IN MILLIONS)





VERMONT MUTUAL INSURANCE GROUP

S E R V I N G C L I E N T S I N A L L T H E N E W E N G L A N D S T A T E S A N D I N T H E S T A T E O F N E W Y O R K

OFFICERS

Thomas J. Tierney

Chairman, President & CEO

William A. Catto, CPCU

*Chief Operating Officer
President — Granite Mutual*

Richard N. Bland

*Vice President — General Counsel
& Secretary*

Daniel C. Bridge

Vice President — Marketing

Joanne M. Currier

*Vice President —
Information Technologies*

David N. DeLuca, CPCU

Vice President — Claims

Brian C. Eagan, CPCU

Vice President — CFO & Treasurer

Mary J. Gray

Vice President — Underwriting

DIRECTORS

Richard N. Bland (2000)

*Vice President — General Counsel
& Secretary*

William A. Catto, CPCU (1996)

*Chief Operating Officer
President — Granite Mutual*

William P. Cody (2003)

*Financial Advisor —
UBS Financial Services, Inc.*

John N. Evans, Ph. D. (2006)

*Senior Advisor to the President
of the University of Vermont
Former Dean — UVM College of Medicine*

Michele S. Gatto (2006)

*Retired Executive Vice President —
National Life Group*

William A. Gilbert (1997)

Retired Attorney

John D. Hashagen, Jr. (1988)

*Retired President —
Vermont National Bank*

J. Timothy Ide (1980)

President — E.T. & H.K. Ide, Inc.

Thomas J. Tierney (1993)

Chairman, President & CEO

DIRECTORS ADVISORY COUNCIL

William H. Brooks (1973)

*Retired President —
Vermont Mutual Insurance Group*

George D. Milne (1978)

*Retired Partner —
Hollister Real Estate Company*





MARKETING TERRITORIES

CONNECTICUT, RHODE ISLAND &
WESTERN MASSACHUSETTS

George J. Syrotiuk

MAINE

Steven G. Rahl, CPCU

MASSACHUSETTS

John L. Altieri, CIC
Anthony M. Corvelo
Diane M. Hanson

NEW HAMPSHIRE

Neil S. Mishkit

NEW YORK

Brian G. Whalley, CIC, CPIA

VERMONT

Ashley H. Bouchard, AU, CPCU



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