



VERMONT MUTUAL INSURANCE GROUP®
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Thomas J. Tierney
Chairman
President and Chief Executive Officer

July 29, 2011

To: Our Independent Agency Partners

**RE: VERMONT MUTUAL INSURANCE COMPANY HONORED
NAMED TO THE 2011 WARD'S 50 TOP PERFORMING PROPERTY-CASUALTY INSURANCE COMPANIES**



Charles Gall, Senior Director, Ward Group (center) presents the 2011 Ward's 50 award to William Catto, COO, Vermont Mutual Insurance Group (left) and Thomas Tierney, CEO, Vermont Mutual Insurance Group (right).

The Vermont Mutual Insurance Company has again been named to the Ward's 50 top performing property-casualty insurance companies in the United States. 2011 is the third year in a row that the Company has been awarded this distinction. The Ward Group is the leading provider of benchmarking and best practices services for the insurance industry. Each year, it analyzes the financial performance of more than 3,000 property-casualty insurance companies domiciled in the United States and identifies the top 50 performers, which earn the honor of being a member of Ward's 50 for the year. In order to earn a place in Ward's 50, a company must excel at balancing safety, consistency and performance over the past five years.

Vermont Mutual's President and CEO, Thomas J. Tierney noted that "To be named one of the Top 50 in a field of over 3,000 is an extraordinary honor, one of which our agents, directors and employees should all be very proud. The receipt of this award acknowledges and celebrates the integrity, commitment and dedication that each member of the Vermont Mutual team contributes every day to help make our Company financially strong and operationally stable."

The Vermont Mutual Insurance Group's home office is located in Montpelier, Vermont. The Vermont Mutual Insurance Company, Northern Security Insurance Company, Inc. and Granite Mutual Insurance Company are Group members. Founded in 1828, the Vermont Mutual Insurance Company is one of the oldest mutual insurance companies in the United States. The Group markets property and casualty products through independent agents throughout New England and New York and currently provides coverage for more than 275,000 policyholders.

Sincerely,

Thomas Tierney
Chairman, President and Chief Executive Officer



Top Performing P&C Insurers Set the Bar for Excellence



Annually, Ward Group analyzes the financial performance of over 3,000 property-casualty insurance companies domiciled in the United States and identifies the top performers. This group is called the Ward's 50 for the year. Each Ward's 50 company has passed all safety and consistency screens and achieved superior performance over the five years analyzed. The Ward's 50 property-casualty group of insurance companies produced a 13.8% return on average equity from 2006 to 2010 compared to 8.7% for the property-casualty industry overall. This is the 21st year Ward Group has conducted the analysis.

"The property-casualty industry has demonstrated the ability to manage the business very well during slow economic growth" explains Jeff Rieder, President of Ward Group. "While various sectors within the industry have been affected differently, it is important for companies to continue to focus on the fundamentals of maintaining profitable operations and make wise decisions to meet customer needs. In selecting the Ward's 50, we identify companies that pass financial stability requirements and measure their ability to grow while maintaining strong capital positions and underwriting results."

Safety and Consistency

Insurance companies are evaluated and must pass minimum thresholds to be considered for the Ward's 50 designation. Each company must pass primary safety and consistency tests, including:

- Surplus and premiums of at least \$50 million for each of the 5 years analyzed
- Net income in at least 4 of the last 5 years

- Compound annual growth in premiums between -10% and +40%

Performance Measurements

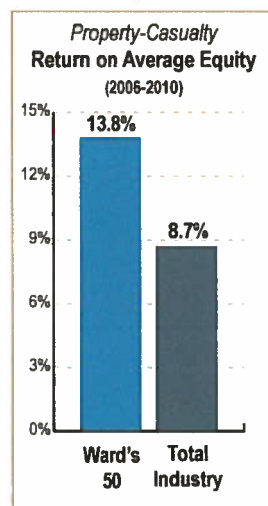
Companies that pass the safety and consistency tests are measured and scored on the following elements:

- Five Year Average Return on Average Equity
- Five Year Average Return on Average Assets
- Five Year Average Return on Total Revenue
- Five Year Growth in Revenue
- Five Year Improvement in Surplus to Written Premium
- Five Year Average Combined Ratio

Key Performance Benchmarks

An important objective of the Ward's 50 is to compare their performance as a group with the rest of the industry. In addition

to achieving greater levels of income returns, the Ward's 50 benchmarks also outperformed in other key performance benchmarks. The Ward's 50 property-casualty group compared 9.4 points lower for the five year combined ratio (90.2% compared to 99.6%) and grew policyholder surplus by 28.6% compared to 16.2% for the industry since 2006. Net premiums written for the Ward's 50 property-casualty group grew 0.9% compared to the industry's 2.5% decline.



In addition to performing well with financial returns, the Ward's 50 benchmark continues to achieve lower expense ratios. "The lower expense ratio is a good indicator these companies achieve better organizational efficiency relative to the industry," says Mr. Rieder. In 2010, expenses relative to revenue were 8.3% lower for the Ward's 50 property-casualty group of companies.

2011 Ward's 50[®]

Property-Casualty Companies
(listed alphabetically)

Acuity
Alaska National Insurance Company
Alleghany Group
Allstate Insurance Company
American Financial Group
American Modern Insurance Group
Amerisafe
Amica Mutual Insurance Group
The Andover Companies
Assurant Group
Balboa Insurance Company
Bear River Mutual Insurance Company
Brethren Mutual Insurance Company
Capital Insurance Group
Chubb Group
Cincinnati Insurance Group*
CSE Insurance Group
The Doctors Company
Erie Insurance Group
Federated Mutual Group
First Insurance Company of Hawaii, LTD
FM Global
Franklin Mutual Insurance Group
GEICO*
Goodville Mutual Casualty Company
GuideOne Insurance Group
HCC Insurance Holdings Group
IDS Property Casualty Insurance Company
Island Insurance Companies Group
Jewelers Mutual Insurance Company
Lancer Insurance Company
The Main Street America Group
Metropolitan Property and Casualty Insur. Co.
Nodak Mutual Insurance Company
North Star Mutual Insurance Company
Ohio Mutual Insurance Group
Pacific Specialty Insurance Company
Philadelphia Insurance Companies
Preferred Mutual Insurance Company
ProAssurance
Progressive Insurance Group
ProMutual Group
RLI Insurance Group*
Rural Mutual Insurance Company
Safety Insurance Group
Travelers Insurance Group
USAA Group*
Vermont Mutual Insurance Company
W.R. Berkley Corporation
Western National Insurance Group
*21-year recipient (1991-2011)

An important objective of the Ward's 50 is to compare their performance as a group with the rest of the industry. Comparisons based on benchmarks set by the Ward's 50 group of companies are available for individual companies and the total industry. Visit www.wardinc.com for more information.



Empowering Companies Through Knowledge[®]