

SINCE 1828

VERMONT MUTUAL  
INSURANCE GROUP

A N N U A L   S T A T E M E N T   2 0 2 2





# UNCHARTED WATERS

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At Vermont Mutual, and throughout most of the world, the past year required navigating through uncharted waters. For us that included:

- Addressing the financial pressures resulting from historic inflation.
- Dealing with an unprecedented number of large property claims.
- Weathering the 6th biggest downturn in the financial markets since the Great Depression.
- Managing the significantly increased costs associated with reinsurance protection and its impact on the pricing of our insurance products.
- And adjusting to a post-pandemic hybrid work environment.

With large losses and inflation increasing claim costs in 2022, we produced a combined ratio of 99.5%, outperforming the property and casualty industry projection of 106.7%, but unfavorable to our 10-year 90.3% combined ratio. Further impacted by the challenges of the financial markets, policyholder surplus deteriorated by 2.9% in an industry that is expected to lose 11% of surplus in 2022, but again unfavorable to our 10-year 12% annual rate of surplus growth.

However, we were very pleased to grow our written premium by 10.1% and wrote record new business of more than \$80 million. We're also proud to continue our commitment to community support, as our \$533,000 of contributions from the Vermont Mutual Charitable Giving Fund in 2022 helped us eclipse \$3.5 million in total fund contributions since its launch in 2014.

In spite of the challenges of 2022 negatively impacting several metrics in our business, our long term consistent performance and the strong foundation it helped us build over many years, allowed Vermont Mutual to address the challenges we faced and our sustained performance was again recognized. We were honored to be recognized as a U.S. Top 50 Property-Casualty Company for the 14th consecutive year by Ward Group, named a Best Place to Work in Vermont for the 7th straight year and our A+ rating from AM Best was affirmed in early 2022.

It must be acknowledged that the dynamics that caused disruption in 2022 remain as we enter 2023. We continue to contend with the compounding impact of inflation, rising costs of reinsurance and investment uncertainty, but we remain confident that the results of our efforts to address these challenges will accelerate in 2023 as we weather the storm and look forward to brighter times ahead.

We are incredibly proud of the team at Vermont Mutual, as they have navigated unprecedented personal and professional challenges over the last several years. We are thankful to our agent partners who continue to place their trust in us, appreciative of the support provided to us by our business associates outside of Vermont Mutual and we remain committed to expertly serving our policyholders in the Northeast, as we have done for more than 195 years.



To learn more, please view our 2022 Annual Statement Video Update by scanning the QR code (to the right) with the camera on your smartphone or by visiting: <https://vermontmutual.com/statement/>



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**Mark J. McDonnell**  
Executive Vice President & COO  
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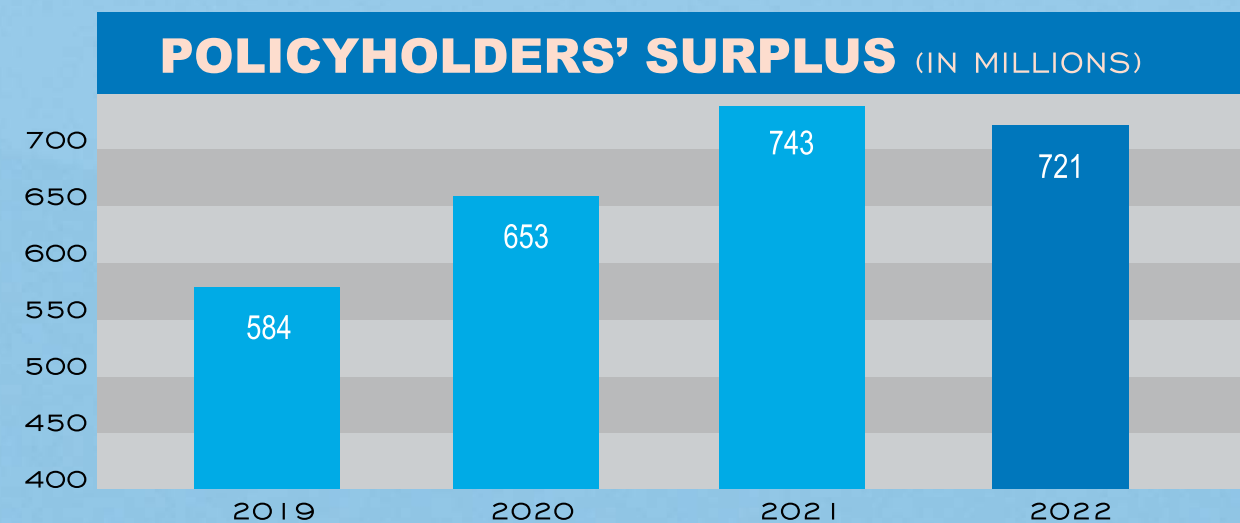
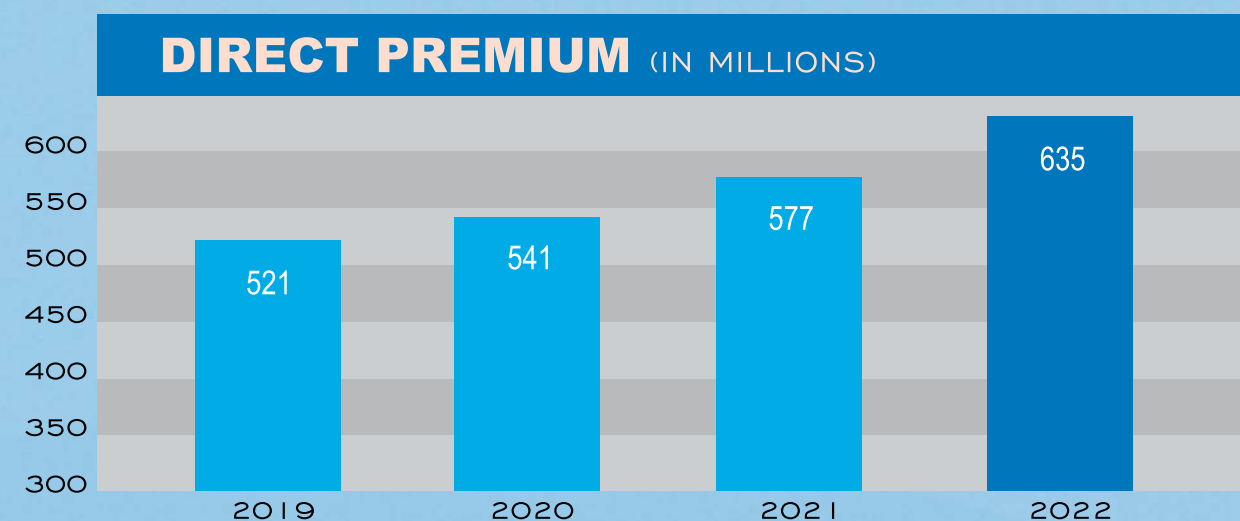
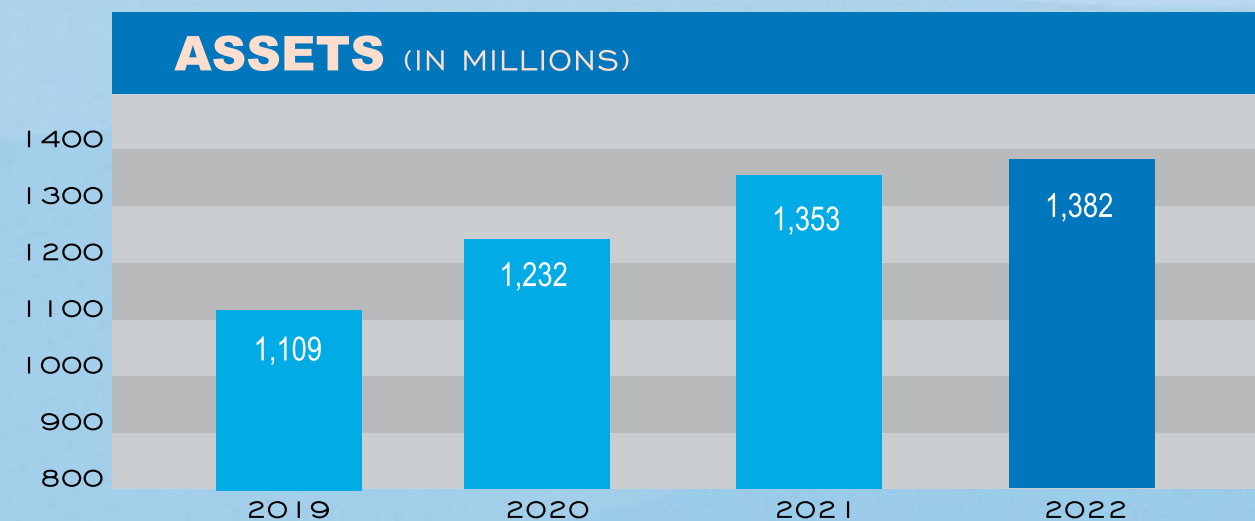
# 195<sup>th</sup> ANNUAL STATEMENT

AS OF DECEMBER 31, 2022

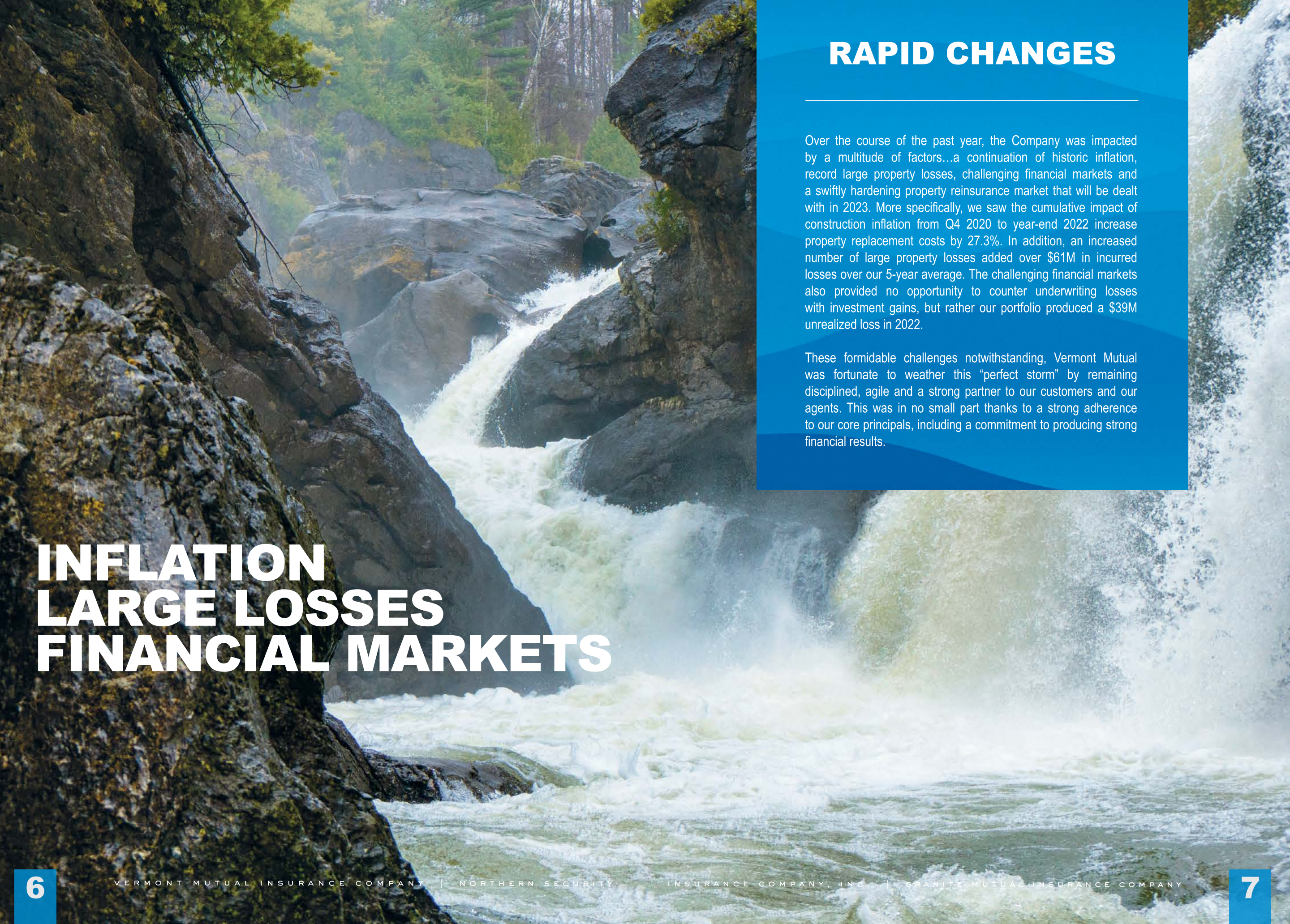
ASSETS	2022	2021
Cash & Short Term	76,016,971	59,413,026
Bonds & Notes	894,732,260	873,381,524
Stocks	213,398,973	245,732,444
Real Estate	2,903,331	3,101,933
Premium Balances	112,150,657	99,616,371
Other Assets	82,449,503	71,353,128
<b>Total Assets</b>	<b>1,381,651,695</b>	<b>1,352,598,426</b>

LIABILITIES	2022	2021
Reserves for Unearned Premium	306,596,023	280,840,090
Reserves for Loss & Loss Expense	243,773,411	221,884,872
Other Liabilities	109,966,021	107,228,587
<b>Total Liabilities</b>	<b>660,335,455</b>	<b>609,953,549</b>
<b>Policyholders' Surplus</b>	<b>721,356,240</b>	<b>742,644,877</b>
<b>Total Liabilities &amp; Surplus</b>	<b>1,381,691,695</b>	<b>1,352,598,426</b>
A.M. Best Company Ratings "A+" Superior, Class IX		

# 195<sup>th</sup> ANNUAL STATEMENT







# INFLATION LARGE LOSSES FINANCIAL MARKETS

## RAPID CHANGES

Over the course of the past year, the Company was impacted by a multitude of factors...a continuation of historic inflation, record large property losses, challenging financial markets and a swiftly hardening property reinsurance market that will be dealt with in 2023. More specifically, we saw the cumulative impact of construction inflation from Q4 2020 to year-end 2022 increase property replacement costs by 27.3%. In addition, an increased number of large property losses added over \$61M in incurred losses over our 5-year average. The challenging financial markets also provided no opportunity to counter underwriting losses with investment gains, but rather our portfolio produced a \$39M unrealized loss in 2022.

These formidable challenges notwithstanding, Vermont Mutual was fortunate to weather this “perfect storm” by remaining disciplined, agile and a strong partner to our customers and our agents. This was in no small part thanks to a strong adherence to our core principals, including a commitment to producing strong financial results.



# OUTRUNNING THE STORM

Despite the aforementioned challenges, the Company managed to produce a combined ratio below 100%, with only a modest drop in surplus. And while considerably less favorable than in previous years, it's a loss ratio result that is 5 points favorable to the forecasted industry combined ratio and a surplus change that's 8 points favorable to the loss in surplus expected to impact the overall industry. This demonstrates that even during tough times, our competent and disciplined approach continues to keep our customers safely protected and our company financially stable.

Additionally, thanks to the considerable efforts of the entire company, led by our Marketing Team and the independent agents that represent us in the field, we were able to write more than \$80M of new business. We also enjoyed improved retention rates and grew total written premium by more than 10% to \$635 million.

# \$80 MILLION IN NEW BUSINESS

# \$635 MILLION IN TOTAL WRITTEN PREMIUM





## ALL ABOARD!

For all of us at Vermont Mutual, the month of May was a merry month indeed! It was the first time since the start of the pandemic that the entire company returned to the Company offices at both our Montpelier and Berlin locations. Smiling faces were greeted with warm handshakes and hugs as we reconnected, caught up and celebrated being back together.

Quite a new experience for us all when compared to the past two years. At the very start of the pandemic, Vermont Mutual quickly shifted to a remote work schedule. We were very pleased that the transition to working remotely was a smooth process, as was the return to an office environment.

Our return to the office in May was also accompanied by the launch of our new Flexible Work Program, which provides employees with the opportunity to split their work time 50% in-office and 50% remote. This significant change from our pre-pandemic schedule is providing needed personal flexibility to our staff, while still allowing us to meet our business expectations.

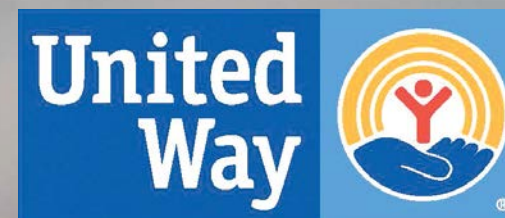




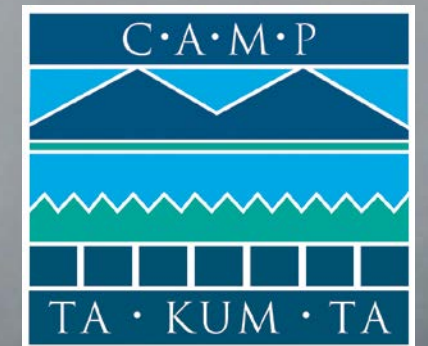
# A BEACON IN STORMY WEATHER

Difficult times shine a light on the importance of being there for others. We are proud to work in partnership with our independent insurance agencies and appreciate the local support they bring to our mutual customers. It is in part thanks to this local connection that we place a special importance on helping our local communities. To that end, Vermont Mutual created the Charitable Giving Fund, established to enhance the quality of life in communities where the Group conducts business by providing financial support to worthy community organizations, with a total of \$553,000 in 2022. Since its inception in 2014, the fund has donated \$3.5 million dollars to more than 1,200 local charitable organizations, including a \$1.0M donation for COVID relief in Vermont early in the pandemic.

We are proud to sponsor many programs and charitable efforts in our communities. This includes programs such as the Nursing Pathways Program at Central Vermont Medical Center. This important program goes far in helping nursing students achieve their education goals. And for the past 7 years we have partnered with the University of Vermont Athletics *Cats Win, Community Wins* program. As part of this initiative, Vermont Mutual donates \$100 to a worthy local charity for every UVM win, in every sport, all year long. We also offer every Vermont Mutual employee a paid day off to support their volunteer efforts, further personalizing our charitable efforts.



Green Mountain  
United Way



Vermont Foodbank

# \$3.5 MILLION IN DONATIONS





## Financial Strength Rating



## REGCOGNITIONS & AWARDS

While 2022 presented challenges, there were also many bright spots throughout the year. Among them were the many awards and recognitions the Company received. For the 14th year in a row we were named a Top 50 Company by Ward Group, a leading provider of operational and compensation benchmarking and best practices services for insurance companies. To achieve this distinction a company must demonstrate superior performance based on a comprehensive examination of the previous five years of operation and pass all safety and consistency screens.

In addition, we were again affirmed a financial rating of A+ "Superior" from AM Best. This designation from AM Best, a leading financial and credit rating agency, is especially meaningful during a time when we were dealing with the effects of a persistent worldwide pandemic, historic inflation and challenging financial markets affecting businesses and communities across the country.

However, among all of the recognition received for our exceptional business performance, one that matches those is being named a "Best Place to Work in Vermont" for the 7th consecutive year. This recognition is based predominantly on confidential employee surveys, making the award all the more meaningful to all of us at Vermont Mutual.



# CHARTING A COURSE FOR THE FUTURE

For the 195 years Vermont Mutual has been in operation, we have faced many challenges. During all of that time we successfully relied on the strength of our core principles to guide us. And while 2022 has presented its own unique challenges, our past will continue to inform our future as we grow stronger every year. We will continue to aggressively address any significant changes that come our way, while continuing to invest in our future. Initiatives such as business process modernization, legacy system replacement through project SUMMIT, staff development and many more will position us well for the next round of challenges that come our way.

Our customers and our independent agency partners have grown to rely on Vermont Mutual to remain a strong, disciplined and competent partner. And while we may look to the past with a great degree of satisfaction in all we've accomplished together, our pride in the past is exceeded only by our excitement in what lies ahead for all of us.





# OFFICERS

**Daniel C. Bridge**

Chairman, President & CEO

**Mark J. McDonnell, CPCU, CIC**

Executive Vice President & COO

**Jonathan R. Becker**

Vice President, Underwriting

**William J. Cahill, CPCU**

Vice President, General Counsel & Secretary

**Sarah B. Young**

Vice President, Human Resources

**David N. DeLuca, CPCU**

Vice President, Claims

**Shaun P.T. Farley**

Vice President, Marketing

**Brody N. Gilbert, CPA**

Vice President, CFO & Treasurer

**Richard Middleton**

Vice President & CIO

# DIRECTORS

**Richard N. Bland (2000)**

Retired Vice President, General Counsel & Sec.  
Vermont Mutual Insurance Group

**Daniel C. Bridge (2014)**

Chairman, President & CEO  
Vermont Mutual Insurance Group

**William A. Catto, CPCU (1996)**

Retired President & CEO  
Vermont Mutual Insurance Group

**William P. Cody (2003)**

Retired Account VP, UBS Financial  
Former Owner, New Car Dealerships

**Michele S. Gatto (2006)**

Retired Executive Vice President  
National Life Group

**Mark J. McDonnell (2019)**

Executive Vice President & COO  
Vermont Mutual Insurance Group

**Premila Peters (2021)**

President  
Data Innovations

**David J. Provost (2012)**

Executive Vice President  
Finance & Administration  
Middlebury College

**Steven P. Voigt (2013)**

Retired President & CEO  
King Arthur Flour Company

# MARKETING

**John L. Altieri, CIC**

Massachusetts

**Ashley H. Bouchard, CPCU, AU**

Vermont

**Chris D. French, CPCU, AU, AIS, ACS**

New Hampshire

**Diane M. Hanson**

Massachusetts

**Diane M. Hashagen, CPCU, CIC**

Massachusetts, New Hampshire & Vermont

**Thomas P. Nanof, CIC, CSRM**

Maine

**David J. Symock**

Connecticut & Rhode Island

**Brian G. Whalley, CIC, CPIA**

New York

**Christine M. Yeaton, CPCU, AU**

Massachusetts





SINCE 1828

# VERMONT MUTUAL INSURANCE GROUP

STABLE

PREDICTABLE

COMPETENT

PARTNER

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