



SINCE 1828

VERMONT MUTUAL
INSURANCE GROUP

A N N U A L S T A T E M E N T 2 0 2 3



A PERFECT STORM

The past few years have been amongst the most challenging for the insurance industry and for Vermont Mutual. The disruption was not from a single event, but a confluence of disrupters that had successive negative impacts on our business...a perfect storm if you will.

The economic rebound from the global pandemic resulted in supply chain delays and historic inflation, driving up the cost of property and automobile claims. Geopolitical conflict further disrupted the availability of materials. Climate change produced weather events that were more frequent and more severe. Additionally, the reinsurance protection that insurers rely on to ensure financial strength grew significantly more expensive.

Vermont Mutual was not immune to any of these challenges. Inflation drove up the cost to repair homes, cars and businesses by approximately 30%. We experienced two of the most costly weather events in our 195 year history with a 30-hour freeze in February and a severe wind storm in December. Together, these two catastrophes accounted for nearly \$70 million in losses and added twelve points to our combined ratio in 2023. As inflation drove up the replacement cost of properties we insure, we required additional catastrophe reinsurance protection and purchased \$140 million more coverage at a cost of nearly 40% more than our expiring premium.

If those challenges were not enough for our team, historic flooding in Vermont in July left our Montpelier home office inoperable, returning our staff to largely remote work and undertaking a significant rebuilding project that will continue into mid-2024.

The perfect storm of 2023 resulted in a combined ratio of 106.8%. Absent the 12 points of catastrophic claims, our financial results would have been better than planned. We grew premium by 13.6% and a rebounding investment market allowed us to grow policyholder surplus by 2.5%.

Recovering from sudden cost increases in our business generally takes 18-24 months. Throughout 2023 we made great progress towards that recovery, despite being continually challenged by the perfect storm. For nearly two centuries Vermont Mutual has been in the business of helping others in their time of need. We were pleased to have responded to those suffering loss in 2023 and are proud of our record charitable giving, even as we managed through our own significant challenges.

We are appreciative of the perseverance and resiliency of our team and our agency partners in support of our recovery efforts and look forward to producing the industry-leading results we're accustomed to in 2024 and beyond.

To learn more, please view our 2023 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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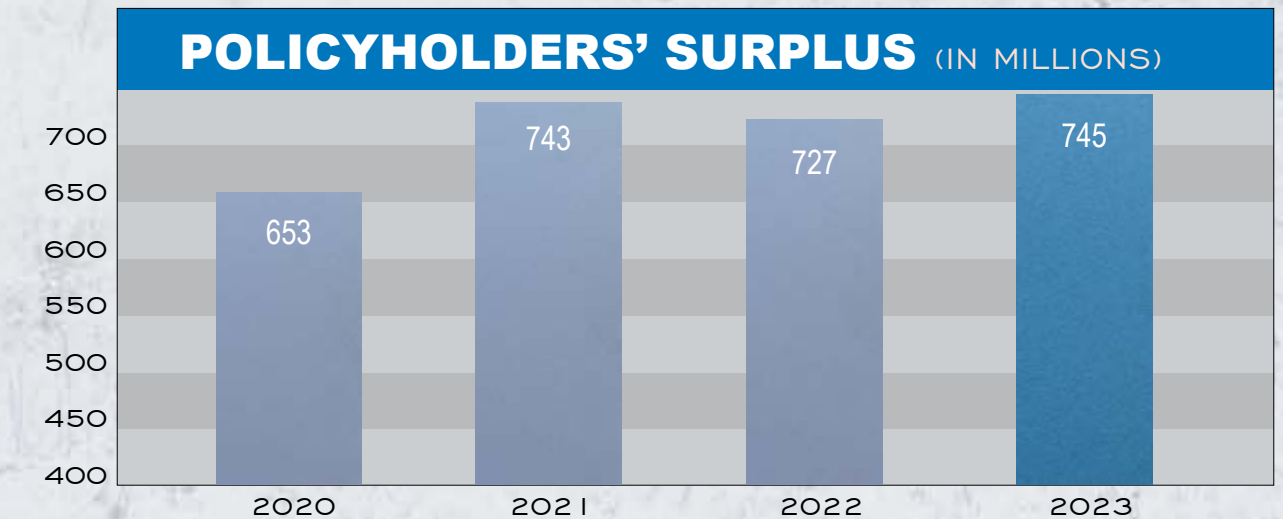
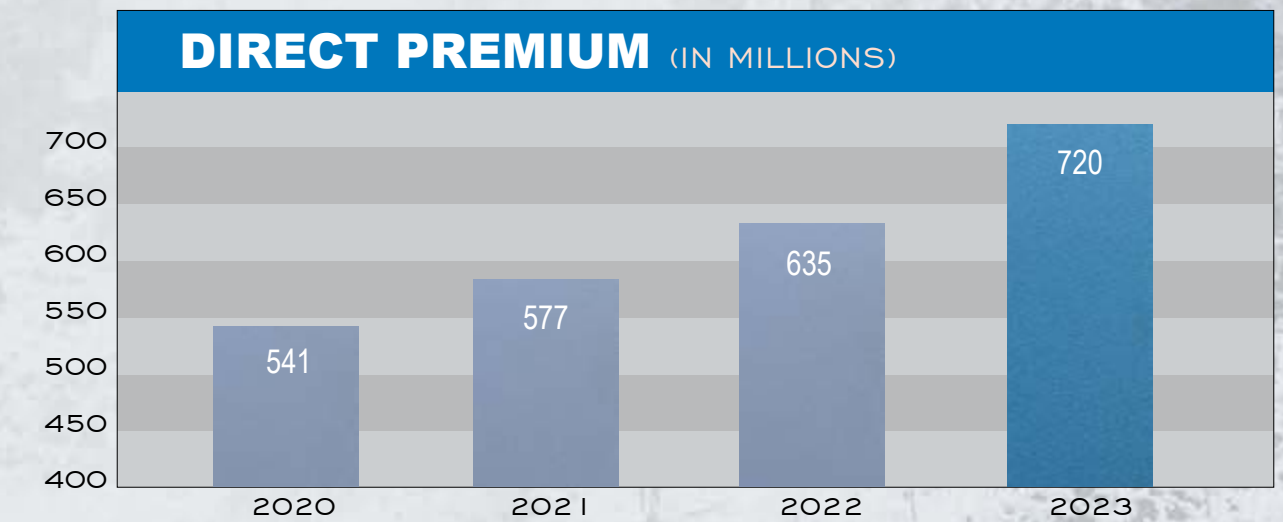
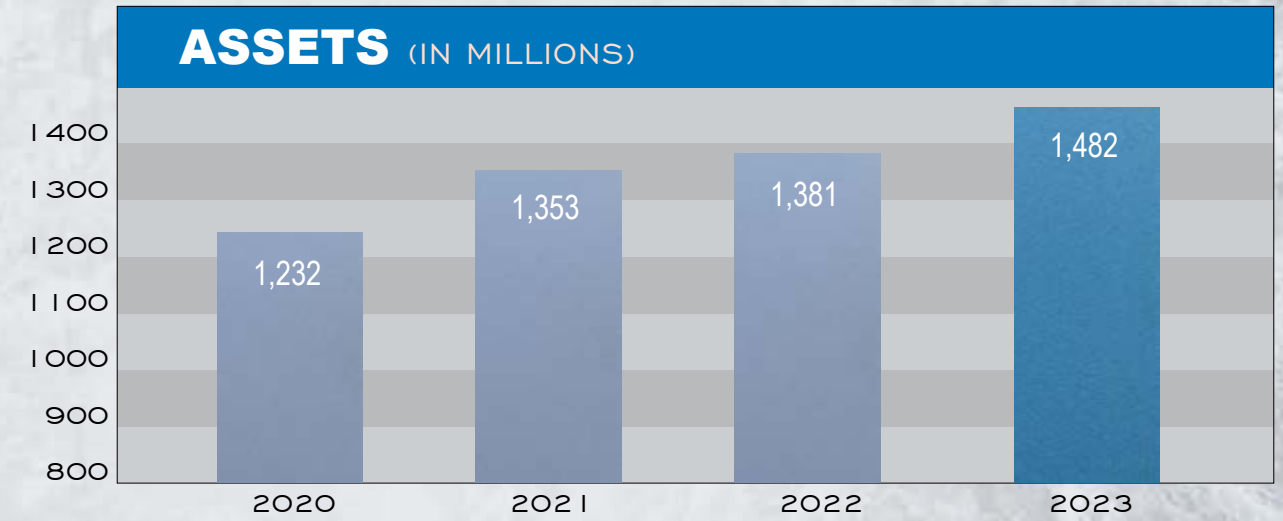
196th ANNUAL STATEMENT

AS OF DECEMBER 31, 2023

ASSETS	2023	2022
Cash & Short Term	90,359,705	76,016,971
Bonds & Notes	916,555,877	894,732,260
Stocks	249,812,824	213,398,973
Real Estate	3,026,088	2,903,331
Premium Balances	133,052,084	112,150,657
Other Assets	88,904,874	81,728,213
Total Assets	1,481,711,452	1,380,930,405

LIABILITIES	2023	2022
Reserves for Unearned Premium	358,374,854	306,596,023
Reserves for Loss & Loss Expense	271,829,682	243,733,411
Other Liabilities	106,395,642	103,363,247
Total Liabilities	736,600,178	653,692,681
Policyholders' Surplus	745,111,274	727,237,724
Total Liabilities & Surplus	1,481,711,452	1,380,930,405
A.M. Best Company Ratings "A+" Superior, Class IX		

196th ANNUAL STATEMENT



A YEAR OF CHALLENGES

The past year brought no shortage of challenges. The first being the continued negative impact of historic inflation, which touched almost every area of our business. This was followed by the arrival of a severe “polar vortex” in the Northeast when roughly 30 hours of cold air spanning February 3rd and 4th, resulted in an almost \$50 million loss, the largest retained loss in our 195 year history! As the year progressed, we were impacted by the most rapidly hardening reinsurance market we have seen in years.

July brought historic flooding to Vermont which significantly impacted our home office. Finally, we finished the year with a severe wind event in the Northeast, which resulted in a nearly \$20 million loss, the third largest retained event in our company history.

FLOODING

HARDENING

REINSURANCE MARKET

POLAR VORTEX

WIND EVENT

DOWN...BUT NOT OUT

On July 10, 2023, the state of Vermont experienced heavy and prolonged rainfall that brought catastrophic flooding and substantial property damage throughout the state. Vermont Mutual's home office, located on State Street in Montpelier, was not spared the devastation. Rapidly rising waters inundated the lower level and first floor, causing considerable damage to the two buildings that comprise our home office and their contents.

Thanks to the effectiveness of our Disaster Recovery Plan, operations continued without disruption, both remotely and in our claims center, in the neighboring town of Berlin. As rising flood waters began to threaten our offices, our employees worked safely from their homes, tirelessly serving agents and policyholders.

While the flood of 2023 may have brought considerable destruction, it never dampened our spirits. We were heartened by the strong sense of community as people and businesses came together to help during the cleanup process. In support of the community, we made a \$450,000 donation to quickly get funds into the hands of those that needed it most. Additionally, a few days after the flood waters receded, we served lunch to 400 volunteers working to help the smaller downtown businesses recover.

As a company, we were able to quickly regroup, assess the damage and begin the rebuilding process. And while reconstruction efforts will continue well into 2024, we are nonetheless making significant strides towards a successful reopening of our office thanks to both Vermont Mutual staff and local contractors who have been instrumental in our rebuilding efforts so far.



Scan the QR Code above to view additional scenes from the flood of 2023.



A winter landscape with snow-covered trees and a fence. The scene is a dense forest of bare trees, their branches heavily laden with snow. In the foreground, a wire fence with wooden posts runs across the frame. The ground is covered in a thick layer of snow, and the overall atmosphere is serene and quiet.

OPERATIONAL IMPROVEMENTS

The many challenges of 2023 notwithstanding, strategic and operational improvements throughout the Company continued without delay. The past year saw improvements to both systems and infrastructure. This included the introduction of our Agency Self Service Portal. This innovative new platform allows agency partners to easily manage their accounts, agency users, producer appointments, delivery preferences and more.

In 2023 we introduced the HOVER DIY Home Inspections app, designed to help ease the inspection process and expedite claim payments and recovery efforts. Also in 2023, with the launch of Massachusetts auto, we completed an important phase of our SUMMIT legacy system replacement project.

On the claims front we introduced our new online first notice of loss portal, which allows our customers to submit claims online, a capability that has been quickly embraced by our customers.

Finally, while experiencing a flood is challenging on many fronts, it has afforded us the opportunity to completely reevaluate our work space to best accommodate Vermont Mutual's new hybrid work program. To achieve this goal, the Company will be launching a new "hoteling" platform designed to maximize available office space. This will be accompanied by the renovation of not only the flood-impacted floors, but a refresh of the entire home office.

CHARITY BEGINS AT HOME

While contending with the effects of a disastrous flood and the many logistical challenges of reconstruction, we believed it was imperative to help the many families and businesses also devastated by flooding.

Similar to our \$1M COVID relief distribution, we responded swiftly by directing more than \$450,000 to community partners who were best equipped to get relief into the hands of those who needed it most. This included \$200,000 to the Vermont Community Foundation's Vermont Flood Response and Recovery and \$100,000 to the Barre Community Relief Fund.

Additionally, \$50,000 was donated to the Northeast Organic Farming Association of Vermont Farmers Emergency Fund to help farmers recover from the financial impact associated with crops destroyed by flooding. Employees were also encouraged to utilize Vermont Mutual's Donation Matching Program to effectively double employee donations to flood relief organizations important to them.

We are pleased to report that our giving through the Vermont Mutual Charitable Giving Fund reached \$1M in 2023. This brings total donations since the inception of the Fund to more than \$4.6 million dollars distributed to hundreds of charitable organizations that serve the communities where we conduct business.

**MORE THAN
\$1 MILLION IN
DONATIONS
IN 2023**



ACKNOWLEDGMENTS

Despite the disruptions of 2023, there were some bright spots along the way. Among these included the many recognitions and awards Vermont Mutual received during the past year.

In 2023 Vermont Mutual was again recognized as a Top 50 Property and Casualty insurer in the U.S. by Ward Group, one of the industry's most respected benchmarking organizations. This was the 15th consecutive year that the Company received this coveted distinction.

Additionally, AM Best, the global rating agency for the insurance industry, reaffirmed the rating of A+ for the Company for the 9th year in a row.

Also in 2023, Vermont Mutual was once again named a "Best Place to Work in Vermont". This was the 8th consecutive year the Company received the designation since first entering the state survey and awards program back in 2016. Presented in part by the Vermont Department of Economic Development and Best Companies Group, the recognition is especially meaningful as it is a direct reflection of the anonymous surveys taken by our own employees.



Financial Strength Rating



A+ Superior



MOVING FORWARD

As always, Vermont Mutual will continue to do what we do best: remain a stable, competent and disciplined insurer, protecting our policyholders and providing the very best service to our agency partners.

The initiatives started in 2023 will continue over the course of the coming year. This includes continued development and implementation of software tools designed to improve workflow and efficiencies internally, enhance service delivery to agents and policyholders, and enhance flexibility and speed to market for future updates.

We continue to take all necessary steps to return profitability to our historic industry-leading level. This includes data driven initiatives, management of business costs, operational improvements, and the exploration of new cutting edge capabilities. Finally, we will continue to rely on the strong relationships we enjoy with our valued agency partners and the business partners who support our business and play an instrumental role in our success.

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

David N. DeLuca, CPCU

Vice President, Claims

Shaun P.T. Farley

Vice President, Marketing

Brody N. Gilbert, CPA

Vice President, CFO & Treasurer

Samuel J. Hopkins

Vice President & CIO

Joshua J. Wykle

Vice President, Strategy & Innovation

Sarah B. Young

Vice President, Human Resources

DIRECTORS

Richard N. Bland (2000)

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

Daniel C. Bridge (2014)

Chairman, President & CEO
Vermont Mutual Insurance Group

William P. Cody (2003)

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

Theresa Alberghini DiPalma (2023)

Senior VP [Retired] University of Vermont Health
Network/Academic Medical Center

Mari M. McClure (2023)

President & CEO
Green Mountain Power

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)

President & CEO [Retired]
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

Cassandra M. Hedstrom, AINS

Massachusetts

Thomas P. Nanof, CIC, CSR

Maine

David J. Symock

Connecticut & Rhode Island

Brian G. Whalley, CIC, CPIA

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Christine M. Yeaton, CPCU, AU

Massachusetts



SINCE 1828

VERMONT MUTUAL INSURANCE GROUP

STABLE

PREDICTABLE

COMPETENT

PARTNER

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