



CO-OPERATIVE
INSURANCE
COMPANIES

2012
ANNUAL REPORT

Member owned. Member committed.

**Building strong working
relationships is the best way to
provide the level of service our
customers deserve and expect.**





Letter from the President



Dear Members,

In 2012, we devoted additional time to updating our strategic initiatives, laying out our road map for the next several years. The decisions that we made and the initiatives we plan to move forward with are important to us in our determination to remain an independent and viable company for our members, able to compete with and offer more value than large national carriers and the online companies that tout saving you money.

Our initiatives focus on delivering exceptional customer service, developing technologies that meet future demands and expectations, achieving profitable growth while staying true to our core areas of expertise, and developing our agency force and our staff.

Our road map aligns with the principles of being a co-operative, including valuing education and training, providing information to our members, and being concerned with and supportive of our local communities. Part of living by those principles includes our commitment to the agency model of providing you insurance. We believe in the value agents bring to you with their experience, advice, understanding of your individual needs, and local presence.

As a co-operative, we are not motivated or beholden to make a profit for shareholders. Instead, we make decisions in the best interest of our members and the financial soundness of the company.

Some of those decisions are growing increasingly complex, as there are more and more things to pay attention to, including weather patterns and how they are changing; cyber security and keeping your personal information safe; and disaster preparedness and the ability to respond during adverse conditions, to name just a few. We are vigilant in our continual planning, testing, and preparing for known and unknown emerging risks.

We recognize the need to change as the world, our competition, and our environment change around us, but some things remain constant - our commitment to our members and communities, living by our core values, and being a strong, reliable choice into the future. Our road map shows the way forward and will help ensure that we take the actions necessary to live up to our vision: Here for you, when you need us, providing the service you need.

Sincerely,

Marie Jewett, AU, API, AIS
President & CEO





Letter from the Chief Financial Officer



Dear Members,

Nearly five years have passed since the 2008 financial crisis wreaked havoc on large segments of the global economy. The events of that year still affect us today, even in northern New England. Two interesting new financial terms gained currency as a result of those events – the “black swan” and the “new normal.” While they have contrasting meanings, both terms represent attempts to classify and understand the significance of random events, and maybe in doing so, to predict the future.

Over the past couple of years, we have seen news headlines about coastal “superstorms,” northeastern tornadoes, snowless winters, and January sap runs. We continue to wonder what they mean for the future. Are they rarities, like black swans, or do they represent a new type of “normal”? While we can’t answer those questions, we can guarantee that reliable insurance protection continues to be a good investment. When Abe Foote and friends formed the Patrons Co-operative Fire Insurance Company back in 1915, they didn’t know what the future held for them either, but they were confident that the co-operative model of sharing risk was the best way to deal with that uncertainty.

Your Co-op posted strong financial results in 2012, including steady premium growth, favorable claims experience, and an excellent return on policyholders’ surplus, which has grown by more than 35% over the past five years, and now stands at just over \$60 million. Thanks to you, our members, we’re on a solid financial footing to face whatever the future may bring.

Sincerely,

David C. Tatlock, CPA, CPCU
Chief Financial Officer



BALANCE SHEET

 As of December 31,
(In Thousands)

	2012	2011
ASSETS		
Bonds, at amortized cost	\$ 62,192	\$ 55,905
Stocks and Mutual Funds, at fair value	27,248	23,997
Cash and Short Term	2,375	3,065
Real Estate and other	2,205	2,190
Total Invested Assets	94,020	85,157
Premiums Receivable	14,118	13,652
Deferred Income Taxes	1,861	2,399
Other Assets	2,429	1,644
TOTAL ASSETS	\$ 112,428	\$ 102,852
LIABILITIES AND SURPLUS		
Unearned Premiums	31,262	29,819
Reserve for Losses and Claim Expenses	16,108	15,154
Commissions and Expenses Payable	3,392	2,394
Other Liabilities	1,447	1,715
TOTAL LIABILITIES	52,209	49,082
Policyholders' Surplus	60,219	53,770
TOTAL LIABILITIES AND SURPLUS	\$ 112,428	\$ 102,852

STATEMENT OF INCOME

 Year Ended December 31,
(In Thousands)

	2012	2011
Premiums Earned, Net of Reinsurance	\$ 53,388	\$ 50,589
Losses Incurred	25,946	29,844
Loss Adjustment Expenses	4,077	3,898
Other Underwriting Expenses	19,993	17,833
Net Gain from Underwriting	3,372	(986)
Net Investment Income	2,529	2,440
Other Income	508	554
Income Before Federal Tax	6,409	2,008
Federal Income Tax	1,377	668
Net Income	\$ 5,032	\$ 1,340

STATEMENT OF CHANGES IN SURPLUS

 Year Ended December 31,
(In Thousands)

Policyholders' Surplus, Beginning	\$ 53,770	\$ 52,082
Net Income	5,032	1,340
Unrealized Investment Gains (Losses)	3,053	(547)
Other Surplus Changes	(1,636)	895
Policyholders' Surplus, Ending	\$ 60,219	\$ 53,770



Leadership



2012-2013 Executive Management Team

Sitting L-R: Gina Larrow, John Condon, Ted Davis

Back row L-R: Eric Rhoades, Brad Fortier,
David Tatlock, Marie Jewett



2012-2013 Board of Directors

Sitting L-R: Jacques Couture, Hugh Spafford,
Jane Sorensen, Gordon Booth, Michael Ladd

Back row L-R: Charles Palmer, Laurie Rowell,
James Sullivan, Pamela Douglass, Richard Foote,
Jean Conklin, George Chaffee, Marie Jewett, Charles Mason,

Core Values & Mission Statement

Co-operative Insurance Companies operates on
four core values:

Respect, Stewardship, Integrity, Accountability



*Our goal is to serve people by providing
financial security to residential property
owners, farm owners, and business owners
in Vermont and New Hampshire.*

Officers and Directors

Co-operative Insurance Companies

Marie M. Jewett, President/CEO
David C. Tatlock, Treasurer, CFO, Senior VP - Finance
Ted-E Davis, Senior VP - Information Services
Brad Fortier, Senior VP - Marketing and Underwriting
Eric Rhoades, Senior VP - Claims
John Condon, VP - Underwriting and Loss Control
Gina Larrow, VP - Human Resources
Michael J. Ladd, Chair of the Board
Jacques R. Couture, Vice Chair of the Board
Maggie A. Cyr, Secretary to the Board

Patrons Co-operative Fire Insurance Company

(Organized September 1, 1915)
Charles R. Mason, Pawlet, VT, President
Charles B. Palmer, Pownal, VT, VP, Secretary
Richard P. Foote, Middlebury, VT
James W. Sullivan, Vergennes, VT
Pamela J. Douglass, Brandon, VT
Everett A. Willard, Orleans, VT*

Farmers Co-operative Fire Insurance Company

(Organized September 1, 1924)
Hugh B. Spafford, Rutland, VT, President
Jacques R. Couture, Westfield, VT, Vice President
Jane T. Sorensen, Fairfax, VT, Secretary
George A. Chaffee, Williston, VT
Charles R. Mason, Pawlet, VT

Rural Co-operative Fire Insurance Company

(Organized September 1, 1933)
Michael J. Ladd, Glover, VT, President
Gordon J. Booth, Barre, VT, Vice President
Jean Conklin, Haverhill, NH, Secretary
Marie M. Jewett, New Haven, VT
Laurie A. Rowell, Saxtons River, VT
Albert E. Conklin, Woodstock, VT*
Dean Jackson, Panton, VT*
Alan K. Kinney, South Hero, VT*
John Urie, Glover, VT*

* = Director Emeritus



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