



**CO-OPERATIVE  
INSURANCE  
COMPANIES**



**Member owned. Member committed.**

**2016  
ANNUAL REPORT**



## Letter from the President

Dear Members,

Planning and preparation are essential to the success of a business. Each year, we build a business plan using historical data and projecting future trends in several areas, including growth, claims and inflation. 2016 did not live up to expectations – in a good way. It was an exceptionally good year for your Co-op, largely due to mild winter weather that resulted in less severe claims than usual being submitted by our members.

In addition to an annual business plan, we maintain strategic plans for the next 3-4 years. Although we create plans that allow for flexibility and the ability to adjust direction as the need arises, given rapid changes in technology, available data, the way our industry works, and new product development, it's ineffective to attempt detailed planning any further out than that. 2016 saw us updating our strategic plan for the 2017-2020 window, a process that included evaluating and incorporating input from our employees, agents, members and board of directors.

At the highest level, our strategic plan sees us remaining an independent and viable company as we seek growth and profitability for the benefit of our members. Profits are added to policyholders' surplus at the end of each year, a step that remains vital as we write more business because it's what ensures our ability to pay claims and maintain a cushion for potential catastrophic events.

We are committed to investing in technologies for the future and to vigilantly protecting our data and policyholder privacy. You'll see this investment have a significant effect on our expenses over the next several years as we bring our new core system online. It should also have a significant effect on our business as it positions us to compete even better with insurers of all sizes in meeting and exceeding our members' and agency partners' expectations.

Our new technology will also allow us the opportunity to expand geographically. We are already researching which state we might venture into next, and whether we might do it by starting new there or by making an acquisition or affiliation that is a good fit.

For our first century in Vermont, we have been served well by the exclusive agency model, wherein Co-op owns the business on our books. As we've grown and expanded into New Hampshire over the last two decades, we have come to better understand and use the independent agency model there. In 2016, with full support from the board of directors, we decided it was time to move forward with one model, and offered our exclusive agents the opportunity to become independent. This should have no effect on our members, but allows all of our agency partners to more fully compete in the marketplace, and provides them better long-term financial security.

Finally, we are committed to investing in our employees and giving back to our local communities. We take great pride in having recently been named a Best Place to Work in Vermont for 2017. Our employees are our greatest asset, and we remain an employer of choice in part due to our commitment to work/life balance, personal development and supporting many individuals' special causes.

Our strategic initiatives will carry us forward and ensure that we take the actions necessary to live up to our vision to be here for you, when you need us, providing the service you need.

Sincerely,

Marie M. Jewett, AU, API, AIS  
President & CEO



**BALANCE SHEET**

As of December 31, 2016

*(In Thousands)*

	2016	2015
<b>ASSETS</b>		
Bonds, at amortized cost	\$ 79,390	\$ 72,978
Stocks and Mutual Funds, at fair value	29,088	27,721
Cash and Short Term	3,840	3,690
Real Estate and other	2,166	2,204
Total Invested Assets	114,484	106,593
Premiums Receivable	15,822	15,170
Deferred Income Taxes	1,970	1,645
Other Assets	2,955	3,021
<b>TOTAL ASSETS</b>	<b>\$ 135,231</b>	<b>\$ 126,429</b>

**LIABILITIES AND SURPLUS**

Unearned Premiums	36,740	34,897
Reserve for Losses and Claim Expenses	18,575	18,731
Commissions and Expenses Payable	4,353	3,687
Other Liabilities	2,013	2,860
<b>TOTAL LIABILITIES</b>	<b>61,681</b>	<b>60,175</b>
Policyholders' Surplus	73,550	66,254
<b>TOTAL LIABILITIES AND SURPLUS</b>	<b>\$ 135,231</b>	<b>\$ 126,429</b>

**STATEMENT OF INCOME**

Year Ended December 31, 2016

*(In Thousands)*

	2016	2015
Premiums Earned, Net of Reinsurance	\$ 62,933	\$ 59,428
Losses Incurred	28,770	32,217
Loss Adjustment Expenses	4,121	4,019
Other Underwriting Expenses	23,061	22,356
Net Gain (Loss) from Underwriting	6,981	836
Net Investment Income	2,356	3,117
Other Income	2,417	976
Income Before Federal Tax	11,754	4,929
Federal Income Tax	3,724	1,287
<b>Net Income</b>	<b>\$ 8,030</b>	<b>\$ 3,642</b>

**STATEMENT OF CHANGES IN SURPLUS**

Year Ended December 31, 2016

*(In Thousands)*

Policyholders' Surplus, Beginning	\$ 66,254	\$ 63,965
Net Income	8,030	3,642
Unrealized Investment Gains (Losses)	2,544	(1,456)
Other Surplus Changes	(3,278)	103
<b>Policyholders' Surplus, Ending</b>	<b>\$ 73,550</b>	<b>\$ 66,254</b>



## Director Tribute —Charles Palmer—

After 30 years of service, Charles Palmer retires from the Co-op board in 2017. In his time as a director, Charlie has served as Vice President of the Patrons Co-operative Fire Insurance Company, Chairman of the Governance committee and on most of the various committees.

Co-op is not the only place Charlie has made important contributions. Charlie served in the VT State legislature from 1988-2002. In his town of Pownal, Vermont he has served as a selectman, lister and 20 years as town moderator. Charlie and his wife, Priscilla have also served as officers in local and state Holstein Associations.

We are fortunate to have had someone so committed to his community and to Co-op's success as part of our organization for so long. Thank you, Charlie, for your years of dedicated service!



## Co-op's Goal

Our goal is to provide financial security and protection to residential property owners, farm owners and business owners in Vermont and New Hampshire. We deliver our products and services through a professional insurance agency system; our agents are valuable partners in Co-op's success.

## Co-op's Core Values

Beyond offering a full array of property and casualty insurance products and services, our actions are guided by our core values of integrity, respect, accountability, and stewardship.

## Co-op and the Community

We are also committed to supporting our customers and our community, and by giving back to them we hope to foster a true partnership of loyalty, trust, and mutual respect.



**The Wish Kids Golf Classic committee raised \$30,500 for Make-A-Wish of Vermont in 2016 alone.**

*L-R: Sandy Lovelette (Hull Insurance), Carol Bushey (Frankenburg Agency), Judy Brown (Co-op Retiree), Morgan Harrison (Co-op Insurance), Bill Bodette (Burlington Insurance), Mike Gauthier (Calderwood Insurance), Renee Porter (Co-op Insurance), Gary Pinckney (G.W. Savage), Dave Wemette (Co-op Insurance). Missing: Alan Kinney (Kinney Insurance), Cecil Foster (Foster & Son Fine Foods), Terrell Titus (Titus Insurance)*

## Co-op's Core Values



### Integrity



Firm adherence to a code of moral and ethical principles

### Accountability



An obligation or willingness to accept responsibility for one's actions

### Respect



To show high regard or consideration for others

### Stewardship



The careful and responsible management of something entrusted in one's care



## 2017 Community Grants

Co-operative Insurance has awarded ten Community Grants to organizations in Vermont and New Hampshire in 2017 totaling almost \$6,500.



*(L-R): Gini Milkey, Executive Director COVE, Lee Cattaneo, Board President COVE, Jeff Berwick, Owner of Isham-Berwick Agency, Inc. Robin Way, Treasurer of Cove and Anita Hoy, Senior Medicare Patrol Director of COVE.)*

### Award winners this year are:

United Way of Windham County, Kids in Coats Program

The Cornucopia Project, Farm to Fork Fellowship

Bridges: Domestic & Sexual Violence Support Services, services to individuals who have been victimized by domestic and/or sexual assault

The Youth Council, resource materials for at-risk teens

Westfield First Congregational Church, foundation repairs

Arts Bus, Inc., the arts based literacy program for daycare and pre-k programs

Community of Vermont Elders, promotion of a higher quality of life for Vermont's elderly population

Weathervane Theater Players, Inc., the renovation of the flooring in the rehearsal hall

Pierce Hall Community Center, the completion of the final construction for the dedicated rooms on the lower level

Haverhill Library Association, repairs to windows and doors

Co-op makes donations to over 100 organizations/groups every year in VT and NH. Here is a partial list of donations that Co-op friends have received:

### OVER \$5,000

VT Foodbank  
NH Foodbank  
American Red Cross  
Green Up Vermont  
UVM Extension  
UVM Foundation  
Wish Kids Golf Classic

### \$1,000-\$5,000

People Helping People Global (PHPG)  
Homeward Bound  
Friends of Middlebury Hockey Inc  
Champlain College  
Milton Family Community Center  
Strolling of the Heifers  
Mad River Valley Community Fund (5 Families Fund)  
Elderly Services Inc  
Hospice Volunteer Services  
American Cancer Society  
National MS Society  
All Star Hockey Classic  
Lake Champlain Maritime Museum  
VT Council on Rural Development  
Green Mountain Council BSA

### UP TO \$1,000

Brattleboro Rotary Club  
VT Automobile Enthusiasts  
Vermont FFA Foundation  
Robert Hayward Clark Sr. Sunshine Fund  
Randolph Area Food Shelf  
Middlebury New Filmmakers Festival  
Sjogren's Syndrome Foundation  
Vermont Children's Trust Foundation  
Milton Community Youth Coalition  
Barre Opera House  
The Friendly Kitchen  
CPCU Society VT Chapter  
Cystic Fibrosis Foundation  
Prevent Child Abuse  
Addison County Chamber of Commerce  
Champlain Valley Christian School  
Addison County Home Health  
Addison County Fair and Field Days  
Camp Ta-Kum-Ta  
UVM  
NAMI Vermont  
Gene McDonough Scholarship Fund  
ACORN  
United Way of Addison County  
Boys and Girls Club of Greater Vergennes  
Rutland County Women's Network and Shelter, Inc  
Silver Hooves  
Starksboro Sports Program  
Addison County Back to School Shop  
Vergennes Rotary Club Charities  
Friends of Middlebury Football  
Middlebury High School Alumnae Association  
Middlebury Area Little League

### People Helping People Global (PHPG) – 2017 Dominican Volunteer Project

*A group of Co-op staff and their families traveled to the Dominican Republic to help build a house for a family in need. Kneeling (L-R): Stacy Hotte, Michele Larocque. Standing (L-R): Madeleine Quesnel, Diane & Tom Brennan, Tim Hodson*



## Leadership



### 2016-2017 Company Officers

Front Row (L-R): Eric Rhoades, Marie Jewett, Christine MacIsaac, Brad Fortier

Back Row (L-R): Randy Roy, John Condon, Gina Larrow, Brian Wiles



### 2016-2017 Board of Directors

Front Row (L-R): Pamela Douglass, Jacques Couture,  
Marie Jewett, Michael Ladd, Hugh Spafford

Second Row (L-R): Jane Sorensen, Charles Palmer,  
Richard Foote, Laurie Rowell, Jean Conklin



*At Co-op, 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 & Directors

### Patrons Co-operative Fire Insurance Company DBA Co-operative Insurance Companies

#### Officers

Marie M. Jewett, President/CEO  
Brad Fortier, Executive VP Operations  
John Condon, VP Underwriting & Farm Safety  
Gina Larrow, VP Human Resources  
Christine MacIsaac, VP Finance/CFO  
Mary Micklas, Secretary to the Board  
Eric Rhoades, Senior VP Information Services  
Randy Roy, VP Marketing & Member Services  
Brian Wiles, VP Claims & SIU

#### Directors

Michael J. Ladd, Glover, VT, Chairman  
Jacques R. Couture, Westfield, VT, Vice Chairman  
Marie M. Jewett, New Haven, VT, President  
Jean Conklin, Haverhill, NH  
Pamela J. Douglass, Brandon, VT  
Richard P. Foote, Bridport, VT  
Charles B. Palmer, Pownal, VT  
Laurie A. Rowell, Saxtons River, VT  
Jane T. Sorensen, Fairfax, VT  
Hugh B. Spafford, Rutland, VT  
Edward A. Lewis, Poultney, VT\*  
Charles R. Mason, Pawlet, VT\*  
Richard W. Stickney, Rockingham, VT\*  
\* = Director Emeritus



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