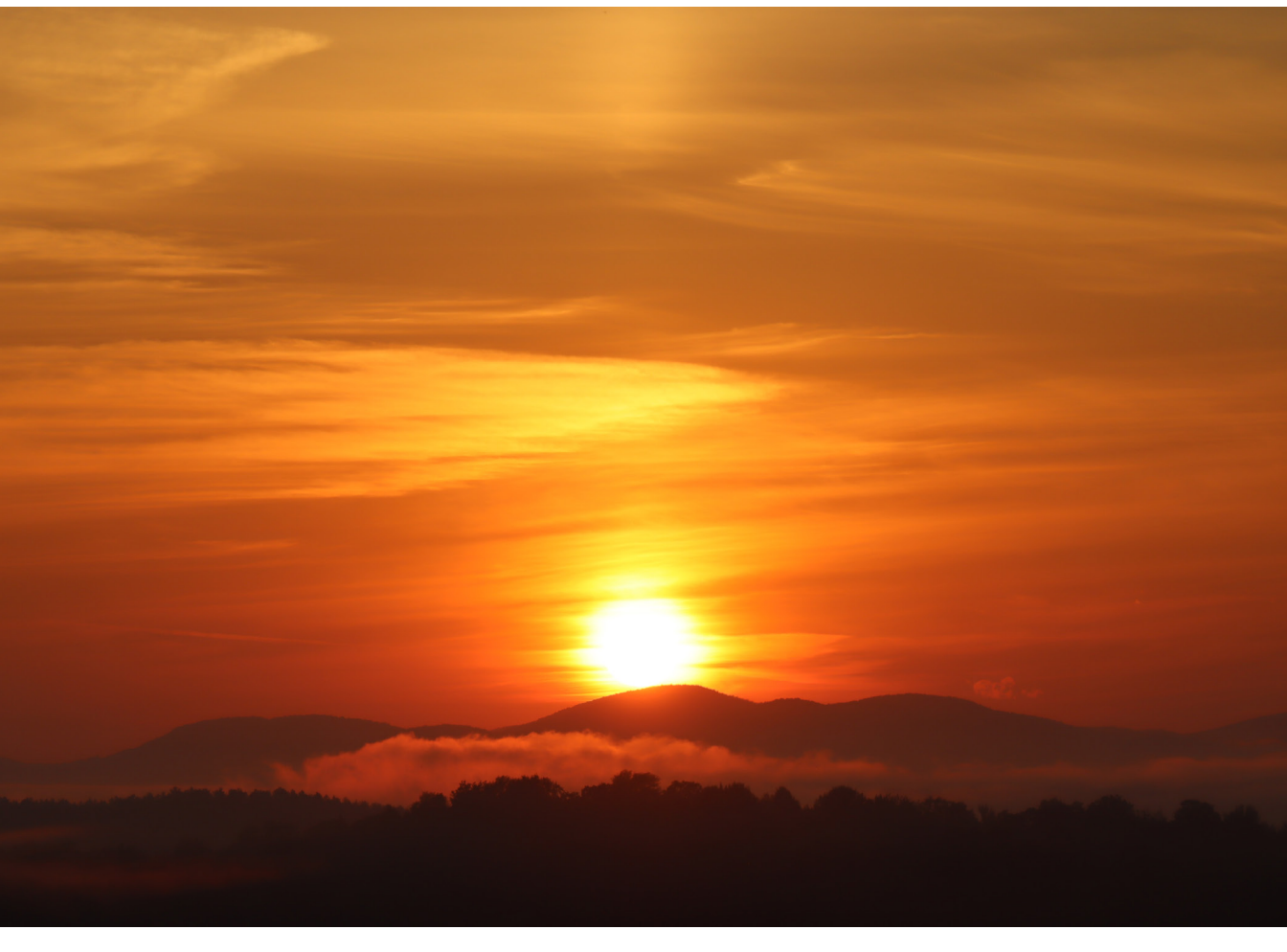




UNION MUTUAL

We are here so you can *Live Life Well Protected.*



2023

ANNUAL REPORT

Navigating A Changing Market: Rising To Meet The Challenge

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Cover Photo Courtesy of Jenn Zandy Photos



PRESIDENT'S MESSAGE



GROWTH + EVOLUTION *At A Sustainable Pace*

Throughout our history, Union Mutual has shown resiliency and innovation in the face of change. Withstanding shifts in the industry, major advances in technology, a global pandemic, and increasingly severe climate-related events, Union Mutual has grown and evolved at a sustainable and steady rate. In 2024, we are proud to be celebrating our 150th year of service, owing our success to the hard work and dedication of our employees, the strong partnerships we have with our agency partners, and the loyalty of our policyholders. In this milestone year and beyond, we continue to focus on sophisticated analytics capabilities to develop robust products, innovative ways to support the independent agency distribution channel, and superior customer service to our policyholders.

2023 certainly presented new and recurring challenges within the industry, and in our community. Our region was impacted by several major weather events, most notably a deep February freeze event during which temperatures in New England dropped to well below zero, as well as two major flood events in our local community. Thanks to our use of predictive analytics, underwriting controls, and industry expertise, we continue to navigate these major weather events staying a resilient, financially strong Company for our policyholders.

Among other accomplishments in 2023, we were pleased with AM Best's affirmation of our A rating with stable outlook. It remains our top priority to be financially secure for our policyholders and the rating is a testament to the work of our talented employees, our solid relationships with our independent agency partners, and the vision and guidance of our leadership team and Board of Directors.

Consistent with the core values of our Company, we take steps to remain a strong community steward and top-notch Vermont employer. After last summer's flooding events in Vermont, the Company played a crucial part in local flood recovery efforts. Through change and challenge in the industry, it is inspiring to see the insurance community come together to support important causes throughout New England. Through our continued sponsorship of Special Olympics Vermont, we are incredibly proud of our most recent collective fundraising effort, achieving \$187,000 raised for our participation in the Lake Champlain Penguin Plunge. We are pleased to be recognized for our commitment to community and employee engagement with the designation of Best Place to Work in Vermont for eleven consecutive years and with the Governor's Gold Level Worksite Wellness Award for four consecutive years.

As a mutual company, Union Mutual does not answer to corporate stockholders and instead exists to provide value to our 100,000+ policyholders. We do not engage in direct-to-consumer sales, but instead, partner with independent insurance agents located throughout New England who are able to provide superior insurance products to the individuals and small businesses in their own communities and beyond. Learning on the strength of our relationships, we look forward to our next 150 years and ensuring our policyholders **Live Life Well Protected**.

Sincerely,

A handwritten signature in black ink that reads "Lisa L. Keysar". The signature is fluid and cursive, written over a white background.

Lisa L. Keysar,
President & Chief Executive Officer

YEAR IN REVIEW 2023

Key Strategies

Product Review & Development

Consistent review and refinement of offering to meet market demand for top insurance products.

Foster Relationships

Depend on the strength of our relationships to remain steady throughout a changing market.

Mitigate Loss

Utilization of program administrator and internal analytics to identify loss trends and enhance underwriting and loss mitigation strategies.

Sustainable Growth

Grow new business at a sustainable pace, applying reasonable underwriting practices and rates.



AFFIRMED AM BEST RATING

"A" (Excellent) with a Stable Outlook



4TH CONSECUTIVE YEAR

Gold-Level Worksite Wellness Award



11TH CONSECUTIVE HONOR

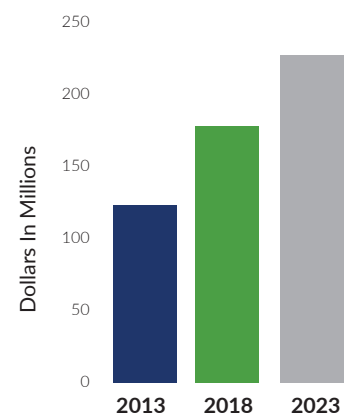
Best Places to Work in Vermont



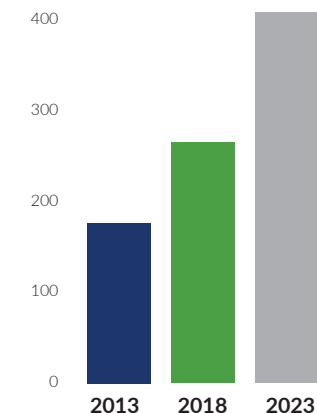
FINANCIALS 2023

Combined BALANCE SHEET

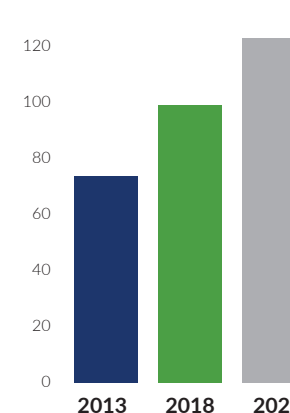
Direct Written Premium



Assets



Surplus



	Union Mutual Fire	Community Mutual	Combined Companies
ASSETS			
Bonds	\$261,453,000	\$2,131,000	\$263,584,000
Stocks	\$47,089,000	\$10,000	\$47,100,000
Cash & Equivalents	\$24,673,000	\$1,841,000	\$26,514,000
Premiums Receivable	\$44,590,000	\$3,468,000	\$42,124,000
Other Assets	\$36,239,000	\$660,000	\$34,442,000
Totals	\$414,044,000	\$8,110,000	\$413,764,000
LIABILITIES			
Loss & LAE Reserves	\$131,455,000	N/A	\$131,455,000
Unearned Premiums	\$89,780,000	N/A	\$89,780,000
Other Liabilities	\$73,568,000	\$6,194,000	\$71,372,000
Policyholders Surplus	\$119,241,000	\$1,916,000	\$121,157,000
Totals	\$414,044,000	\$8,110,000	\$413,764,000

Union Mutual contains activity from NEG, its wholly-owned subsidiary. Combined company data is net of activity eliminated in consolidation.

RIISING TO THE CHALLENGES OF A CHANGING MARKET

IMPACT



CLIMATE CHANGE
+
SEVERE WEATHER

New England was significantly impacted by several major weather events in 2023. In February, an unprecedented cold snap caused an increase in claim activity from frozen pipes and power outages for our policyholders. In July, historic flooding impacted our local Vermont communities, including our home office building located in downtown Montpelier.



"2023: A Historic Year of U.S. Billion-Dollar Weather and Climate Disasters". – Climate.

ACTION

Through partnerships and education for smart water device shut offs (such as our partnership with **EcoNet Controls**), we aim to help policyholders prevent and mitigate severe water losses. Active water shut off devices work to automatically close a home's main water valve upon detecting a leak. We aim to continue to offer market demand for comprehensive insurance products and provide education on loss prevention services. Through our partnership with the National Flood Program, we are able to provide a channel for independent agency partners to access flood insurance programs and education.



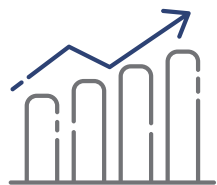
Learn more about our partnership with EcoNet controls

“ As a regional insurer, we see first-hand the devastating losses that homeowners suffer when there are **broken pipes and appliance failures**. Water was the leading cause of loss for home owners in 2023, surpassing fire and wind. With increasingly common severe weather patterns, we see it as our duty to look for innovative ways our policyholders can protect their assets. ”

– Lisa L. Keysar,
President & CEO



IMPACT



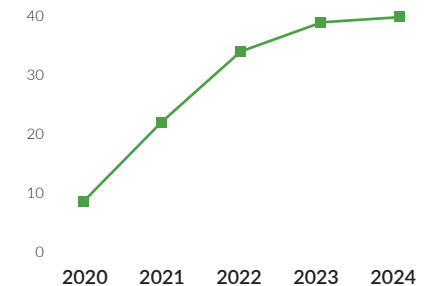
INFLATION

In 2023, inflation continued to rise significantly due to continued supply chain pressures and labor shortages. As a result, our data shows that the average cost of a property claim has increased by nearly 40% since 2020, driven by both the increased cost of building materials and skilled contractors.

ACTION

Through collaboration with our independent agency partners and workflow automation, we reviewed policyholder building coverage to ensure appropriate values on property risks. Regularly reviewing and adjusting building values is necessary to ensure appropriate insurance coverage in the event of a complete property loss.

Cost of Construction:



Based on analysis of supplies and labor rates, the cost to replace a total loss has increased 40% since 2020.

IMPACT



WORKFORCE CHALLENGES

Nationally, there remains continued pressure on employers to hire, retain and develop the workforce. Challenges include high levels of employee turnover, heightened burnout rate and increased demands for workplace flexibility.

ACTION

Prioritizing employee culture, benefits and development remain at the core of our Company values. We remain grateful that our efforts are continuously recognized through accolades such as **“Best Places to Work in Vermont”** and the **“Top-Level Worksite Wellness Award”** presented by the VT Governor’s Council on Physical Fitness and Sports.



In 2023, the Union Mutual 'Popsicles' raised over \$100,000 for Special Olympics Vermont.

COMMUNITY PARTNERSHIP

EMPLOYEE FOCUS

Major Community Partnerships:



In 2023 the Company was pleased to announce it's commitment to supporting Central Vermont Medical Center's Nursing & Clinical Pathways Program for the next five years with a donation of \$50,000.

The Nursing Pathways program plays a crucial role in training and advancing nurses' careers, addressing the shortage of skilled professionals in our community.

Our longstanding partnership with CVMC underscores our dedication to community investment. Since 1980, Union Mutual has contributed over \$112,000 to various initiatives, including hospital modernization and patient care programs.



The Union Mutual Popsicles raised \$101,456 for Special Olympics Vermont for the 2023 Penguin Plunge. The fundraising achievement marks the second-highest fundraising total in the event's history - the Popsicles set the high-water mark in 2020 with over \$135,000 raised. Since 2016, the Union Mutual Popsicles participation has raised over \$500,000 for the Special Olympics Vermont organization.



Union Mutual proudly sponsored the 40th Annual Vermont Corporate Cup Challenge and State Agency Race. The event, benefiting The Vermont Governor's Council on Physical Fitness & Sports, is held in-person in Montpelier annually. The Corporate Cup Challenge and State Agency Race is a 5k run/walk event open to teams from Vermont businesses, government, and non-profit organizations. Proceeds support various physical fitness programs and initiatives in Vermont.

Proud to Support:

- Montpelier Alive
- Casting for Recovery: VT & NH
- Greater Burlington YMCA
- Montpelier Rotary Club
- Green Up Vermont
- Capstone Community Action
- Vermont Mountaineers
- VT CPCU Society
- NAMIC Mutual Insurance Foundation
- Age Well: March for Meals
- Storeybrook Farm Sanctuary, INC
- American Heart Association: Go Red for Women 2023
- Central VT Chamber of Commerce
- Kelly Brush Foundation



THANKS & GRATITUDE

To Our Retiring Employee and Board Members:



Jean Wilder

Union Mutual Employee
(1974-2023)

Congratulations on the retirement of Jean Wilder- the “Dean of Union Mutual” a title given to the Company’s longest tenured employee. Jean retired from the Company in 2023, celebrating her 49th year. Having begun her career as a File Clerk, Jean worked in numerous departments including Commercial Lines Underwriting, Project Management and Filing & Compliance. Jean’s wealth of insurance knowledge and company operations has been an integral part of numerous company projects including the implementation of our updated policy administration system in 2012. We congratulate and thank Jean for her long insurance career and wish her success in her retirement! *Thank you Jean!*



Mary W. Marchut

Former VP, Treaty Account Executive,
General Reinsurance Corp.

James H. Douglas

Executive in Residence Middlebury College,
Governor of VT (2003-2011)



Union Mutual is deeply grateful to Jim Douglas and Mary Marchut for their service on the Company’s Board of Directors. During their respective tenures, they each provided sound business advice and valued counsel to the Board of Directors and Executive Leadership of the Company. Each served at various times as Director, Committee Chair, and Committee member of numerous committees. They distinguished themselves with their deep knowledge and abilities related to organizational, financial, insurance, and reinsurance matters, and their expertise and leadership has been invaluable to the Company during their tenures.

BOARD OF DIRECTORS

Union Mutual Fire Insurance Company & New England Guaranty Insurance Company

139 State Street
Montpelier, VT, 05602
(800) 300-5261

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President & Chief Executive Officer

Jennifer P. Galfetti
Chief Financial Officer & Treasurer

Sarah R. Jarvis, Esq.
Vice President, General Counsel
& Corporate Secretary

George A. MacKinnon
Vice President,
Underwriting

Robert E. Pembroke
Vice President,
Information Technology

Jeffrey S. Pryce
Vice President,
Claims

Board of Directors

Bethany A. Bishop
President, Vermont Chamber
of Commerce

Scott F. Boardman
Retired CEO & Client Advisor,
Hickok & Boardman Insurance Group

Robert E. Cotton
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& Chief Operating Officer,
National Life Group

Kathleen H. Davis
Chair
Shareholder,
Downs Rachlin Martin PLLC

James H. Douglas
Executive in Residence–
Middlebury College & Governor
of VT (2003-2011)

Lisa L. Keysar
President & CEO,
Union Mutual

Aaron R. MacAskill
Former Managing Partner & CPA,
A.M. Peisch and Company, LLP

Mary W. Marchut
Retired Vice President,
Treaty Account Executive,
General Reinsurance Company

Robert D. Miller
President & Chief Operating Officer,
New England Federal Credit Union
(NEFCU)

Mark S. Young
Retired President & Chief Executive
Officer, First National Bank of Orwell

Community Mutual Insurance Company

22 Century Hill Drive
Latham, NY, 12110
(800) 300-5261

Officers

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Jennifer P. Galfetti
President & Chief Financial Officer

Sarah R. Jarvis, Esq.
Vice President, General Counsel
& Corporate Secretary

Schuyler M. Ryan
Assistant Vice President Finance
& Treasurer

Board of Directors

David W. Becker
Owner, Becker’s Farm

Mona S. Demay
Retired Chief of Staff to the NYS
Democratic Senate Leader

Jennifer P. Galfetti
Chief Financial Officer
& Treasurer, Union Mutual

P. Baird Joslin, Jr.
Partner, O’Connor, O’Connor,
Bresee, First, PC

Lisa L. Keysar
Chair
President & CEO, Union Mutual

Gary H. Ouellette
Retired Executive Vice President,
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Schuyler M. Ryan
Assistant Vice President Finance,
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