

A photograph of two hikers standing on a rocky mountain peak. The hiker on the left is wearing a pink jacket and a black backpack, with their right arm raised. The hiker on the right is wearing a green jacket and a blue backpack, with their left arm raised. They are holding hands. The background shows a vast mountain range under a clear blue sky. A large white diagonal shape is overlaid on the right side of the image.

**A promising future
propelled by Vision**

The logo for Preferred Mutual, consisting of a stylized blue and grey checkmark or 'V' shape.

**Preferred
Mutual**
Live Assured™

2015
ANNUAL REPORT



A promising future propelled by Vision

2015 in Review

Every year at this time, I am filled with pride as I reflect on all that Preferred Mutual has achieved, and today is no different. In 2015, Preferred not only overcame a catastrophic winter season, but also launched a new strategic plan that will guide our Company and employee engagement through the next five years. While many insurance companies may have the ability to withstand natural catastrophes, only truly outstanding companies continue to build and grow in such challenging environments.

Strength and Stability

At Preferred, managing risk is what we do. However, being there when our customers need us most is who we are. Preferred finished the 2015 winter season with a 94% customer satisfaction rate, responding to 100% of our policyholders' claims within 24 hours.

Despite the hardships of last winter, Preferred maintained its excellent financial standing in 2015, achieving \$297 million in direct written premium. The Company also continued its long-standing



Christopher P. Taft
President and Chief Executive Officer

practice of financially supporting a variety of charitable organizations and scholarships through the Preferred Foundation

Industry Success

I am gratified to report that Preferred received two prestigious industry awards in 2015. The first was awarded by the Insurance Marketing Communications Association (IMCA) for our external branding campaign to policyholders and agents, and the second award was by the National Association of Mutual Insurance Companies (NAMIC) for our *"Claims Engagement Journey."*

Our Vision

To be the most sought after insurance company, renowned for exceeding the evolving expectations of our customers.

Our Mission

Assuring our customers' ability to live confidently.

Preferred's "A" (Excellent) rating was affirmed by A.M. Best, and we were also recognized as an Economic Champion by CenterState CEO. Affirmation of our abilities allow our policyholders, employees, and agency partners to *Live Assured*.



Live Assured

Live Assured - is so much more than a tagline - it is the driving force of our ongoing efforts to build a Company around our customers...a Company built for the future.

Preferred Mutual's reputation of financial stability and reliable service has allowed our policyholder customers and agency partners to confidently do business with us for nearly 120 years. We will build on that success, but we will not rest on our reputation. We are choosing to proactively respond to the changing world around us. We are embracing new, empowered customers and the opportunities they present. We are building assured to remain your confident choice.

On behalf of our Board of Directors and our employees, I wish you a prosperous and confident New Year.

Live Assured.

A handwritten signature in black ink that reads 'Chris Taft'.

Christopher P. Taft, CIC, CPA
President and Chief Executive Officer

Live Assured - is so much more than a tagline - it is the driving force of our ongoing efforts to build a Company around our customers...a Company built for the future.



Have Confidence in our Strength and Stability



232

Thousand
Policyholders



481

Agency
Partners



908

Independent
Agent Storefronts



\$213

Million
Surplus



\$523

Million
Total Assets

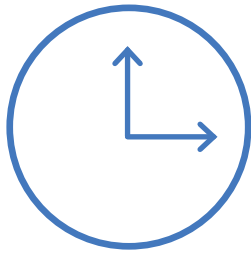


119

Years
In Business

A
(Excellent)

Rating
from A.M. Best
Since 2002



Over the Past Ten Years

\$2.4

Billion
Direct Written
Premium

\$1.2

Billion
In Claims Paid

100%

Surplus
Growth

65%

Asset
Growth

TOP 20

NEW YORK

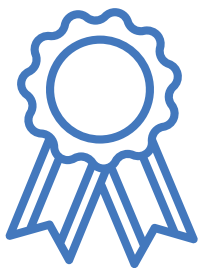
Home and Personal
Auto Writer*

TOP 20

MASSACHUSETTS

Home and Personal
Auto Writer*

**(Based on 2014 DWP - SNL Financial)*



Industry Recognition

- **Top 3** Personal and Commercial Lines Super Regional Carrier (2015 IIABNY Agent Survey)
- **10 Year** Growth and Profit Leader in Personal Lines (2014 and 2015 Conning Inc.)
- **Best of Show** from Insurance Marketing Communications Association for External Rebranding
- **Innovation Award** from National Association of Mutual Insurance Companies for Claims



Enabling Our Future

Financial Highlights

(In Millions)

	2015	2014
Income Statement		
Direct Written Premium	\$297	\$290
Net Underwriting Gain	3	2
Investment Income, Net of Expenses	10	10
Realized Gain, Net of Tax	5	2
Other Income	5	5
Pre-Tax Operating Income	\$23	\$19
Net Income	\$19	\$14

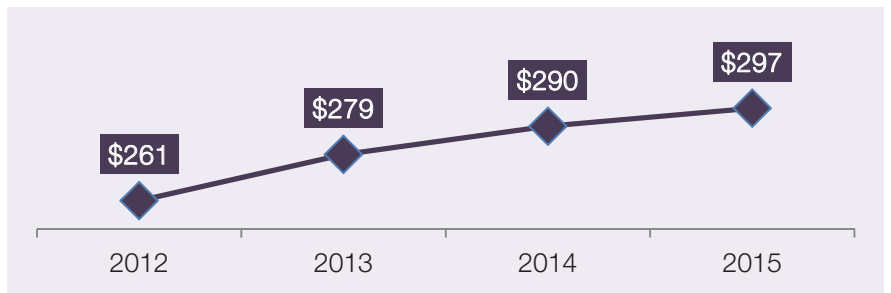
Key Performance Indicators		
Direct Written Premium Growth	2.3%	4.1%
Loss & Loss Adjusting Expense Ratio	67.7%	68.2%
Expense Ratio	30.5%	30.1%
Combined Ratio	98.2%	98.3%
Return on Equity	7.2%	8.3%

Balance Sheet		
Total Invested Assets	\$421	\$403
Total Assets	\$523	\$502
Loss and Loss Adjusting Reserves	\$150	\$152
Unearned Premium Reserve	110	108
Total Liabilities	\$310	\$302
Policyholders' Surplus	\$213	\$200

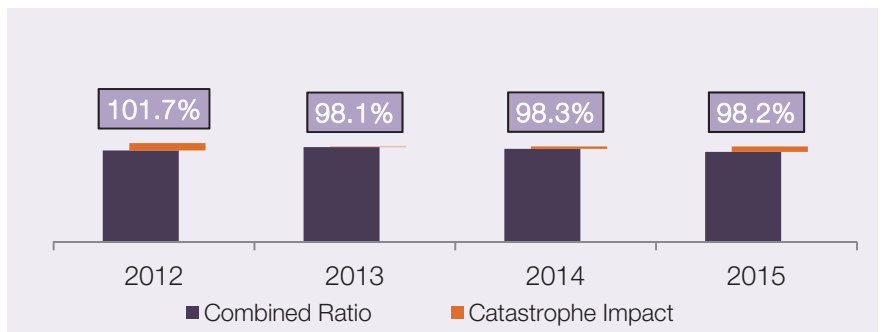


Our Performance

\$297
Million
Direct Written Premium



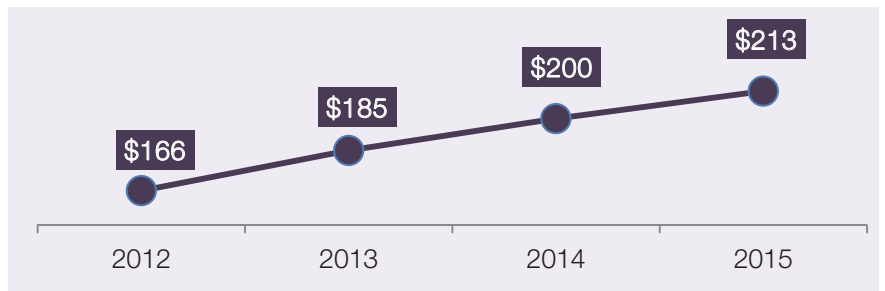
98.2
Percent
Combined Ratio



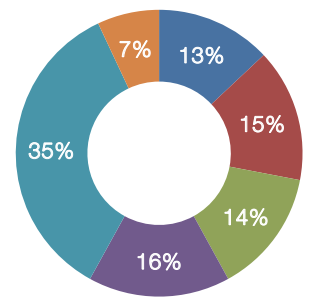
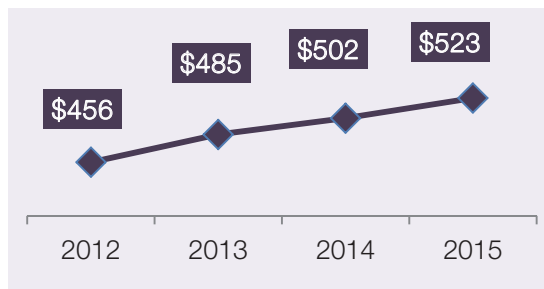
7.2
Percent
Return on Equity



\$213
Million
Policyholders' Surplus



\$523
Million
Assets



- Equities
- Municipals
- Asset Backed
- FNMA
- Corporate
- All Other



Our Portfolio of Business

Premium Distribution

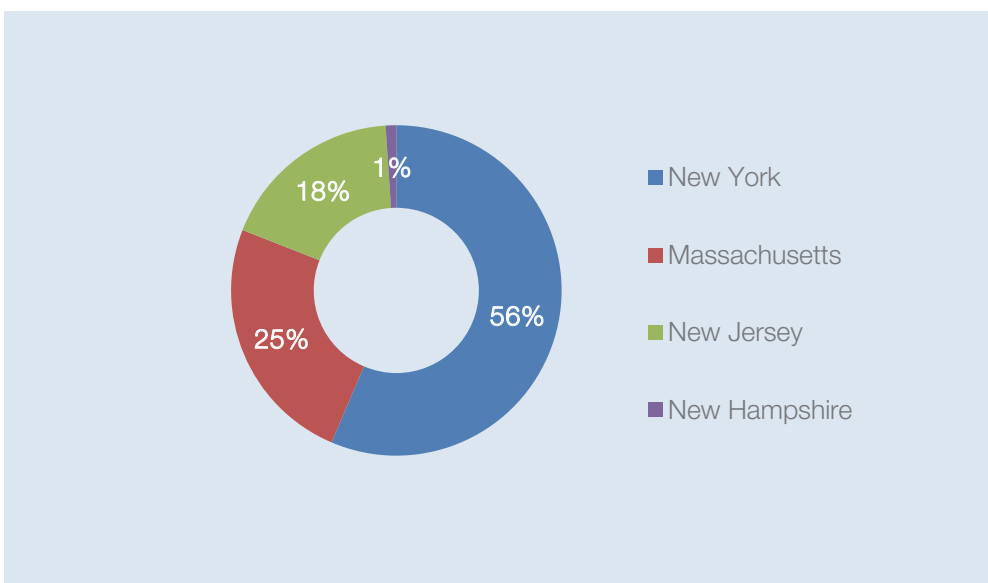
Preferred's revenue of \$297 million is distributed between Personal and Commercial Lines products across a four state footprint in the Northeast.

76%

Personal Lines

24%

Commercial Lines

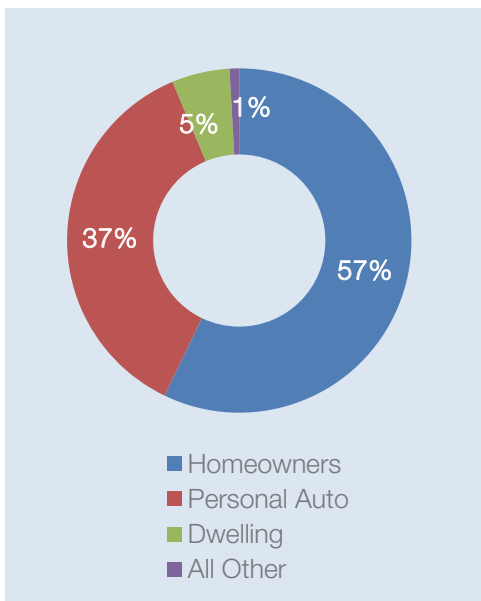




Personal Lines

The Personal Lines profit center grew at a pace of 1.9% in 2015, closing the year with \$226 million of direct written premium.

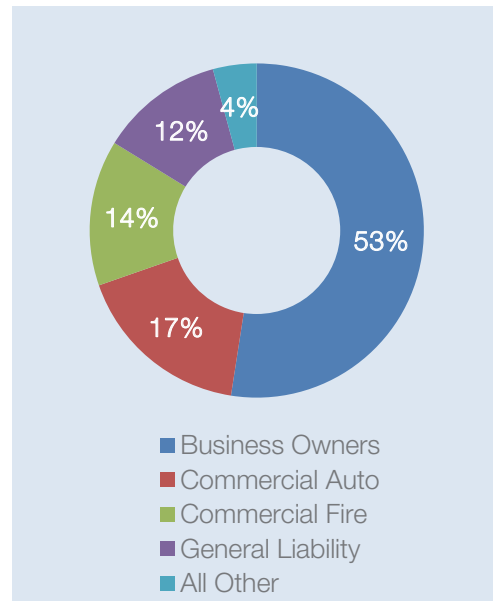
\$226
Million
Personal Lines
Direct Written Premium



Commercial Lines

The Commercial Lines profit center grew at a pace of 3.7% in 2015, closing the year with \$71 million of direct written premium.

\$71
Million
Commercial Lines
Direct Written Premium





Our Best Talent

Exceeding Our Customers' Expectations

Every one of our dedicated professionals understands that the customer is at the center of our business. We continually drive to exceed the evolving needs and expectations of our customers.

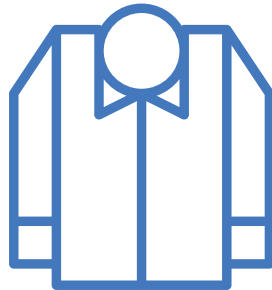
We are building significant depth of talent and leadership across the enterprise, bringing tremendous energy and innovative solutions that move us toward our Vision.

274

Highly-Talented Leaders
& Professionals

14

Newly-Created
Professional Roles



72

Internal Placements

11

States Where our
Employees Reside

4

New Strategic
Leaders

Board of DIRECTORS

Robert A. Wadsworth

Chairman of the Board & Corporate Secretary;
Chairman and Chief Executive Officer,
Preferred Mutual Insurance Company (Retired)

Christopher P. Taft

President & Chief Executive Officer,
Preferred Mutual Insurance Company

Matthew T. Cooney, Jr.

President, Cooney Communications Corporation (Retired)

William C. Craine

Chenango County Treasurer

Martin A. Dietrich

President & Chief Executive Officer, NBT Bank, NA

David B. Emerson

Chairman of the Board, Blueox Corporation

Patrick J. Flanagan, Esq.

Attorney at Law, Nelson & Flanagan

Mary Ellen Luker, Esq.

Principal, The Bonadio Group

John C. Mitchell

President, I.L. Richer Co., Inc. (Retired)

Rip Reeves

Senior Vice President & Chief Investment Officer,
Aegis Insurance Services

Geoffrey A. Smith

President, Medical Coaches, Inc.

Strategic LEADERSHIP

Christopher P. Taft

President & Chief Executive Officer

Brian D. Lopata

Senior Vice President, Profit Center Operations
& Customer Relations

Jeffrey M. Lopata

Senior Vice President, Chief Information Officer

Brian J. Smith

Senior Vice President, Chief Human Resources Officer

Aaron J. Valentine

Senior Vice President, Treasurer & Chief Financial Officer

Eugene T. Heaney

Vice President, Claims

Andre G. Hill

Vice President, Customer & Product Strategy

Timothy R. Hyle

Vice President, Finance & Risk Management

Ronald R. Martin

Vice President, Business Compliance & Research

Frederick J. Schneider

Vice President, Sales & Distribution

Ernest W. Weeks

Vice President, Underwriting

Andrew P. Forstenzer

General Counsel

Dana L. Kellerman

Director, Human Resources

David D. Smith

Director, Applications & Project Management

Vida J. Tamoshunas

Director, Data & Analytics

Long-Standing Board Member Retires

After more than 50 years of service to Preferred Mutual, Paul Stillman announced his decision to retire from the Board of Directors on October 27, 2015. Paul joined Preferred Mutual in 1963 and during his tenure held many positions, including Chairman, President, and Chief Executive Officer. Under his leadership, the Company grew from 64 employees and \$11 million in premiums to 160 employees and \$52 million in premiums.



Preferred would not be the Company it is today without Paul's years of service and many contributions.



Live Assured

Helping Others Live Assured is Not Limited to Providing Insurance.

We advance the communities we serve and our industry through active involvement in organizations that support such efforts.

\$112

Thousand in
Charitable Donations
in 2015



20%

Employees Participating
in Matching Gift Program

\$1.5

Million in Charitable
Contributions Over
Past 10 Years

Preferred's corporate philanthropy efforts support disaster relief, safe housing and transportation, small business development and growth, and other charitable causes.

- Students Against Drunk Driving
- Child Car Seat Safety
- Fire Safety Program
- American Red Cross Home Fire Preparedness
- American Cancer Society
- American Heart Association
- YMCA
- High School Student Scholarships

Company Quick Facts

Year Founded:	1896
Employees:	274
Independent Agents:	481
Offices:	New Berlin, Norwich, and Latham, NY
Policyholders:	232,000
Direct Written Premium:	\$297 Million
Policyholders' Surplus:	\$213 Million
Assets:	\$523 Million
Geographic Footprint:	New York, New Jersey, New Hampshire, Massachusetts

PERSONAL LINES PRODUCTS

Homeowner, High Value Home, Seasonal Home, Condominium, Renter/Tenant, Mobile Homeowner, Dwelling Rented to Others, Personal Auto (NY & MA), Snowmobile (NY), Motor Home, Boat Coverage, Personal Umbrella

COMMERCIAL LINES PRODUCTS

Business Owners, Commercial Package, Commercial Auto (NY, NJ, NH), Commercial Umbrella, Professional Liability

Membership & Participation in:



National Association of Mutual Insurance Companies



Independent Insurance Agents & Brokers of America, New Jersey & New York



New York Insurance Association



Trusted Choice



Massachusetts Insurance Federation



Massachusetts Association of Independent Agents



Insurance Council of New Jersey



Professional Insurance Agents



Scan our QR code to visit our website, check out products and services, find an agent, and view helpful consumer tips and videos!



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