

We Live in the
Space of
**What's
Possible**



2019
ANNUAL REPORT

 **Preferred
Mutual**
Live Assured™

“We Live in the Space of What’s Possible”



Christopher P. Taft
President and Chief
Executive Officer

We Live in the Space of What’s Possible

At Preferred Mutual, we remain steadfast in our Vision of being an insurance company that is renowned for meeting the evolving expectations of our customers. 2019 brought us many opportunities to work on those expectations, and we achieved some real success in advancing our data and analytics insights, evolving our underwriting methodology, expanding our sales capabilities and building infrastructure in our Business Services unit to better support our agents and customers.

As one of our Core Values says, “*We live in the space of what’s possible*” – and living that value has allowed us to challenge the status quo, bring new talent and thinking into our organization, and invest in new approaches and technology that will position us for the future. We have learned a great deal in 2019, and some of that learning is reflected in our financial results, where the underwriting discipline underperformed in a highly competitive marketplace. We have also seen an increase in the frequency and severity of claims, impacted by factors including claim handling complexity and social inflation.



Our Mission

Assuring Our Customers' Ability to Live Confidently.

Our Vision

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

2019 HIGHLIGHTS

We saw modest growth in personal lines and commercial lines in 2019. Knowing *what's possible* brought increased focus on analytics to gain insights on risk characteristics, market competitiveness, and product performance in order to drive improved profit and growth.

Our commitment to financial strength and stability allows us to achieve *what's possible*, even in years when results miss expectation. Our A.M. Best rating of "A" (Excellent) was reaffirmed in early 2019 for the 17th consecutive year, Direct Written Premium (DWP) increased by \$8 million, and our strong financial position was reinforced with an increase in Total Assets of \$80 million.

We believe in *what's possible* with our agent partners, and we continue to invest in internal talent to collaborate with agents in new and valuable ways. Our agents and employees care passionately about our customers, and it's our job every day to exceed their evolving expectations.

We know *what's possible* in our communities, and what we can achieve when we work together to support charitable causes. Our employees support a variety of key community efforts including the American Heart Association, American Cancer Society, and Clear Path for Veterans. Each year, I am proud to see our employees represent Preferred Mutual with their time, energy, efforts and contributions to these – and many other - organizations.

Our ability to think about *what's possible* energizes us each day, and we will continue to thrive in this space as we grow, learn and evolve.

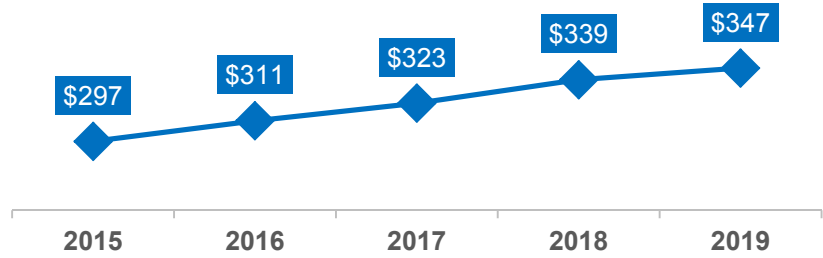
On behalf of the Board of Directors and employees, thank you for another successful year.

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

Financial Performance

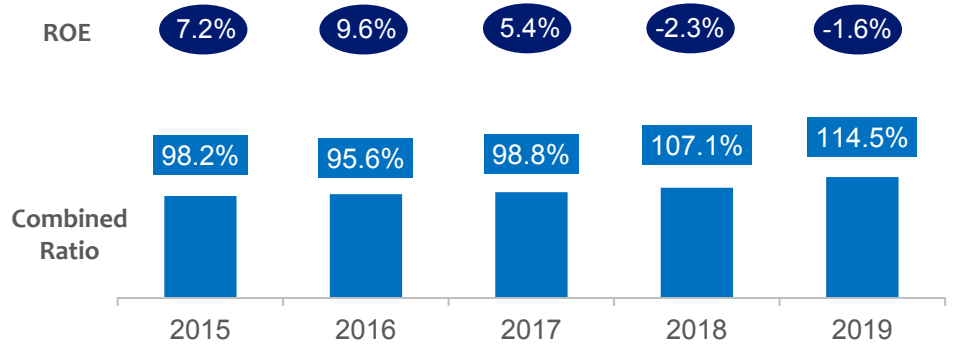
\$347
Million

Direct Written Premium



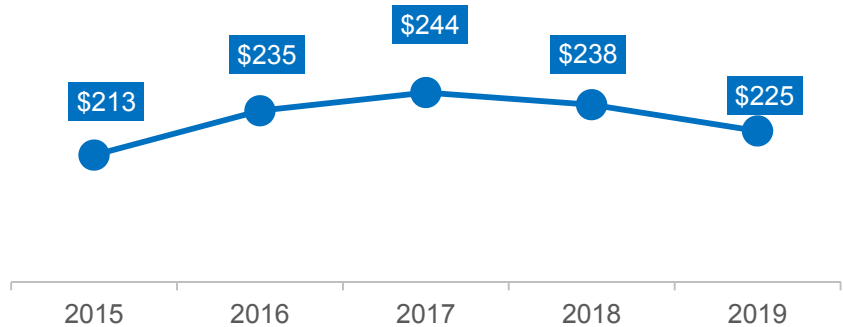
114.5
Percent

Combined Ratio



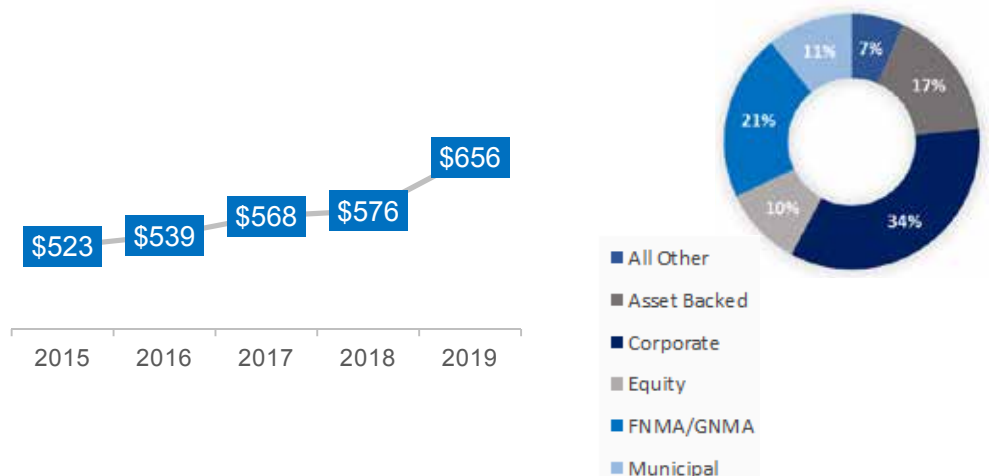
\$225
Million

Policyholders' Surplus



\$656
Million

Assets

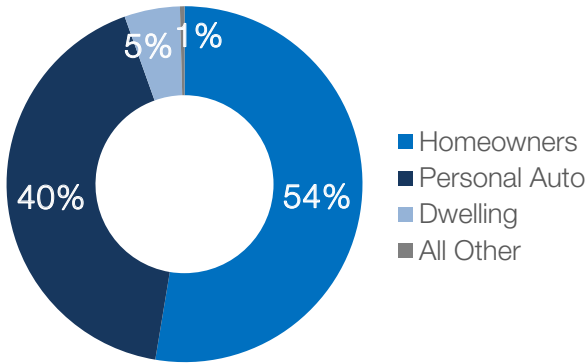


\$252
MILLION
Personal Lines
Direct Written Premium

\$95
MILLION
Commercial Lines
Direct Written Premium

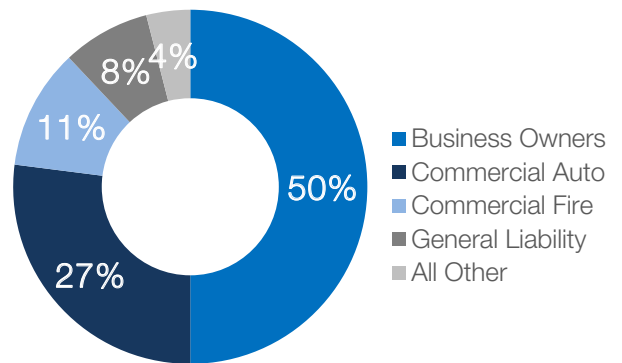
Personal Lines

The Personal Lines profit center grew 0.7% in 2019, and closed the year with \$252 million of DWP and an underwriting loss of \$22 million.



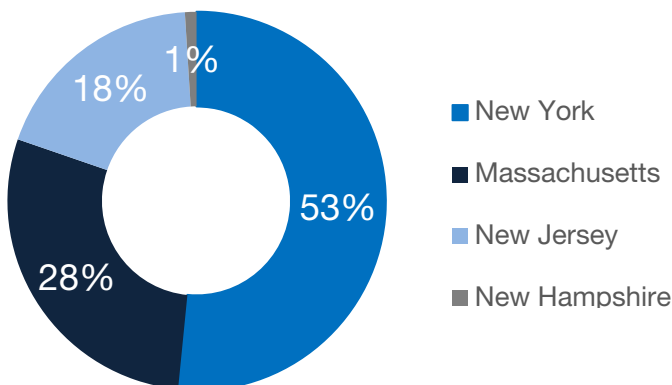
Commercial Lines

The Commercial Lines profit center grew at a pace of 6.5% in 2019, and closed the year with \$95 million of DWP and an underwriting loss of \$16 million.



Premium Distribution

Preferred Mutual's DWP of \$347 million is distributed between Personal and Commercial Lines products across a four state footprint in the Northeast. This diversification has remained consistent versus prior years and is aligned with expectations.



73%
Personal Lines

27%
Commercial Lines



Pictured: Elvie Smith & Mike Welser

What's Possible When We Look Beyond the Policy

While we often hear of Preferred Mutual's direct, positive impact on policyholders, it isn't often we hear of how we inspired someone to alter their career path to a career in insurance.

From claimant to agent, Mike Welser of Andrews Agency reminded us through his retelling of a personal experience as a Preferred Mutual policyholder that we are more than just a document in the glove compartment of a vehicle.

Mike recalled the accident that changed his life. He had flipped his truck end over end, and sustained serious injuries. He didn't remember much from the accident and the aftermath, but instinctively knew he was lucky to be alive.

Days later, after the fog lifted, the worry set in. He had a broken back and neck – in fact, he would spend the next four months in a neck brace – and had a long road of physical therapy ahead. How would he piece his life back together? Where should he even start? His truck was totaled, he couldn't work, and in the back of his truck had been two mountain bikes that had special meaning to him. He had built them himself, part by part, and now they were lost, too.

Mike remembered trying to navigate the days after the accident. He remembered Preferred Mutual's immediate and empathetic customer service. He remembered being helped every step of the way. And, he remembered that Preferred Mutual's ability to walk him through the claims process and resolve his claim was like a weight had lifted. We were there for him, and knowing that allowed him to focus on his recovery.

Mike's story didn't end there. He visited Preferred Mutual to show us *what's possible* when claims are handled with compassion and support, and to share how the whole experience inspired him. He wanted to help others in the same way he was helped. So, with a new lease on life, and an insurance experience fresh in his mind, he began chasing new goals, including a brand new career as an insurance agent.

Our agents and agency partners remain true advocates of Preferred Mutual because of our mutual dedication to protecting our customers from all of life's uncertainties. *Live Assured* isn't just a tagline, it's our purpose.



Achieving Outstanding Results: *What's Possible* with Great Customer Service

We have a saying at Preferred Mutual, *Live Assured*. We want our customers to know that they can count on us when it matters, that we are here when needed. That's why our focus is to provide our policyholders with a claims experience that gives peace of mind during a difficult time.

That's just what our claims team did after a Massachusetts policyholder experienced a disastrous house fire. Preferred Mutual was onsite just a few hours after the fire, assessed the damage and talked with the shaken homeowners.

The homeowners retold what happened: one of them was out of the house, and the other was abruptly woken up by the blaring sound of a fire alarm. Disoriented at first, the homeowner quickly went into emergency mode after smelling smoke. She ventured downstairs to find a phone to call 911, but the smoke was so dense, she couldn't see or breathe. She escaped through the front door and down the driveway.

Desperate for help, she knocked on several neighboring homes to get access to a phone. The response from the fire department was swift, and the blaze was under control forty-five minutes later.


Firefighters determined a stored laptop battery in the basement caused the fire, and the home was rendered uninhabitable due to significant water damage, and smoke and heat damage to all floors.

They were lucky; not just because no one was hurt, but because they had working smoke alarms, and were surrounded by good neighbors, supportive family and Preferred Mutual. “[Preferred Mutual] filled us in on the basic procedures involved, gave us a sense of comfort about our coverage and left us with a feeling of confidence that we were being taken care of.”

It is stories like these that solidify our purpose, and motivate us to give our best. Preferred Mutual gives our policyholders more than just comfort and next steps; Preferred Mutual gives you the confidence to realize *what's possible*.

“When people of good will come together, amazing things can happen.”

- Massachusetts Homeowners Policyholder



Pictured showing their PMIC
Pride are the 2019 Interns: Alice
Spina, Joshua Frenia, Jacqueline
Murrer and Connor Terrell

They Came, They Conquered – Interns of 2019

Our internship program is aimed at helping college students thrive in the insurance industry as professionals, dreamers and decision-makers. Preferred Mutual values the importance of experiential learning, and our Class of 2019 Interns seized this opportunity to find out for themselves *what's possible* at Preferred Mutual and within the insurance industry.

From establishing critical networking connections, to gaining crucial job market skills, the interns were provided with insights and experience of how the insurance industry works from the inside out: everything from keeping current with laws and statutes, to customer service and technology, to risk and underwriting.

They came for the experience and left with a newfound respect for the limitless opportunities available in insurance.

[#insurancecareers](#)

“Preferred Mutual has set the standard for me regarding collaboration in the workplace, employee appreciation and what’s possible for my future within the insurance industry.”

Jacqueline Murrer
Corporate Communications Intern



What's Possible When Learning and Growth Are Part of the Job

At Preferred Mutual, we understand that professional growth and development is ongoing. From broadening business knowledge to attaining insurance designations and actuarial credentialing, sharpening skills helps employees flourish.

Employees discover *what's possible* within themselves and within our company when they are encouraged to pursue their education.



17 Employees

Received Education
Awards in 2019



Board of DIRECTORS



Long-Standing Board Member Retires

After 40 years of service on Preferred Mutual's Board of Directors, Geoff Smith announced his decision to retire on February 26, 2019. Geoff joined the Board in 1979, and throughout his tenure he's served on all Board Committees, often more than once! When Geoff started, Preferred Mutual's DWP was \$23.3M, and we had less than 100 employees.

During his tenure, we've expanded our offices twice, are now over 300 employees strong, and finished 2019 with a DWP of \$339M. We're so thankful for Geoff's 40 years of service, tutelage and contributions.

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

Chairman of the Board, NBT Bancorp

David B. Emerson

Chairman of the Board, Blueox Corporation

Patrick J. Flanagan, Esq.

Attorney at Law, Nelson & Flanagan

Mary Ellen Luker, Esq.

Attorney at Law, Fust Charles Chambers LLP

John C. Mitchell

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

Rip Reeves

Senior Vice President & Chief Investment Officer,
Aegis Insurance Services

Strategic LEADERSHIP

Christopher P. Taft

President & Chief Executive Officer

Jeffrey M. Lopata

Executive Vice President, Chief Strategy Officer

Jenifer L. Rinehart

Executive Vice President, Chief Human Resources Officer

Benedikt Sander

Executive Vice President, Insurance Operations

Michele R. Graham

Senior Vice President, Strategic Services

Timothy R. Hyle

Senior Vice President, Chief Financial Officer and Treasurer

Ray D. Muller

Senior Vice President, Chief Actuary

David D. Smith

Senior Vice President, Technology

Ernest W. Weeks

Senior Vice President, Underwriting & Sales

Michael S. DeGironimo

Vice President, Claims

Andrew P. Forstenzer

Vice President, General Counsel & Corporate Secretary

Ronald R. Martin

Vice President, Business Compliance & Research

Lori D. Sharpe

Vice President, Sales

James J. Almy

Director, Commercial Lines Underwriting

Arron J. Monroe

Director, Infrastructure and Network Services

Vida J. Tamoshunas

Director, Data & Analytics



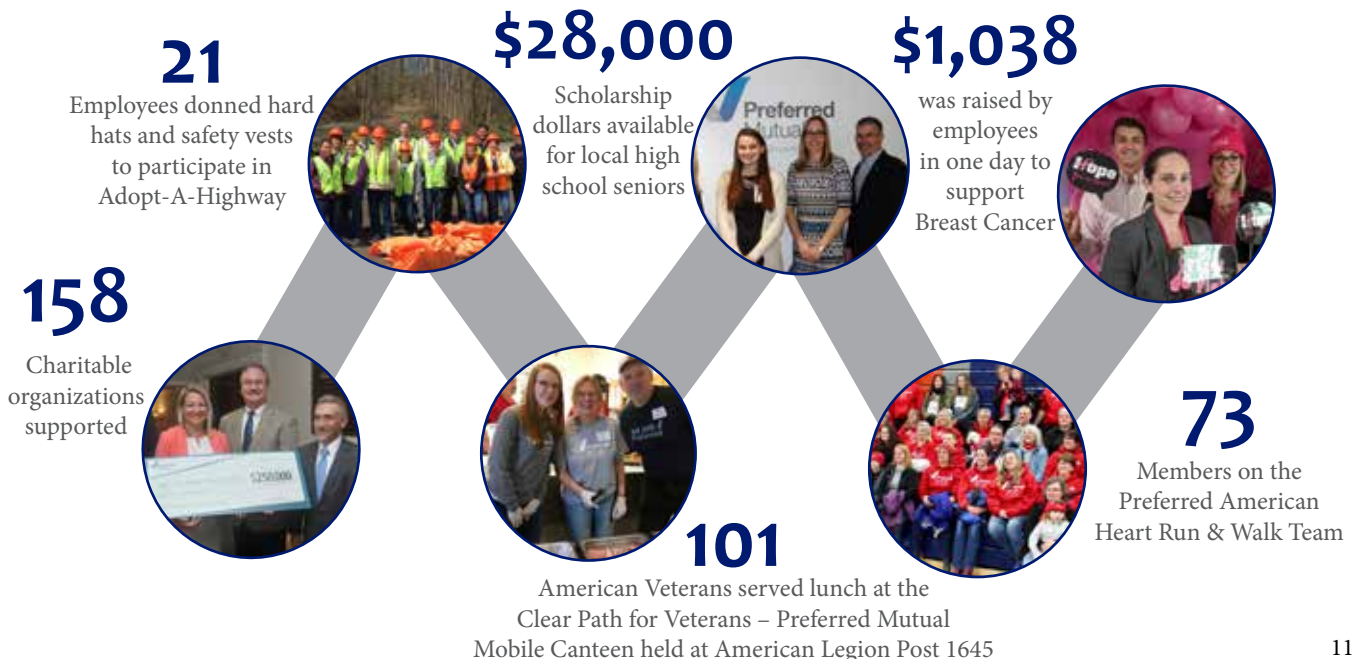
When We All Come Together With Purpose, Anything is Possible

#PreferredCares

At Preferred Mutual, supporting and strengthening the communities where we live and work is engrained in who we are. We know that anything is possible when we work together, and nothing unites us more than making a difference in people's lives.

In fact, in 2019, we started the year off by raising over

\$15,000 for the American Heart Association (AHA) – our highest giving year yet! We kept the momentum going throughout the year, and supported over 150 charitable organizations by volunteering our time, donating goods, or raising funds with events such as Casual for a Cause, Pink Pride and Movember.



Company Quick Facts



513

Agency
Partners



1,000

Independent
Agent Storefronts



18

New Agency
Appointments



123

Years
In Business



223

Thousand
Policies



\$225

Million
Surplus



\$656

Million
Total Assets



17 YEARS

Rated "A" Excellent
From A.M. Best

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, Equipment Breakdown & Service Line Coverage

COMMERCIAL LINES PRODUCTS

Business Owners, Commercial Package, Commercial Auto, Commercial Umbrella, Professional Liability, Cyber Liability

Membership & Participation in:

- National Association of Mutual Insurance Companies
- New York Insurance Association
- Massachusetts Insurance Federation
- Insurance Council of New Jersey
- Independent Insurance Agents & Brokers of America, New Jersey & New York
- Trusted Choice
- Professional Insurance Agents
- Massachusetts Association of Independent Agents



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