



# WE ARE PREFERRED

*Live Assured - It's Our Promise  
Especially During Times  
of Uncertainty*



## 2020 ANNUAL REPORT



**CHRISTOPHER P. TAFT**

President and Chief  
Executive Officer

# WE ARE PREFERRED

## *Live Assured - It's Our Promise Especially During Times of Uncertainty*

Each year I have the privilege of sharing with you the highlights of what we have accomplished at Preferred Mutual Insurance Company. This is our opportunity to pause and reflect on what we have seen, experienced, and responded to as we interacted with our valued agents, policyholders, and employees. And, as we all know, 2020 was a year the likes of which we have never seen before. Our country, and indeed, our world, was rocked by a global pandemic that took lives, disrupted business, created isolation, and brought suffering to so many. Yet despite the challenges that 2020 brought, we were not without proud moments. Moments of great strength and togetherness that connected everyone in a way we had not experienced before. Coming together to bring certainty to others during their time of need is what Preferred Mutual is all about, and 2020 was no exception.

Planning, particularly business continuity planning, set the stage for our ability to meet the differing demands of 2020. We were fortunate that we had invested in tools and technology to enable our employees to work remotely pre-pandemic. Due to our levels of preparedness, we were able to seamlessly transition to predominantly remote work to promote the health and safety of our employees, while

still delivering exceptional service to our agents and policyholders.

We saw new realities for our policyholders where driving habits changed, and businesses modified their operations to meet regulations. We, in turn, made adjustments to offer better support and coverage to show that we are here for you, steadfast in our goal to help policyholders *Live Assured*, especially during this time of uncertainty

- We launched the Stay Home, Stay Assured Auto Program to support our policyholders who did their part by staying home to help stop the spread of COVID-19. This program returned 15% of two months personal auto premiums back to the policyholder.
- In accordance with the State of New Jersey's Department of Banking and Insurance, we launched the New Jersey Stay Assured Giveback Program to support business owner customers who may have modified their operations to meet state COVID-19 mandates.
- We afforded coverage to those using their personal auto to make food or medicine deliveries on behalf of their employer due to COVID-19.
- We also offered flexible payment options, waived late fees, and used smartphone video applications to assess claim damages remotely.





- We were doubly determined to give peace of mind to affected policyholders of the pandemic and Tropical Storm Isaias. We provided additional claims and customer service support over extended hours ensuring great service for every policyholder's claim.

We found new ways to engage with our agent partners, whether it was through WebEx or Zoom meetings, our inaugural Agent Appreciation Week that was filled with socially distanced and digital connections, or virtual wine tastings, and we continued to stand side-by-side with our agents as we faced an unprecedented marketplace.

We are proud to report that A.M. Best reaffirmed our “A” (Excellent) rating for the 18th consecutive year. This rating is supported by our strong and stable financial position reinforced with Total Assets of \$626 million and Policyholders’ Surplus of \$243 million. By closely collaborating with our agency partners, we closed 2020 with \$306 million in Direct Written Premium (DWP) and a 99.6% Combined Ratio.

We found that being flexible and understanding served us well with our exceptional and deeply committed employees, as we all grappled with the changes in our environment and our business. #AloneTogether became our 2020 motto, and

we embraced the virtual environment to connect and engage, and share special moments and accomplishments.

One accomplishment I am especially proud of, is how we banded together to support the communities where we live and work in their time of need. From supporting food and milk drives, to providing local schools with materials to help their transition to remote learning, to continuing to raise money for important causes such as cancer research, we delivered. We helped over 100 organizations throughout 2020, and that is a testament to the foundation of Preferred Mutual, and the giving nature, kindness, and generosity of our employees.

In 2020, uncertainty prevailed in many aspects of our lives, but the certainty that Preferred Mutual will be here, supporting our agents, policyholders, employees and community remains steadfast. We Are Preferred, and we are here for you.

On behalf of the Board of Directors and employees, thank you for your support through a tough, but fulfilling year.

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





## 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.*





# PREPAREDNESS AND AGILITY: OUR FOUNDATION TO HELP YOU LIVE ASSURED

The COVID-19 crisis cemented the idea of agility and preparedness to be at the center of business readiness planning. At Preferred Mutual, our Business Continuity Plan – developed specifically for unforeseen events such as a pandemic and the circumstances that COVID-19 brought upon us – became our playbook for continuing operations amidst uncertain times.

Due to our high level of readiness, especially with our technology infrastructure, we were able to rapidly transition to a predominantly remote workforce ensuring the safety of employees while maintaining our commitment to exceptional customer service.

Preferred Mutual's time-tested infrastructure provided the support employees needed to work efficiently, securely and collaboratively while being remote. Additionally, remote capabilities were complemented by the agility of our lean team of essential on-site employees to keep daily operations running smoothly. By working collectively, we continued to operate and execute all facets of our daily responsibilities, including serving our policyholders and agents without hesitation or interruption.



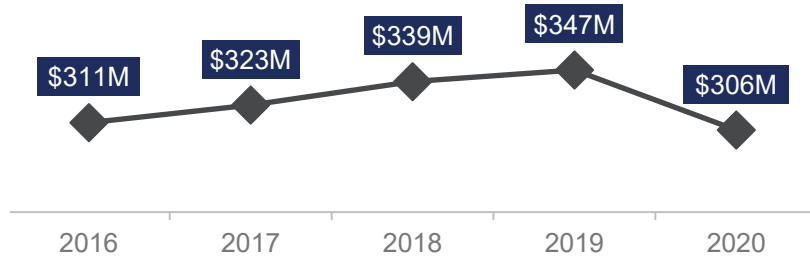
# FINANCIAL PERFORMANCE

**\$306**

**MILLION**

DIRECT WRITTEN PREMIUM

DIRECT WRITTEN PREMIUM

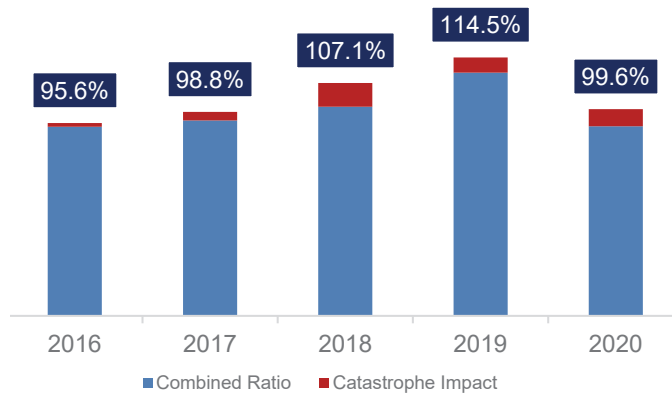


**99.6**

**PERCENT**

COMBINED RATIO

COMBINED RATIO

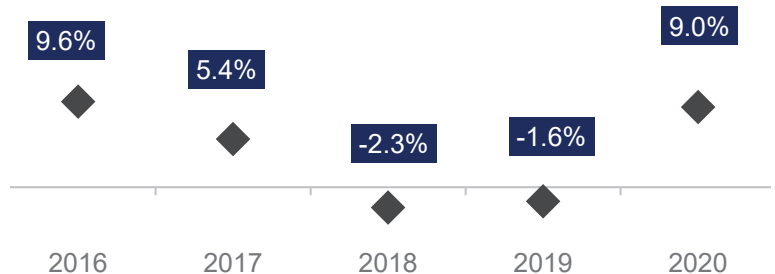


**9.0**

**PERCENT**

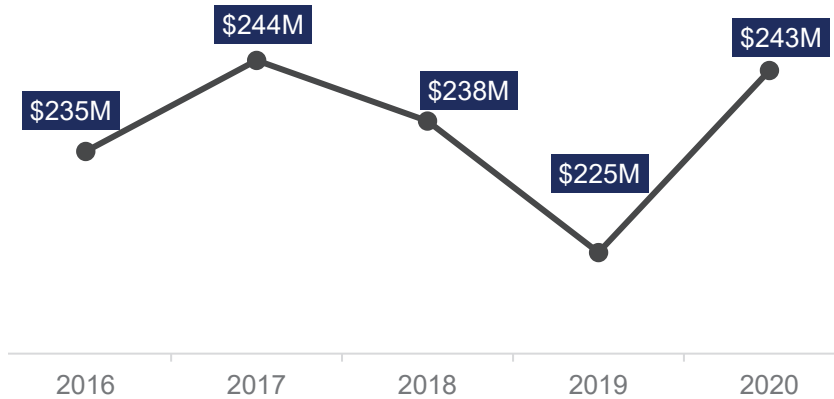
RETURN ON EQUITY

RETURN  
ON EQUITY





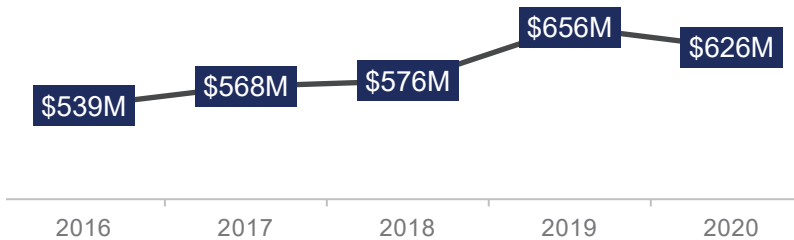
# POLICYHOLDERS' SURPLUS



**\$243**  
**MILLION**

POLICYHOLDERS' SURPLUS

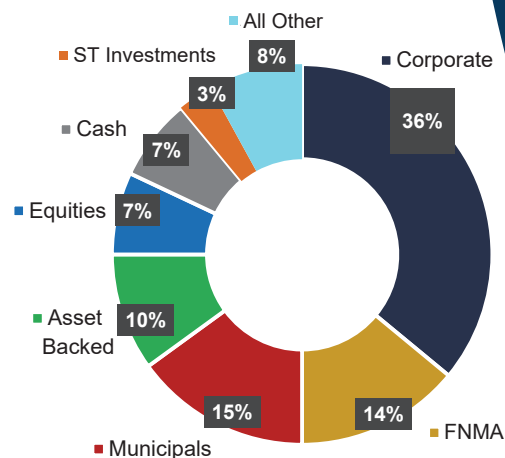
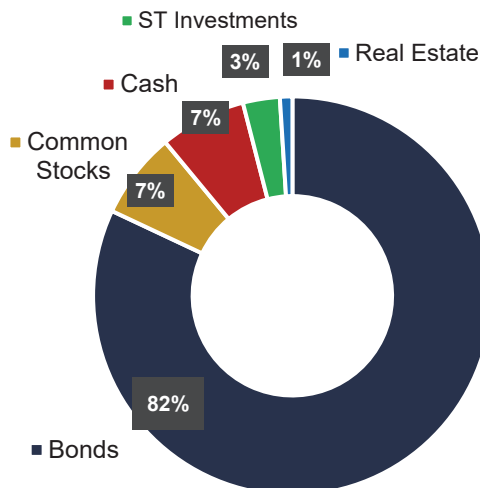
# TOTAL ASSETS



**\$626**  
**MILLION**

TOTAL ASSETS

# INVESTED ASSETS



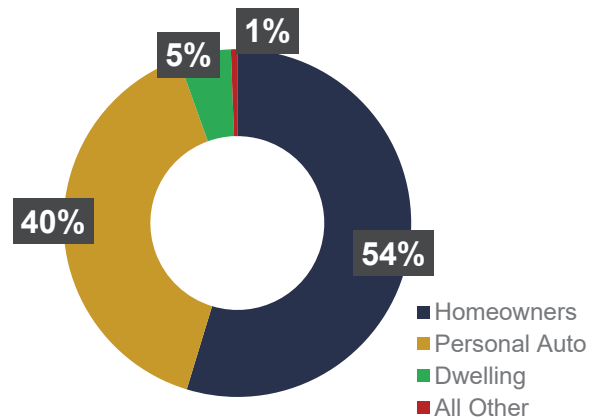
**\$519**  
**MILLION**

INVESTED ASSETS



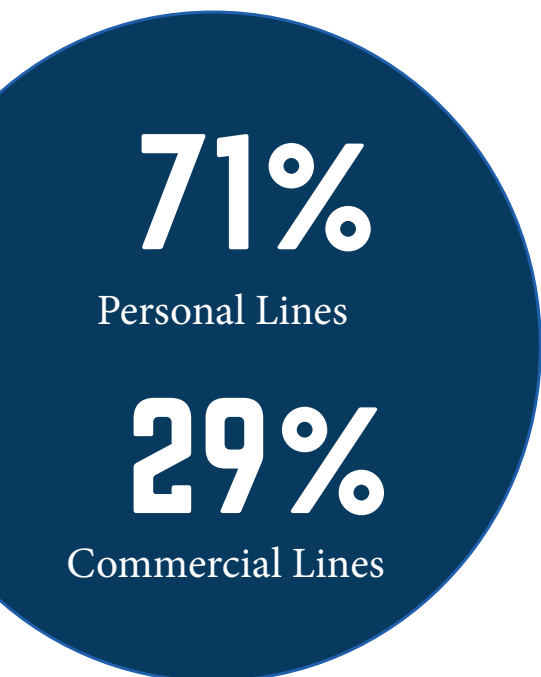
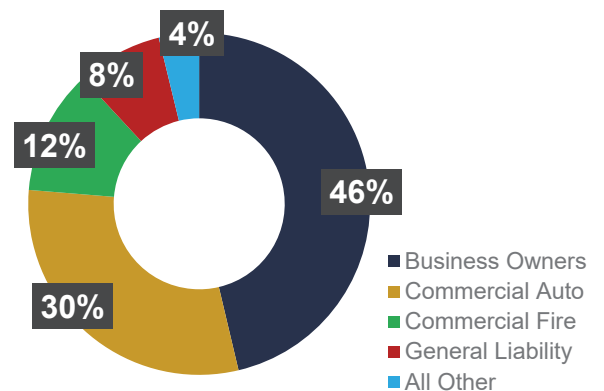
## PERSONAL LINES

The Personal Lines profit center closed the year with \$217M in DWP, and an underwriting gain of \$10M.



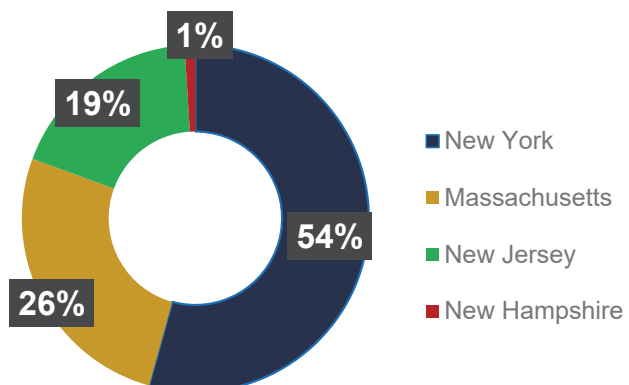
## COMMERCIAL LINES

The Commercial Lines profit center closed the year with \$89M in DWP, and an underwriting loss of \$3M.



## PREMIUM DISTRIBUTION

Preferred Mutual's DWP of \$306 million is distributed between Personal and Commercial Lines products across a four state footprint in the Northeast. This diversification has remained consistent with prior years and is aligned with expectations.







Putting our employees first comes naturally to Preferred Mutual as it's deep-rooted in the culture of our Company. So as the nation continued to navigate a global pandemic, we wasted no time in ensuring our employees had the necessary tools to find their strength, stay well, stay confident, and stay connected.

In April of 2020, in conjunction with the national movement, we released the #AloneTogether Series as a way to express appreciation, show our support, and promote employee collaboration and engagement while apart.

With lighthearted content and some laughs, we released various resources aimed to bolster working relationships, and increase awareness about the pandemic while simultaneously providing a vibrant, engaging atmosphere that felt as close to a high five or hug as we could get.

From motivational Monday's to virtual team lunches to yoga, we had a lot of fun with #AloneTogether! We knew it was the start of something special when employees began organizing activities on their own! Sharing with each other kept us connected – we're in this together! – and soon photos of kids learning remotely or new 4-legged furry "coworkers" were circulating. Tips to cope with the new work-life challenges brought upon us by a quarantined workspace followed, as did recorded home workouts for all to enjoy.

#AloneTogether united us, made us stronger and more resilient, and shined a bright light on what makes Preferred Mutual tick: our employees.



*...we wasted no time  
in ensuring our employees  
had the necessary tools  
to find their strength,  
stay well, stay confident  
and stay connected.*

# STAY HOME, STAY ASSURED

 Auto Program



## ***LIVE ASSURED, EVEN IN TIMES OF UNCERTAINTY: OUR COVID-19 RESPONSE***

*Live Assured isn't just a tagline to us, it's our promise that especially during times of uncertainty, Preferred Mutual will always protect what matters to our agents and policyholders.*

At Preferred Mutual, we have a tremendous history of providing great service and support to each other, our agents, and our policyholders when they need us most. The COVID-19 crisis was no different.

We offered our policyholders a series of programs designed to ease their financial burdens including: flexible payment options, extended coverage to help our personal automobile policyholders deliver food and medicine, smartphone applications to allow policyholders to expedite claim reporting, and most notably, the return of \$3M of auto premiums.

*Live Assured* isn't just a tagline to us, it's our promise that especially during times of uncertainty, Preferred Mutual will always protect what matters to our agents and policyholders.



# HERE FOR YOU WHEN YOU NEED US MOST - TROPICAL STORM ISAIAS

In August, Tropical Storm Isaias left behind considerable damage after it lashed the East Coast with high winds, heavy rain, and flooding. What made Tropical Storm Isaias unique was that it hit during a pandemic, making it more challenging for residents to take proper safety precautions.

Preferred Mutual's Catastrophe (CAT) Response Team, having tracked the system for days, stood ready to support affected policyholders. Our Claims and Customer Service teams worked extended hours to

ensure the necessary resources were available to help policyholders begin to recover and rebuild.

The numbers indicated below are just that—numbers. What we are most proud of, is how our employees responded. Concern for policyholders dually impacted by a storm and a pandemic propelled the results you see below.

We are here to give peace of mind during a difficult time, and our employees continue to assure and uplift our policyholders when they need us most.





Thank you to our essential in-office employees for helping us maintain our culture of helping others and for being there to support us!

## RESILIENT AND ENDURING – OUR ESSENTIAL STAFF

We are all tremendously grateful to the people serving on the frontlines of COVID-19, including healthcare workers, first responders, grocery store and gas station employees, delivery drivers, truckers, postal workers, and so many more, including our own essential in-office employees at Preferred Mutual.

Each of our essential in-office employees played a critical role in our daily operations. Their deliberate calm, resiliency and bounded optimism has provided our predominantly remote workforce the building blocks necessary to continue delivering on our promise, to help people *Live Assured*, every single day.

Thank you to our essential in-office employees for helping us maintain our culture of helping others and for being there to support us!



# #PREFERREDCARES: TOGETHER WE CAN DO SO MUCH

Providing our policyholders with superior products and exceptional service is only one facet of delivering on our promise to help people *Live Assured*. Our promise isn't contained to just our policyholders, our agents, or our employees. Our communities have always been a component of who we are, and, this year more than ever, our employees recognized the need to give back to the communities that mean so much to us.

From hurricane recovery efforts to fighting cancer and heart disease to the uncertainty that the coronavirus brought upon us, Preferred Mutual's sense of purpose to help others is stronger than ever.

Recognizing the increased need due to COVID-19, Preferred Mutual sponsored milk drives, donated hygiene products, fully matched employee COVID donations, and prepared meals for local families to ensure our communities had basic necessities and funding.

People band together to make it through difficult times, and our employees exemplified that this year. It is due to our employee's generosity and willingness to serve others that we provided:

**198**

Boxes of prepared meals delivered to local families to help ease the financial impact of COVID-19



**200+**

Reusable bags donated to schools to distribute materials to students as they made the transition to remote learning



**2,000+**

Families who benefited from local dairy drives that Preferred Mutual sponsored



**100%**

Matched employee donations to COVID-related charity initiatives and food drives



**200**

Thanksgiving meals provided to veterans through Clear Path for Veterans



**156**

Hygiene items and 100 grocery totes donated to Chenango United Way



**\$19,845**

Raised for the American Heart Association and American Cancer Society

# BOARD OF DIRECTORS



**DR. MICHAEL HAYDUK**



**HEIDI HOELLER, CPA**

## PREFERRED MUTUAL WELCOMES TWO NEW MEMBERS TO OUR BOARD OF DIRECTORS

Dr. Michael Hayduk and Heidi Hoeller joined the Preferred Mutual Board of Directors in February of 2020. Dr. Hayduk is the Deputy Director, Information Directorate for the Air Force Research Laboratory in, Rome, New York, and Hoeller is a CPA and retired partner from PricewaterhouseCoopers.

We look forward to their valuable input and contributions in the years to come.

### **Robert A. Wadsworth**

Chairman of the Board; President & CEO,  
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, New York

### **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

### **Dr. Michael J. Hayduk**

Deputy Director, Information Directorate,  
Air Force Research Laboratory

### **Heidi M. Hoeller, CPA**

PricewaterhouseCoopers (Retired Partner)

### **Mary Ellen Luker, CPA, JD, LLM**

Principal, Fust Charles Chambers LLP

### **John C. Mitchell**

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

### **Rip Reeves**

Chief Investment Officer & Treasurer,  
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

### **R. 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

### **Michelle S. Raue**

Senior Vice President, Claims

### **David D. Smith**

Senior Vice President, Technology

### **Yogesh Deshmukh**

Vice President, Finance

### **Andrew P. Forstenzer**

Vice President, General Counsel & Corporate Secretary

### **Ronald R. Martin**

Vice President, Business Compliance & Research

### **Lori D. Sharpe**

Vice President, Sales

### **Arron J. Monroe**

Director, Infrastructure and Network Services

### **Vida J. Tamoshunas**

Director, Data & Analytics



# COMPANY QUICK FACTS



**521**

Agency  
Partners



**807**

Independent  
Agent Storefronts



**13**

New Agency  
Appointments



**124**

Years  
In Business



**\$243**

Million  
Surplus



**\$626**

Million  
Total Assets



**18 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

We are proud to report that A.M. Best reaffirmed our financial strength rating as "A" (Excellent) for the 18th consecutive year. This rating solidifies our dedication to excellent financial stability, and our ability to meet the contractual needs of our policyholders. We couldn't achieve this rating without the commitment of our employees and agency partners.

## 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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