

Committed to You



2017
Annual Report

 **Preferred
Mutual**
Live Assured™



Committed to You

We are driven by our mission and promise to our policyholders – to let you Live Assured. Our unwavering commitment is fueled by each one of Preferred Mutual’s employees who work hard every day in support of our agents, our policyholders and each other. Together, we work to bring solutions and offer products to home and business owners, renters, drivers, boaters and more, to create ease of doing business with our technology, and to operate with speed and efficiency for the convenience of our customers. In these efforts, we are committed to you, our agents and policyholders.

I’m honored to once again have the opportunity to report on the progress we’ve made, and successes we’ve shared, as we continue to evolve in an ever-changing marketplace.

2017 HIGHLIGHTS

We are keenly focused on achieving the expectations we have set for ourselves in our 2020 Strategic Plan, and this year, our accomplishments were aligned in the following strategic areas:

CUSTOMER CENTRICITY – We hold the values and needs of our agents and policyholders at the forefront, and are committed to building trusted partnerships and improving customer satisfaction. We finished the year with a 97% average claims customer satisfaction rate, and



Christopher P. Taft
President and Chief Executive Officer

Our Mission

Assuring Our Customers’ Ability to Live Confidently.



responded to 100% of our policyholders' claims within 24 hours.

FINANCIAL PERFORMANCE – 2017 was a fiscally sound year for Preferred Mutual, ending with \$323 million in direct written premium, \$244 million in surplus and a combined ratio of 98.8 percent. We continue to be proud of our financial standing and ability to meet our contractual obligations, reaffirmed by our A.M. Best “A” (Excellent) rating for the 15th consecutive year.

ORGANIZATIONAL EXCELLENCE – We are launching new products, leveraging data & analytics, significantly expanding our mobile capabilities, and developing technology solutions to support customer needs and ease of use. Additionally, we are focusing on increasing efficiencies within our Business Services realm in order to accelerate our performance as we continue to provide exceptional customer service to our agents and insureds.

A COMMITMENT TO OUR COMMUNITIES

Giving back is a mainstay of our company culture. We think it is important to be active in the communities where we live and work. Our

company – and our employees – demonstrated that commitment with over \$123,000 in charitable giving in 2017. I am proud of the financial support we provide our communities, as well as the countless volunteer hours our employees contribute.

Even as we continue to adapt and innovate to meet the changing demands of our industry, one thing remains constant. Our commitment to you.

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

All the best as you *Live Assured* in the year ahead,

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

Our Vision

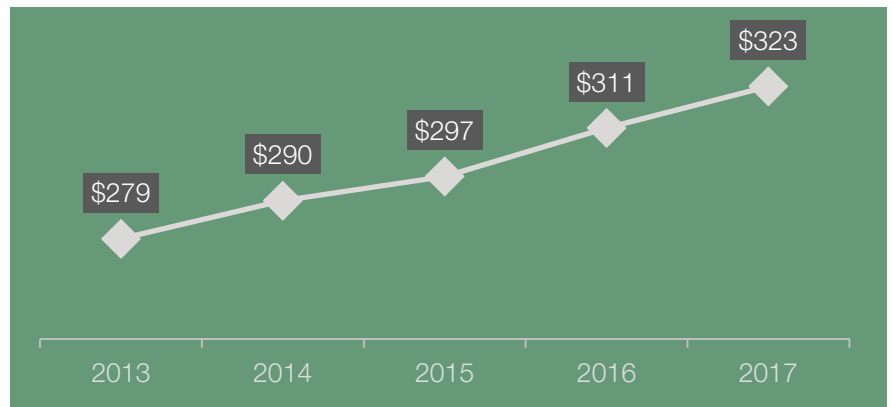
To be the most sought after insurance company, renowned for exceeding the evolving expectations of our customers.

Committed to Financial Strength



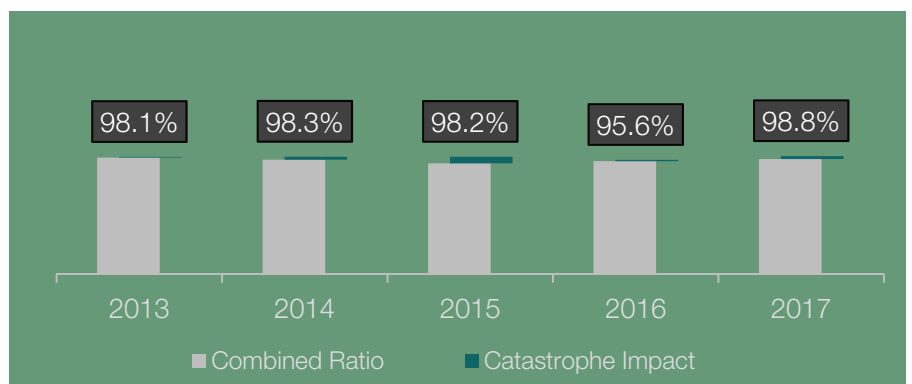
\$323
Million

Direct Written Premium



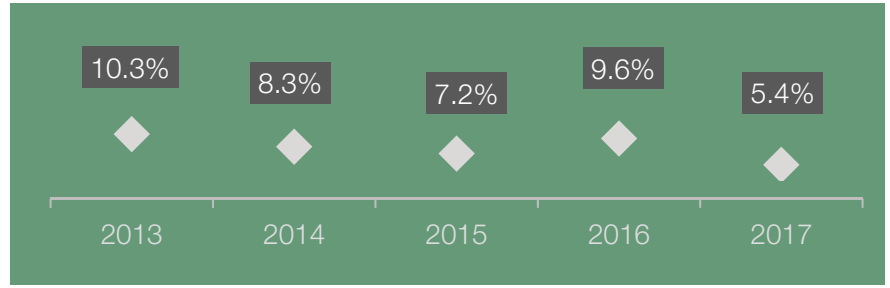
98.8
Percent

Combined Ratio



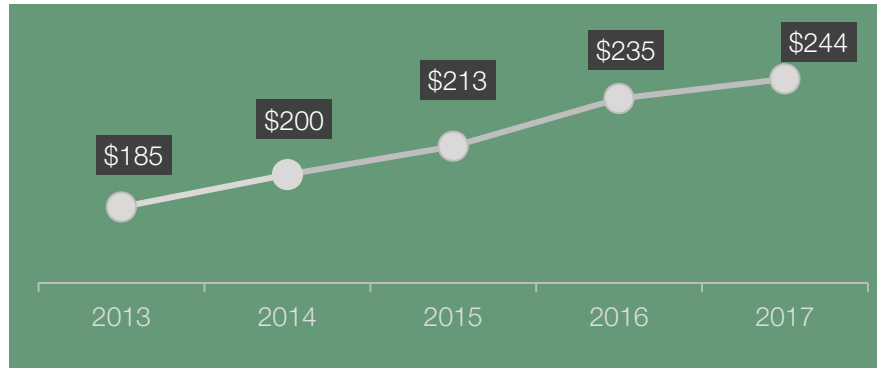
5.4 Percent

Return on Equity



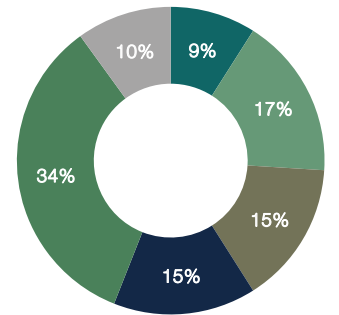
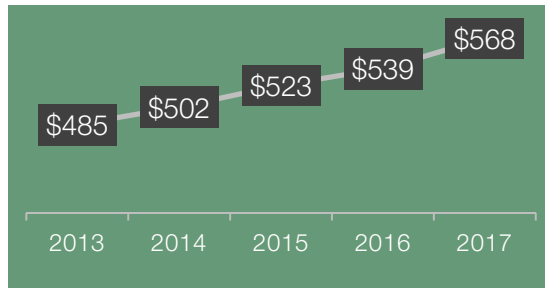
\$244 Million

Policyholders'
Surplus



\$568 Million

Assets



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

Committed to Our Customers

The development of the Massachusetts Commercial Auto product was driven by agent and customer feedback and is part of Preferred Mutual's commitment to providing insurance solutions that empower policyholders' ability to *Live Assured*.





Committed to Performance

Premium Distribution

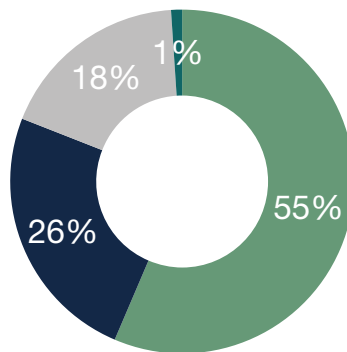
Preferred's revenue of \$323 million is distributed between Personal and Commercial Lines products across a four state footprint in the Northeast. This diversification has remained consistent versus prior years and is aligned with expectations.

73%

Personal Lines

27%

Commercial Lines



- New York
- Massachusetts
- New Jersey
- New Hampshire



Committed to Going Above and Beyond

Building deep and lasting relationships with our agents is a key component to Preferred Mutual's success. These relationships aren't just about doing business together, they include a genuine caring for the agency partners we have the privilege of working with every day.



Whether it's making a personal veterinary referral to an agent with an ill pet, working collectively with an agency to help push past their production goal, or proactively reaching out during a CAT event to offer assistance, we are committed to our agents.

We are proud of our employees and the relationships that they build with our agents, with our policyholders, within our communities and with each other.

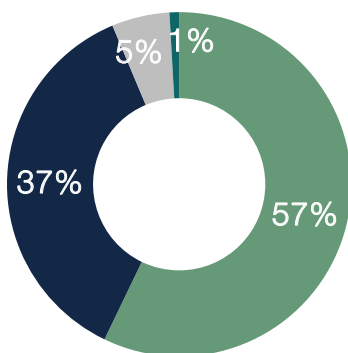
Personal Lines

The Personal Lines profit center grew at a pace of 2.3% in 2017 closing the year with \$241 million of revenue. Growth was driven by Private Passenger Automobile.

\$241 Million

Personal Lines

Direct Written Premium



- Homeowners
- Personal Auto
- Dwelling
- All Other

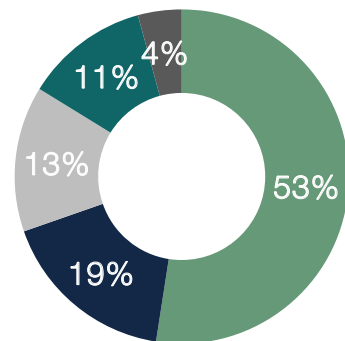
Commercial Lines

The Commercial Lines profit center grew at a pace of 7.6% in 2017 closing the year with \$81 million of revenue. Growth was driven by Business Owners and Commercial Automobile.

\$81 Million

Commercial Lines

Direct Written Premium



- Business Owners
- Commercial Auto
- Commercial Fire
- General Liability
- All Other

Committed to Delivering

in Spite of Rain, Sleet, Snow

Winter Storm Stella battered the Northeast in March, setting snowfall records and making roads impassable and travel hazardous. Preferred Mutual's offices were all in the path of Stella, but that didn't stop our employees from their commitment to their jobs.

Advanced preparation played a key role in our ability to stay open and responsive – even when our physical offices were not accessible. Our Risk Management team worked months in advance to ensure we had contingency plans in place for any eventuality that involved our buildings. Preferred Mutual's investment in technology and mobile capabilities enabled our employees to work from the safety of their homes – seamlessly and reliably in order to serve the needs of our agents and policyholders.

Planning, preparation and performance – our commitment is to being there for our customers...no matter what!



“Hats off to Preferred Mutual for their handling of this claim and for their handling of staff during this snowstorm.”

- Agent

Committed to Service

Our commitment to providing exceptional service is reflected in the feedback we received from policyholders:

“The representatives are very helpful, professional and friendly”

“Personal & responsive service”

“Claims settled fairly and in a timely manner”

“I felt comfortable & supported”

“Attentive customer service”

“The Customer Rep made me feel like I was the most important customer”

“The representative was knowledgeable, took ownership of the issue, and reasonably resolved it”

“Prompt communication with my claims adjustor”



Committed to Our People

We are committed to a culture that empowers our people to deliver for our agents, policyholders, and each other. Driven by passion, purpose, performance, and principle, we set high expectations for each other and ourselves, but know the value of a good laugh. With a commitment to integrity, and doing the right thing, we strive to meet and exceed customer expectations – no excuses.

As we continue to grow our team of professionals, we remain committed to:



Finding Great Talent

We have employees that
reside in 11 states



Career Development

24 employees received a
degree or industry certification



Career Growth

Over 10% of employees
were promoted internally
in 2017



Committed to Community

#PreferredCares

At Preferred Mutual, we are more than just an insurance company. We are in the business of taking care of people. It's at our core. It's the foundation of who we are, and we are a company that thrives on giving back. The caring nature and generosity of our employees has helped us support over 125 organizations in 2017!

Whether it's raising money for healthy hearts or cancer research, volunteering at the Ronald McDonald House, donating blood, collecting supplies for food banks, or supporting those that have been through natural disasters, we help. Live Assured isn't just a tagline, we embody its meaning and message. **Live Assured, we're here for you!**



125
Organizations
Supported in 2017

\$123
Thousand in
Charitable Donations
in 2017

\$1 Million+
Charitable
Contributions
Over Past
10 Years

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

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.

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

Jenifer L. Rinehart

Senior Vice President, Chief Human Resources Officer

Michael S. DeGironimo

Vice President, Claims

Andrew P. Forstenzer

Vice President, General Counsel & Corporate Secretary

Michele R. Graham

Vice President, Enterprise Project Management Office

Timothy R. Hyle

Vice President, Finance & Risk Management

Ronald R. Martin

Vice President, Business Compliance & Research

Raymond D. Muller

Vice President, Chief Actuary and Data Analytics

David D. Smith

Vice President, Technology

Ernest W. Weeks

Vice President, Underwriting

James J. Almy

Director, Commercial Lines Underwriting

Sean P. Campbell

Director, Personal Lines Underwriting

Arron J. Monroe

Director, Infrastructure and Network Services

Vida J. Tamoshunas

Director, Data & Analytics

Company Quick Facts



506

Agency
Partners



973

Independent
Agent Storefronts



121

Years
In Business



15

Years Rated "A"
Excellent From A.M. Best



252

Thousand
Policies



\$244

Million
Surplus



\$539

Million
Total Assets

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
- Massachusetts Association of Independent Agents
- Professional Insurance Agents

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, Commercial Umbrella, Professional Liability



Preferred Mutual Insurance Company
One Preferred Way | New Berlin, NY 13411

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