



2006 Annual Report

NEW PLACES > NEW FACES > NEW EXPERIENCES >





## President's Letter

2006 was an extraordinary year for the insurance industry. In sharp contrast to 2004 and 2005, a minimal number of catastrophic weather events produced the best financial results over the last 50 years. This enabled the industry to strengthen its capital position and prepare to stand strong when future activity returns.

I am pleased to report that MMG Insurance's 2006 performance kept pace with our industry, thus generating superb financial results and increased balance sheet strength. A 93% combined ratio generated a 14.2% increase in policyholder surplus to a new historic high of \$55,900,000. Surplus is up 127% over the past 5 years, contributing to greater security for our policyholders and a strong capital position from which to seek future marketplace opportunities.

Toward that end, for the first time in 25 years, our Company entered a new state - Pennsylvania. Many resources were allocated to prepare for this endeavor and as always, our talented employees took on the daunting challenge of re-creating almost all systems. In December, their efforts were rewarded with the writing of our first policy outside of Northern New England. We are optimistic about the growth and diversification opportunities the Pennsylvania market presents and look forward to building our policyholder base in our fourth state.

Providing policyholders and agency partners with the highest level of service has always been the cornerstone of our business model and 2006

was no exception. During the course of the year we implemented a number of infrastructure enhancements to generate added efficiencies and greater ease of doing business for our agency partners. One such initiative was the commitment to support multiple agency interface designs. This approach was driven by our goal to allow each one of our Independent Agents to employ the MMG system that works best for him/her. As an endorsement of this commitment to our agents, we are pleased to report that the Maine Independent Agents Association named MMG the Insurance Company of the Year for the second time.

As proud as we are of our 2006 accomplishments, we also realize that in an environment of continuous improvement, our work is never done. Present and future policyholders will continue to demand more connectivity and accessibility. As a result, we have initiated the design of a new customer service model that will provide greater flexibility for both agents and policyholders. The foundation for this future customer outreach initiative was laid in 2006 in the form of our new corporate identity and brand rollout. "Protecting your piece of the world" is more than our new positioning statement, it's a pledge to our customers that we look forward to fulfilling year after year.

The insurance industry and the market we serve are at an interesting crossroads. At the printing of this report, some fundamental core insurance practices are currently being questioned by Congress. Issues being debated include state vs. federal regulation, the limited anti-trust exemptions

provided by McCarran-Ferguson, and contract provisions relative to wind and floods. Combined with a softening marketplace and an evolving consumer, the next three to five years will be challenging for both MMG and our formidable competitors.

The road ahead will surely have many ups, downs, twists and turns. No matter what hazards lie ahead or how challenging the conditions become, MMG is positioned well to navigate through the changing times to come. With a motivated employee base and an entrepreneurially spirited agency plant, we remain firmly in the driver's seat and poised to cover some exciting new ground.

Sincerely,

Larry M. Shaw, CPCU  
President & Chief Executive Officer





## MMG writes first policy in Pennsylvania

In 2006, the state of Pennsylvania became the fourth state to enter in our book of business. Employees throughout our entire organization worked diligently and tirelessly to make this milestone moment happen and we are thrilled to be doing business in the Keystone State.



## The new look of MMG Insurance

In 2005, Maine Mutual Group conducted an intense audit of our corporate communications efforts. We engaged an independent marketing communications firm to survey our agents, policyholders and employees to learn what we were doing well and what we could improve. As a result of this work, we introduced our new brand during our March, 2006 \$100 million celebration. Since that time, “Protecting your piece of the world” has truly become the hallmark of our organization.

## Enhancing our infrastructure to keep pace with growth



A mild winter by northern Maine standards enabled construction on the 20,000 square foot addition to our Presque Isle corporate headquarters to continue at an encouraging pace. Featuring innovative design and thoughtful space planning with an eye for future growth, this new structure will enable us to take advantage of new opportunities with unprecedented efficiency.

## Investing in technology for a better agent and policyholder experience

2006 saw the introduction of upgraded functionality to MaineGate, the agent log-in section of our website that enables agents to view policy documents electronically. This is an initial step to increasing functionality to policyholders and agents via the Internet.

## MMG Named one of Maine’s “Best Places to Work”

Recruiting and retaining the best and brightest employees is a vital part of MMG’s mission—not only do we want to be the insurer of choice, we want to be the employer of choice for those seeking fulfilling, rewarding and challenging work in our ever-changing industry. While we measure our success in this area in terms of low turnover and happy employees, we were pleased to receive outside recognition of our efforts in this arena in 2006.

The Best Companies Group of Harrisburg, PA named MMG Insurance one of the “Best Places to Work in Maine” for 2006.



The program was designed to acknowledge Maine companies that show dedication to their employees’ growth and quality of life through practices that attract and retain Maine’s talented workforce. We are truly honored to be counted among the top employers in the state and are grateful to our talented, devoted employees who make our company stand out.

“It is not down in any map; true places never are.” — Herman Melville



## 2006 Financials

### FINANCIAL STRENGTH

Comparative Balance Sheet

	12/31/06	12/31/05
<b>Admitted Assets</b>		
Total Admitted Assets	\$159,196,892	\$146,365,936
<b>Liabilities</b>		
Total Liabilities	\$103,230,345	\$97,341,262
Policyholders Surplus	\$55,966,547	\$49,024,674
<b>Total Liabilities and Surplus</b>	<b>\$159,196,892</b>	<b>\$146,365,936</b>

### TWO YEAR INCOME STATEMENT

	12/31/06	12/31/05
Underwriting Gain or Loss	\$4,215,007	\$4,739,429
Net Investment Income	\$4,697,183	\$3,756,761
Total Other Income	\$1,023,587	\$1,266,400
Net Income Before Income Taxes	\$9,935,777	\$9,762,590
Net Income	\$6,990,303	\$6,906,759
Change in Surplus	\$6,941,873	\$6,198,322
Surplus End of Period	\$55,966,547	\$49,024,674

### COMPARATIVE RESULTS

	Written Premium	Policyholder Surplus	Admitted Assets	Combined Ratio
2006	107,850,198	55,966,547	159,196,892	93.07%
2005	102,060,848	49,024,674	146,365,936	92.11%
2004	94,380,782	42,826,352	130,552,306	94.40%
2003	84,755,651	31,783,896	107,940,366	99.64%
2002	76,129,002	26,413,268	94,249,084	97.46%
2001	69,370,480	24,659,819	81,400,823	107.90%
2000	64,564,531	24,903,577	72,956,526	99.90%
1999	58,547,730	21,540,920	64,937,670	99.84%
1998	53,762,564	20,059,362	58,709,784	102.29%
1997	49,864,441	14,445,838	51,506,106	101.58%

"Two roads diverged in a wood and I  
- I took the one less traveled by..."  
— Robert Frost



## Directors

**Tom E. Gagnon**, Chairman of the Board  
Presque Isle, Maine  
Partner, Key Realty; President of  
H.G. Slipp Company Investments  
*Director since 1992*

**John H. Cashwell III**, Vice-Chairman  
Bangor, Maine  
President of Seven Islands Land Company  
*Director since 1997*

**Larry M. Shaw, CPCU**, President  
Chief Executive Officer  
Presque Isle, Maine  
*Director since 1995*

**Samuel W. Collins**  
Caribou, Maine  
President of S.W. Collins Company  
*Director since 2001*

**Harold A. Dakin**  
Londonderry, New Hampshire  
Consultant, Retired Vice President—International,  
NYNEX Information Resources Co.  
*Director since 1998*

**Rep. Dawn Hill, Esq.**  
Cape Neddick, Maine  
Maine House of Representatives  
Attorney, President of It's a Dogs' World  
*Director since 1990*

**Michael D. MacPherson**  
Presque Isle, Maine  
Vice President/Owner of Future Security, Inc.  
*Director since 1997*

**Jay York McCrum**  
Mars Hill, Maine  
President of Penobscot McCrum LLC  
*Director since 2005*

**Donald W. Perkins, Jr.**  
Westbrook, Maine  
President of Gulf of Maine Research Institute  
*Director since 2005*

**Jon J. Prescott**  
Island Falls, Maine  
President of Katahdin Trust Company  
*Director since 2005*

**Lisa M. Ventriss**  
South Burlington, Vermont  
President of Vermont Business Roundtable  
*Director since 2000*

**George H. Ellis**, Honorary Director  
Scarborough, Maine  
Retired Vice President of Maine Central Railroad  
*Director from 1975-1988*



“It is good to have an end to  
journey towards, but it is  
the journey that matters in the end.”

— Ursula K. LeGuin



Standing, from left to right:  
Jay York McCrum, Jon J. Prescott,  
Samuel W. Collins, Donald W. Perkins, Jr.,  
Larry M. Shaw, George H. Ellis,  
Seated, from left to right:  
Dawn Hill, Esq., Michael D. MacPherson,  
John H. Cashwell III, Tom E. Gagnon,  
Harold A. Dakin, Lisa M. Ventriss



# Officers



**Larry M. Shaw, CPCU**  
President  
Chief Executive Officer  
*Service since 1982*

**Michael M. Young, CPA, CFE**  
Chief Financial Officer  
Vice President  
*Service since 1994*

**Lynn M. Lombard**  
Vice President  
Director of Human Resources  
*Service since 1971*

**Steven D. Chandler, CPCU**  
Vice President  
Personal Lines Manager  
*Service since 1987*

**Roger J. Roy**  
Executive Vice President  
Chief Operating Officer  
Treasurer, Secretary, Clerk  
*Service since 1984*

**Matthew R. McHatten**  
Sr. Vice President  
External Operations  
*Service since 2001*

**Pamela G. Johnson, CPCU**  
Vice President  
Commercial Lines Manager  
*Service since 1984*

**Timothy W. Vernon, SCLA**  
Vice President  
Property Claims Manager  
Loss Prevention/Legislative Affairs  
*Service since 1986*

Back row (left to right):  
Timothy W. Vernon, Steven D. Chandler,  
Lynn M. Lombard, Pamela G. Johnson  
Front row (left to right):  
Matthew R. McHatten, Larry M. Shaw,  
Roger J. Roy, Michael M. Young



“For my part, I travel not to go anywhere, but to go.  
I travel for travel’s sake. The great affair is to move.”  
— Robert Louis Stevenson



MMG Insurance

Presque Isle, ME  
Concord, NH  
Lehighton, PA