



Building on a Tradition
of unique service and performance



MMG Insurance

2014 Annual Report

TABLE OF CONTENTS

President's Letter	1 - 3
MMG's Vision of Excellence Honored	4 - 5
MMG's Commitment to the Community	6
2014 Community Volunteer of the Year	7
2014 Featured Agency	8
The Intern Experience	9
Directors	10
Officers	11
Financial Statements	12 - 13



TO OUR *Policyholders, Agents, and Associates*



For the insurance industry overall, 2014 was a strong year in terms of financial performance. Due to minimal catastrophe activity on a global basis, many companies posted positive results. However, 2014 was challenging for regional writers in the Northeast and Mid-Atlantic. From a severe winter with record cold temperatures and significant snowfall to major hail storms during late May in Pennsylvania and Vermont,

weather impacted results negatively. Given our market share in the regions affected, MMG incurred its share of this activity. We are pleased to report the company showed resilience by financially absorbing the loss activity while maintaining our high standards of service to our policyholders and agents during these difficult events.

Financially, even with a slightly elevated combined ratio of 100.8%, we added \$2.5 million to surplus, a 2.8% increase, maintaining the strength of our balance sheet. With 2014 considered, our five-year combined ratio is 97.59% and the ten-year is 97.91%. These numbers show the long-term positive results of MMG's approach and the ability to withstand years with significant increases in loss activity. On the premium side, we saw strong growth in all of our major lines of business, finishing at 7.89%. From a state perspective, Pennsylvania

led with 18% and now accounts for 16% of our business. Maine and New Hampshire grew 4%, Vermont grew 7%, and Virginia grew from \$1.2 million to nearly \$3.3 million.

PREPARING FOR THE FUTURE

As we remain committed to our high tech / high touch business model and the unique option it provides to the marketplace, it is imperative that we have the technology, people, and ability to adapt to the changing expectations of the consumer. These three areas of focus received a good deal of attention in 2014 and will continue to be major drivers of future success. The following are highlights of accomplishments:

Technology Modernization. In last year's report, we acknowledged the realization that our present approach and position with technology was not going to be adequate for our future needs. With the expedited evolution of capabilities combined with the increasing limitations of our legacy systems, we concluded major strategic steps were needed. Over the past year, a great deal of time was spent analyzing where we are, where we want to go, and how to get there. From that process, we hired a consultant to assist in building a roadmap for technology that would serve our 10-to-15-year vision. As a result, we made the decision to move forward with a total rewrite of our policy administration, claims, and billing systems. The significant scale of this transformation is expected to involve third-party vendors and a five-year timeframe. This will be a challenging venture; however, we are confident it will provide the framework for future competitive opportunities.

Talent. In any high-performing business, the level of collective talent drives success. With a business model striving to build enduring relationships, deliver exceptional service, and



Shaping long-lasting relationships

create and innovate frequently, it is imperative that we continue to attract, retain, and develop our employee base. In 2014, we advanced our talent march on all fronts. With many talented new hires across the organization and improved focus on onboarding, training, and development, we have built the groundwork for our team to continue to get better and better. Conceptually, we know this will be a continual challenge, and we are committed to aggressively building new approaches to advance our workforce.

Consumer of the Future. The evolution of the buying public continues to shift with higher and higher expectations of accessibility and service. At MMG, we see this as a defining future challenge that provides great opportunity. We feel that to do this well we must continue to provide service across the spectrum – from those who prefer total human involvement in transactions, to those who prefer to do everything via the internet, and everyone in between. While we continue to see the demand for more e-Commerce solutions, the data shows that many still value the ability to transact directly with a representative if advice is needed or when questions arise. Our strategy is to continue to position our franchise to adapt through new offerings associated with our technology modernization while maintaining the personal touch that continues to be a competitive advantage.

ACHIEVING GROWTH OPPORTUNITIES

As mentioned, in 2014, we experienced an uptick in growth just shy of 8%. Many factors contributed to this; however, the major driver was the growth in all lines of business in all states. Commercial Lines grew 11%, continuing its strong growth

for the last 15 years, and is now 36.6% of our business. In order to maintain this level of growth in 2014 and into the future, it was important for us to broaden our offerings. In late 2013, a committee was established with representation from many disciplines. They have been charged with monitoring the dynamics of the marketplace, our results, and suggesting approaches that will enhance our ability to compete. The results speak for themselves as the growth rate remained consistent with past years. The work of the committee has set us up well for the foreseeable future and will continue in order to build a solid foundation for long-term growth.

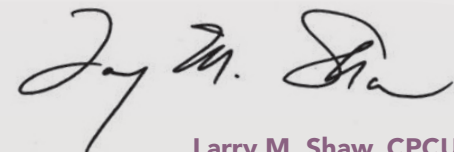
In Personal Lines, the growth rate increased to 6.23%. This positive result was driven by a repositioning of both Auto and Homeowners following competitive changes and profitability measures in both lines. Our goal with Homeowners was to continue with underwriting discipline. Examples of this initiative include a decision to inspect all new submissions and the implementation of a renewal scoring tool, which created a mechanism to monitor our legacy book. With Personal Auto, we focused on improving pricing segmentation and writing portfolio accounts. It was good to see the growth come back in Personal Lines and we expect to continue our market positioning in 2015 with the introduction of a new auto predictive model.

As mentioned earlier in the report, we continued to see advancement in the diversification of business throughout our five states of operation. This is an important strategic area as increased product line and geographic diversification improves the stability of our overall results. As we look to the next three years, we see growth opportunities increasing due to the spread of risk strategies implemented over the past ten years.

A COMMITMENT TO LONG-TERM PERFORMANCE

One of the greatest strengths of mutuality is the ability for management to make long-term decisions in the best interest of policyholders. This concept has been at the center of our strategic thinking for almost 20 years. In 2014, MMG received affirmation that this long-term approach is producing results that build balance sheet strength for our policyholders and compare favorably against the financial performance of all U.S. insurers. First, A.M. Best upgraded our rating to A Excellent in recognition of the strengthening of our ability to meet our ongoing financial obligations. Second, MMG was named to the Ward 50 list. This list annually recognizes the top 50 performing companies in the United States based on the last five years of financial and operating performance. Both are strong acknowledgements of taking a long-term view and its positive impact on financial performance.

In closing, we are fortunate to have employees who consistently meet high standards of excellence; strong agency partnerships that drive value and customer loyalty; a leadership team that collaborates in an exemplary fashion and is committed to achieving an ambitious vision of providing a unique option in a changing world; and a Board of Directors whose insight, advice and support is so valuable. We thank all of you and look forward with confidence to what the future holds.



Larry M. Shaw, CPCU
President & CEO, MMG Insurance

MMG'S
Vision of Excellence
HONORED



INSURANCE
AGENTS & BROKERS
OF PENNSYLVANIA



Igniting
the spark of inspiration



A.M. BEST

A.M. Best has upgraded MMG Insurance Company's financial strength rating (FSR) to A (Excellent). This rating action reflects MMG's historically strong operating performance, consistent growth in surplus, and solid risk-adjusted capitalization in recent years. In addition, the company continues to maintain its market position as a leading personal and small and mid-sized commercial lines writer in the northern New England states.

2014 WARD'S 50 TOP PERFORMING P&C INSURERS

To develop its annual list of the top 50 performing insurance companies, Ward Group analyzes the financial performance of over 3,000 property casualty insurance companies domiciled in the United States and identifies the top performers based on objective data and subjective quality measures. Each company has passed all safety and consistency screens and achieved superior performance over the five years analyzed.

INSURANCE AGENTS & BROKERS OF PENNSYLVANIA

Ranked #4 Performing Company in Personal Lines in the 2014 Company Satisfaction Index. Carriers are ranked in categories including: products, pricing, and underwriting, policy service and claims, technology, and agency/company relationship.

APPLIED SYSTEMS

Recipient of the 2014 Interface Partner Award in recognition of MMG's commitment to providing the latest, most accurate information to agents to improve efficiency, business operations, and customer service.

PROFESSIONAL INSURANCE AGENTS OF NEW HAMPSHIRE

2014 Award for Overall Excellence based on the PIA Company Performance Survey in which Independent Insurance Agents rate carriers in 20 categories, including: claims handling, products and pricing, underwriting, technology, and marketing support.

MMG'S COMMITMENT TO THE COMMUNITY:

Special Olympics



RAY BUCKLIN

Recipient of the MMG Good Sportsmanship Award and member of the Aroostook County Special Olympics basketball team, the Snowdogs.

MMG Insurance's support of Special Olympics began in the early 1990s, sending volunteers to the Spring Games in Orono, Maine, and the Winter Games at Sugarloaf Mountain. Then, in 1996, MMG adopted the Special Olympics Soccer Skills Competition, which has grown into an annual tradition treasured by the community and MMG employees alike.

In 2014, to honor MMG's continued support of Special Olympics, and to encourage good sportsmanship, the Special Olympics Area Management Team developed the "MMG Good Sportsmanship Award." The award is presented to an athlete or team that exemplifies good sportsmanship at each of the local events.

The sportsmanship award that was recently created in MMG's name and is now given out at every Special Olympics event held in Aroostook County is a small way to say thank you for such wonderful support and a great relationship built over the last 25 years.

– Stephen D. Richard
Executive Director, Central Aroostook Association

MMG's involvement with this program gives us the opportunity to step in and be a part of something fulfilling, something bigger than us.

– Spencer King
MMG Insurance

It has been a great comfort to all of us at Special Olympics Maine knowing that we have, and will continue to have, the wonderful support of MMG Insurance and its outstanding employees. And we appreciate this relationship that has lasted for so many years, knowing that the Athletes of Special Olympics Maine/Aroostook County are offered a consistent, quality experience every time they are involved with MMG. Simply put, everyone is better off for it! Thanks so very much for the many years of caring and sharing.

– Philip R. Geelhoed
President & CEO, Special Olympics Maine

Sowing
the seeds of change

2014 COMMUNITY VOLUNTEER OF THE YEAR:

Patty Browning



A native of Aroostook County, Maine, Patty Browning has been selected for her widespread involvement in the community and tireless work to provide support and guidance for those who need it most. She takes time from her busy day to serve on many local committees and in a variety of organizations:

One person can make a difference in another person's life. When we focus on helping others, our lives are made richer. Each person has different gifts and abilities, and there are so many organizations where we can all play a part, no matter our strengths. It's great to work for a company like MMG that supports community service.

– Patty Browning
Executive Assistant

Pregnancy Care Center of Aroostook

Patty has been a Board Member of PCC of Aroostook since 2004 and has served as Chair since 2005. The PCC provides emotional, spiritual and material support to women and teens with unexpected pregnancies.

Presque Isle Wesleyan Church (PIWC)

Patty is the Director of Women's Ministries and oversees various volunteer efforts through her church to give back to the community. In addition, she has led a ladies Bible study group for the past 15 years and leads a couples Bible study group with her husband, Gary.

Compassion International

Patty and her husband are passionate about Compassion's child sponsorship program and sponsor children in Rwanda, Haiti, and Guatemala. Each sponsorship provides the financial support needed to give children an education, food, and health care and to give help and hope to their families.

Kicking Bear Camp

As avid archers, Patty and Gary volunteer at this camp designed to introduce youth to archery while also working with them to develop values, build skills and solidify peer and adult relationships.

The Lighthouse

Patty and her husband volunteered for this organization for several years mentoring at-risk youth. They encouraged healthy relationships, social and moral principles, and provided counsel on how to make good life decisions.

Past Participation

UMPI Fitness Center Advisory Committee, TAMC Aroostook Adventure Race Committee, Past Member of Presque Isle Kiwanis Club.

2014 FEATURED AGENCY:

United Insurance



CHRIS CONDON, President

Chris Condon is President, Chief Executive Officer, and Senior Partner of United Insurance. His responsibilities include oversight and strategic management of 16 agency locations, including insurance company relationship management and financial forecasting.

Chris began his insurance career in 1993 at the Hayden/Perry Agency in Presque Isle, a company whose roots are intertwined with MMG Insurance since

its inception in 1897 as Aroostook County Patrons Mutual Fire Insurance Company. In 2003, Hayden/Perry Agency merged with United Insurance. United Insurance is a privately held insurance agency with 16 locations, 130+ professionals, and more than \$100 million in premium. Founded in 1976, United has grown to become one of the largest and best respected insurance agencies in Maine.

ABOUT MMG INSURANCE

Of the relationship with MMG, Chris says, "Personally and professionally we are closely aligned. I used to live in Presque Isle and I personally know most of the staff at MMG. And what has worked so well over the years is our ability to work together to find ways to meet our clients' needs."

"The longevity of our business relationship goes back more than 100 years. In good times and in bad, the people and the relationships have carried through. We have a shared history of trust that makes it easy for us to turn to MMG when our clients need something unique."

"What keeps our connection with MMG strong and growing is that they make it easy for our staff to do business with them. They know their future, and ours, is dependent on making decisions for our customers based in fairness, integrity, and with an eye toward the future."

We are a community-oriented company with a long-term plan to be here to sell insurance far into the future. Our perseverance is matched by MMG's forward-thinking business strategy and client commitment. Their ability to be nimble and flexible, regardless of the need, is something many other insurance companies strive to match.

– Chris Condon



Growing
with trust and honesty

THE *Intern Experience*



JORDAN HALLETT
2014 IS Department Intern

Founded on the belief that the future of the insurance industry is tied directly to current investments, MMG has implemented a hugely successful Intern program. Participants have the unique opportunity to experience what sets MMG apart as they engage in job shadowing across all departments. Additionally, they receive targeted training within their assigned jobs, mentoring, education, and the opportunity to interact with the entire management team.

While based at the corporate office in Presque Isle, Maine, the interns are given the capacity to network with both the local community and business partners throughout the five state operational footprint. Acting as representatives of MMG, they have solidified the importance of the program internally, as well as the industry-wide need for an increased focus on the talent of the future.

Since the program began in 2012, MMG has employed 10 interns and has consequently hired nine of those interns upon graduation as regular, full-time employees.

This internship has not only allowed me to gain knowledge about all aspects of insurance, it has also sparked my interest about the industry.

– Kyle Corrigan
Former Intern & Current Employee

The intern program has become one of the ways we get great people for our team. We bring students into our organization, give them an experience and an opportunity to see who we are and what we're about. In turn, we get to see who they are, what they're about, and how they might build a career at MMG. That's a win/win.

– Lynn M. Lombard
Vice President, Director of Human Resources



Kyle Corrigan, Christopher Nadeau and Cameron Anderson represent MMG's Intern Program at the 2013 Aroostook Partnership for Progress Summit

Directors



THANK YOU:

*Tom E.
Gagnon*

Tom Gagnon retired from our Board of Directors in September of 2014. He served for a total of 22 years and was Board Chair from 2005 to 2011. In addition to being a major part of MMG's evolution, Tom has been very involved in the local community both as a business leader and through the commitment of personal time to many causes and organizations.

We dedicate this portion of our annual report in recognition of that service and in thanks for Tom's many contributions to MMG.



Seated (left to right): Jon J. Prescott; Jean M. Deighan; Larry M. Shaw; Donald W. Perkins, Jr.; Harold A. Dakin

Standing (left to right): Samuel W. Collins; Lisa M. Ventriss; Jay Y. McCrum; John H. Cashwell III; James E. Nevels; Dawn Hill; Michael D. MacPherson

John H. Cashwell, Chairman

Bangor, Maine
President of JHC Consulting LLC
Director Since 1997

Michael D. MacPherson, Vice Chairman

Presque Isle, Maine
President / Owner of Just Value Associates PLLC
Vice President / Owner of Future Security, Inc.
Director Since 1997

Larry M. Shaw, CPCU, President

Presque Isle, Maine
Chief Executive Officer of MMG Insurance
Director Since 1995

Samuel W. Collins

Caribou, Maine
President of S.W. Collins Company
Director Since 2001

Harold A. Dakin

Londonderry, New Hampshire
Retired Vice President of Dex Media
Director Since 1998

Jean M. Deighan

Bangor, Maine
Founder and Chief Executive Officer of Deighan Wealth Advisors
Director Since 2014

Dawn Hill, Esq.

Cape Neddick, Maine
Maine State Senator
Director Since 1990

Jay Y. McCrum

Mars Hill, Maine
President & CEO of McCrum Family Holdings
Director Since 2005

James E. Nevels

Philadelphia, Pennsylvania
Chairman/Founder of The Swarthmore Group
Director Since 2014

Donald W. Perkins, Jr.

Cape Elizabeth, Maine
President of Gulf of Maine Research Institute
Director Since 2005

Jon J. Prescott

Houlton, Maine
President & CEO of Katahdin Trust Company
Director Since 2005

Lisa M. Ventriss

South Burlington, Vermont
President of Vermont Business Roundtable
Director Since 2000

Officers



Seated (left to right): Michael M. Young; Larry M. Shaw; Matthew R. McHatten; Stephen J. Gallant

Standing (left to right): Douglas R. Hazlett; Stacy L. Shaw; Corey A. Graham; Lynn M. Lombard; Timothy W. Vernon; Pamela G. Johnson

Larry M. Shaw, CPCU

President and Chief Executive Officer

Matthew R. McHatten

Executive Vice President, Chief Operating Officer, Secretary and Clerk

Michael M. Young, CPA, CFE

Senior Vice President, Chief Financial Officer and Treasurer

Stephen J. Gallant

Senior Vice President, External Operations

Lynn M. Lombard

Vice President, Director of Human Resources

Pamela G. Johnson, CPCU

Vice President, Commercial Lines Manager

Timothy W. Vernon, SCLA

Vice President, Property Claims Manager

Stacy L. Shaw

Vice President, Information Systems Manager

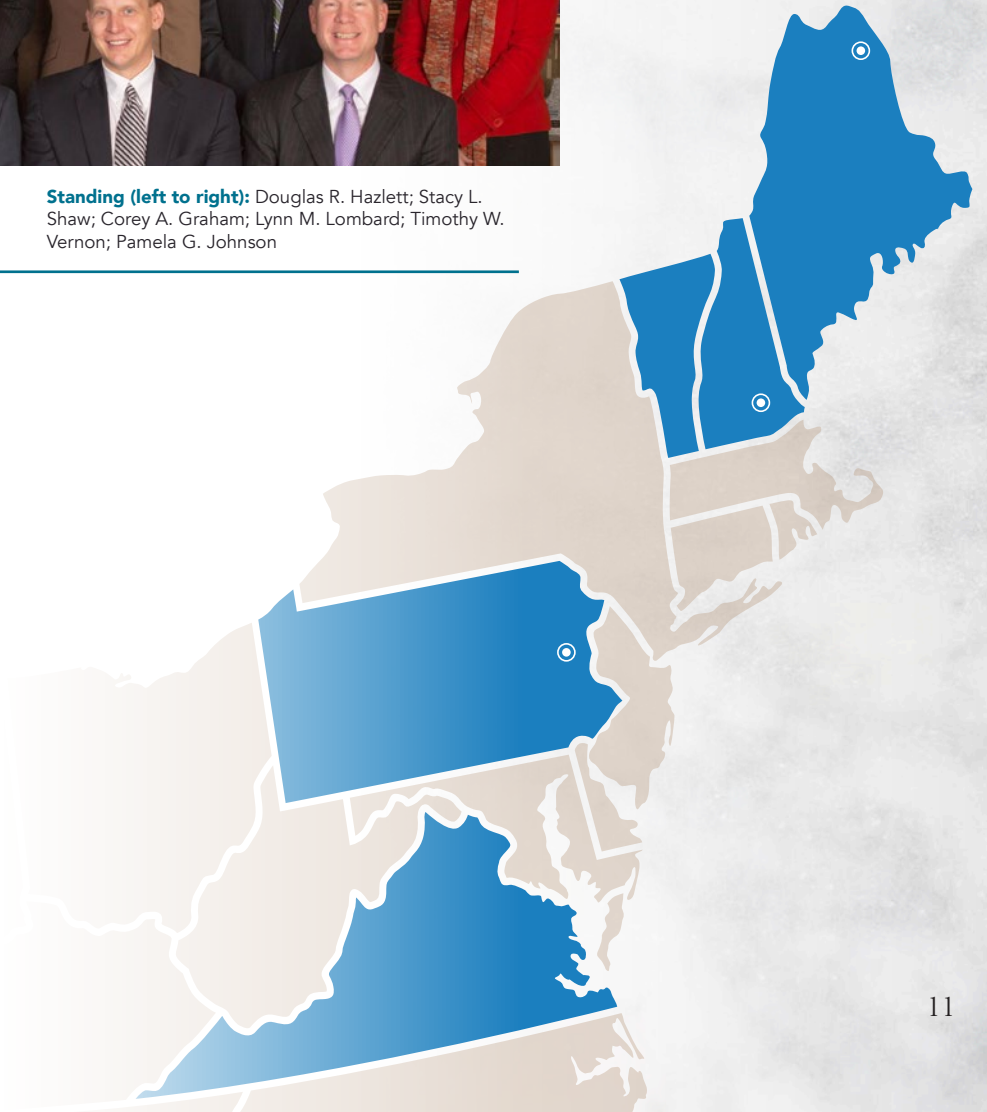
Douglas R. Hazlett

Vice President, Personal Lines Manager

Corey A. Graham, AIC

Vice President, Casualty Claims Manager

MMG Insurance supports the Independent Agency distribution system throughout its five state operational footprint of Maine, New Hampshire, Vermont, Pennsylvania, and Virginia.



Financial Strength

COMPARATIVE BALANCE SHEET

12/31/14

12/31/13

Admitted Assets

Total Admitted Assets	233,827,582	225,328,952
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Liabilities

Total Liabilities	143,664,788	137,622,889
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Policyholders Surplus	90,162,794	87,706,063
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Total Liabilities & Surplus	233,827,582	225,328,952
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TWO-YEAR INCOME STATEMENT

12/31/14

12/31/13

Underwriting Gain / (Loss)	(2,918,888)	1,847,950
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Net Investment Income	5,469,804	5,492,140
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Total Other Income	1,032,864	647,868
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Net Income Before Income Taxes	3,583,780	7,987,958
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Net Income	3,396,325	5,796,148
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Change in Surplus	2,456,731	8,627,173
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Surplus End of Period	90,162,794	87,706,063
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Measuring
progress and growth

Comparative RESULTS

	Written Premium	Policyholder Surplus	Admitted Assets	Combined Ratio
2014	160,332,451	90,162,794	233,827,582	100.80%
2013	148,606,238	87,706,063	225,328,952	96.10%
2012	139,487,692	79,078,890	205,124,517	96.77%
2011	133,213,853	72,977,453	192,443,537	97.64%
2010	125,952,121	69,344,383	184,113,397	96.66%
2009	118,696,329	63,757,879	174,868,274	99.16%
2008	114,087,098	58,060,022	168,416,631	104.95%
2007	110,547,607	63,708,030	171,994,244	101.85%
2006	107,850,198	55,966,547	159,472,579	93.07%
2005	102,060,848	49,024,674	146,365,936	92.11%

Protecting your piece of the world®



MMG
INSURANCE

Protecting your piece of the world®

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