

# 2009 Annual Report

Protecting your piece of the world®



perseverance  
determination  
focus



## To our Policyholders, Agents and Associates



Economic uncertainty on a historic scale defined 2009 for individuals and businesses alike. As the global economy struggled to find the bottom of a deep recession, the dynamics of financial markets and political reactions permanently changed the world in which we operate. The property and casualty insurance industry—a positive glimmer in a business landscape marred by many casualties—once again proved its resiliency. Predominately, our industry retained its financial strength and answered to the needs of policyholders. As a result of fiscal conservativeness and sticking to the basics, it ended the year stronger and ready to play a role in moving the overall economy back to health. We are proud to be part of an industry that has a long history of standing strong when confronted by a host of negative happenings.

Resiliency and stability have been long-term trademarks of MMG. We are pleased to report that we have navigated through these economic challenges, emerging stronger financially and well positioned for the future. The Company has been tested by three consecutive severe winters. The first quarter of 2009 was no exception. Storms and cold temperatures drove high claims activity that, combined with the bottom of the equity market freefall in early March, made the year look bleak. However, the fundamental values of our business model, coupled with our own perseverance, provided solid results and a balance sheet strengthening of significant proportion. We are pleased to provide our policyholders and agents a company they can depend on during the toughest of times.

Our financial results, for a year of many ups and downs, were very good. A posted combined ratio of 99.16%, our best in three years, included a one-time charge of \$1.033 million for the termination of our defined benefit pension plan. Therefore, the actual result for 2009 was 98.04%. We are pleased with our operating performance, considering the severity of the weather-related losses of the first quarter. From a balance sheet perspective, these earnings, combined with a rebound in our investment portfolio, allowed for an increase in policyholder surplus of \$5.7 million. This addition of 9.8% allowed us to replace the entire surplus lost in 2008 directly tied to the decrease in the equity markets. The balance sheet is strong and our capital position is at an all time high, positioning the Company to pursue our long-term vision and provide the stability we are known for.

Operationally, MMG grew just over 4% – decent considering the economic challenges we are facing and the softness of the existing marketplace. Personal Lines grew 3.5%. Growth in this line of business was impacted by a combination of low consumer confidence/spending along with our own actions to improve the competitiveness of our products. Commercial Lines grew 5.4%, significantly off expectation and historic levels. The economic reality of businesses closing or contracting, combined with an extremely competitive landscape, were the drivers of this shortfall.

Our major area of focus throughout 2009 was product positioning. Highlights included:

- **Personal Lines.** We are in the midst of a transition designed to create the strategic platform needed to compete in the marketplace of the future. Personal Auto Predictive Modeling implementation has been at the core of this transition. Though this project has been disruptive to renewals, we are pleased to note that the conversion process is nearly complete, and we are looking forward to a product positioned to compete with the analytical abilities of our larger competitors. The Homeowner line continues to be challenging, given the nationwide impact of existing weather patterns. We see continued upward pressure on rates and underwriting discipline to move this line back to an acceptable level of performance.

- **Commercial Lines.** Commercial Lines continues to perform very well from a bottom line perspective. Our desire is to grow this area to 40% of our business over the next five years. We are pleased and enthusiastic with our recent partnership with Workers' Compensation writer, MEMIC Indemnity. MEMIC is a leader in this line of business whose value proposition is very similar to ours. As a result, this partnership will provide an opportunity for us to broaden our Commercial Lines appetite and continue to diversify our book of business.
- **Automation.** We continue our march to provide our employees with the technology needed to enable the highest levels of service and our agents with the latest in "ease of doing business" workflow approaches. Our in-house programming staff contributes significant flexibility to move on good ideas and make the types of changes to enhance the end-user experience.
- **Consumer of the Future.** The Consumer of the Future continues to be an exciting area of focus at MMG. We are concentrating on responding to evolving consumer sales and service trends and expectations created in our internet-driven society. We continue to work with our agency partners to design strategies that provide flexibility today and take into consideration the speed with which future desires are crystallizing. We are confident that these efforts will create improvements to the long-term franchise value of both MMG and its agents.
- **Efficiency Efforts.** As all organizations are doing, we are focused on being more efficient – doing more with less. Departmentally, we are engaged in efficiency efforts that allow high levels of service while streamlining workflow. We are pleased with our progress and are optimistic for more gains throughout the Company.

With all the positioning done over the last two years and the strides made from an operational perspective, we are optimistic about what the future holds. We certainly could not navigate these uncharted waters without the commitments made by our Board or Directors, employees, and agency partners. This group shares a core interest—making decisions that support long-term relationships and overall fiscal stability. As we look to the challenges of the future, we remain confident in the cohesiveness of the MMG model. I know that together we can accomplish great things.

Larry M. Shaw, CPCU  
President & CEO  
MMG Insurance

"While challenges appear daunting at times,  
we are confident in our ability to succeed."

—Larry Shaw, CEO



steadiness  
potential



Thomas J. Minkler, CIC  
President  
Clark-Mortenson Agency, Inc.—Keene, NH

“2009 was a difficult year for the insurance industry, as well as the economy in general—but it reminded me why MMG Insurance is such a great carrier partner for us. From the CEO down, they consistently demonstrate that they ‘get it’ when it comes to keeping their agency partners informed—something that’s so important but increasingly rare.

MMG is a company that really embraces the concept of partnership—they understand my business and my expectations, and it’s clear that they keep their employees well informed and engaged in the company’s plans for the short and long term.

More importantly, in an industry that is being challenged to rise to changing consumer expectations, MMG isn’t waiting around to see what happens. They’re planning today for how they’re going to address the consumer demands of tomorrow, from technology to customer service programs, so we can keep pace with our clients’ needs. That’s why MMG is my agency’s go-to company.”

## MMG Honored for Commitment to Agents, Employees and Industry Leadership

The most tangible accolade of our Company’s success is the longevity of our relationships with our agents, policyholders and employees. MMG is honored to have been recognized for our efforts through several awards that are based, in large part, on feedback provided by our internal and external stakeholders. These included: Professional Insurance Agents of New Hampshire 2009 Award for Overall Excellence (our 3rd award from PIANH); Best Places to Work in Maine (MMG ranked 9th among companies with fewer than 250 employees); and the 2009 Applied Systems Interface Partnership Award (our second consecutive year to receive this honor).



## 2010 Community Volunteer of the Year

Margo Dyer has been named the 2010 MMG Community Volunteer of the Year in recognition of her exemplary commitment to making her community better. Margo, a Human Resources Assistant, is the coordinator of our Company’s major United Way employee campaign—though it’s part of her job description, her personal commitment to making this campaign successful goes above and beyond what is required.

Margo has taken on leadership roles in numerous civic, religious and cultural organizations, sharing her energy and enthusiasm and inspiring others with her tireless efforts. Among the many organizations benefitting from Margo’s commitment are: the Presque Isle Area Chamber of Commerce, Wintergreen Arts Center, Shriners, Presque Isle High School Project Graduation, Pregnancy Care Center of Aroostook, and Daughters of Isabella.

“Her attitude (she never complains), her humor, and her passion for helping others make her a wonderful example of volunteerism,” says one of Margo’s colleagues who nominated her for the award.

As the recipient of this year’s award, Margo will be a member of the 2010 MMG Giving Committee, helping direct the Company’s major giving decisions. In addition, MMG will make a \$500 donation to the Wintergreen Arts Center in Margo’s name.



*I’ve never thought of what I do as anything other than what we’re all supposed to do when we belong to a community.*

*Growing up I was surrounded by hard working people that enjoyed helping others out. Looking back now, I realize these people were my role models. They showed me when, how, and what to do and then we got to enjoy the satisfaction of a job well done.*

*I made a pledge that when I “grow up” and become part of a community, I’m going to help out too. By winning this award, I guess that means that I’ve fulfilled, and continue to fulfill my pledge.*

*-Margo Dyer, 2010 Community Volunteer of the Year*

“The balance sheet is **strong** and our capital position is at an all-time high, positioning the Company to pursue our long-term vision and provide the **stability** we are known for.”

## Enhancing the online experience for current and potential agents and customers

MMG has long been committed to ease of doing business—not only for our agents, but our insureds. In 2009, the Company continued on a multiphase project to improve and enhance our online offerings for current and potential policyholders, and to introduce our brand to potential agents in new markets as we grow our corporate footprint.

MyMMG is our new online portal, launched in October 2009, that allows policyholders to update their personal information, pay bills, view and print policy documents, view claims, and more in a secure, easy to use online environment. In April 2010, we unveiled our redesigned public website, MMGins.com, with a new look and functionality that, we believe, reflects our forward-thinking direction and better communicates our promise of *Protecting your piece of the world*.

Moving forward, we will explore new ways to connect with agents and consumers, including an increased focus on use of social media tools like Facebook, Twitter and YouTube.



MyMMG

MMG Insurance Home / Contact Us / FAQ / Logout

**MyPolicy**  
Never misplace your policy again. View or print your documents online.

**MyService**  
Always serving you better. FAQ's, change an email or ask us a question.

**MyBill**  
Pay your bill on your schedule. Our payment page makes it easy.

**MyClaim**  
Our skilled adjusters are here for you. Find out how to contact yours.

Welcome, Kyle Green  
Last Login 03/19/2010 11:27 AM

**MyAgent**  
If you have any questions about your policy or would like to make changes, please contact your local independent agent:



UNITED INSURANCE  
HAYDEN/PERRY AGENCY  
40 NORTH ST SUITE 1  
PRESQUE ISLE, ME 04769-2269  
(207) 764-6161

For claims service, billing and other inquiries, contact MMG

Protecting your piece of the world®

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enduring  
capable

## DIRECTORS

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

**John H. Cashwell III**, Vice-Chairman  
Bangor, Maine  
Managing Director of Portage Wood Products  
*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 Company  
*Director since 1998*

**Rep. Dawn Hill, Esq.**  
Cape Neddick, Maine  
Maine House of Representatives  
*Director since 1990*

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

**Jay Y. 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 & CEO 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*



*Front row (left to right):*

*Michael M. Young, Larry M. Shaw,  
Roger J. Roy, Matthew R. McHatten*

*Back row (left to right):*

*Pamela G. Johnson, Stephen J. Gallant,  
Steven D. Chandler, Lynn M. Lombard,  
Timothy W. Vernon, Stacy L. Shaw*

## OFFICERS

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

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

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

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

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

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

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

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

**Stephen J. Gallant**  
Vice President  
Marketing Director  
*Service Since 1996*

**Stacy L. Shaw**  
Vice President  
Information Systems Manager  
*Service Since 1998*

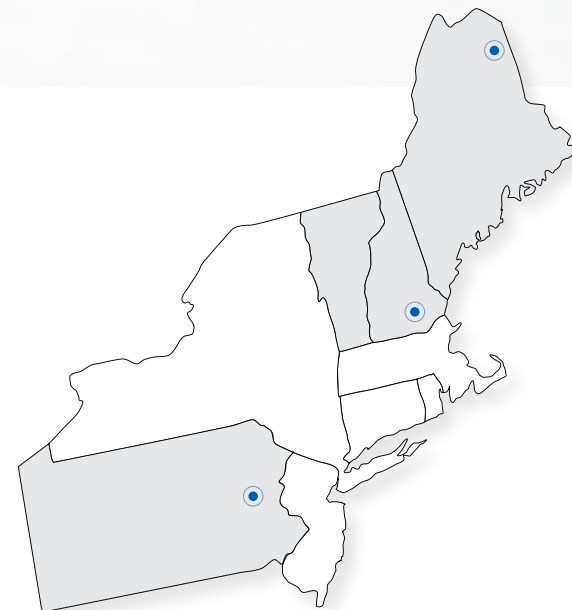


*Front row (left to right):*

*Dawn Hill, Esq., Michael D. MacPherson,  
John H. Cashwell III, Tom E. Gagnon,  
Harold A. Dakin, Lisa M. Ventriss*

*Back row (left to right):*

*Jay Y. McCrum, Jon J. Prescott,  
Samuel W. Collins, Donald W. Perkins, Jr.,  
Larry M. Shaw, George H. Ellis,*



MMG Insurance currently has three offices from which it writes insurance in Maine, New Hampshire, Vermont and Pennsylvania in partnership with over 370 Independent Insurance Agency offices.

“The **fundamental values** of our business model, combined with our **own perseverance**, provided solid results and a balance sheet strengthening of significant proportion.”

— Larry Shaw, CEO



## 2009 Financials

### FINANCIAL STRENGTH Comparative Balance Sheet

	12/31/09	12/31/08
<u>Admitted Assets</u>		
Total Admitted Assets	\$ 174,868,274	\$ 168,416,631
<u>Liabilities</u>		
Total Liabilities	\$ 111,110,395	\$ 110,356,609
Policyholders Surplus	\$ 63,757,879	\$ 58,060,022
<hr/>		
Total Liabilities and Surplus	\$ 174,868,274	\$ 168,416,631

instinct  
patience

### COMPARATIVE RESULTS

	Written Premium	Policyholder Surplus	Admitted Assets	Combined Ratio
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%
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%

### TWO YEAR INCOME STATEMENT

	12/31/09	12/31/08
Underwriting Gain (or Loss)	\$ (169,691)	\$ (4,685,663)
Net Investment Income	\$ 4,464,545	\$ 303,182
Total Other Income	\$ 1,071,795	\$ 1,022,286
Net Income Before Income Taxes	\$ 5,366,649	\$ (3,360,195)
Net Income	\$ 5,763,675	\$ (4,995,023)
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Change in Surplus	\$ 5,697,857	\$ (5,648,008)
Surplus End of Period	\$ 63,757,879	\$ 58,060,022

“We are proud to be part of an industry that has a long history of **standing strong** when confronted by a host of negative happenings.” — Larry Shaw, CEO



MMG Insurance

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[www.mmgin.com](http://www.mmgin.com)

