

At MMG, we believe that behind every accomplishment you'll find...

hard work and a commitment to excellence.

2010 Annual Report



# To our Policyholders, Agents and Associates



As the global economy tries to gain traction following a deep recession and the ramifications are settling closer to home as states and local municipalities deal with difficult budget decisions, the insurance industry continues to show remarkable resiliency. It has provided, and continues to provide, stability amongst the significant challenges of these economic times. Once again, those we serve can be confident in the security we provide. This is an industry we can all be proud of.

We are pleased to report that MMG Insurance had a successful year – one that solidified our financial and marketplace positions. With a significant strengthening of our balance sheet, a stronger market presence, and major strides taken to prepare for a technologically embedded future, MMG stands ready to meet the needs of a rapidly evolving world.

Financially, we had our best year since 2006. A 96.67% combined ratio and strong investment returns provided for an increase in surplus of 8.7% to \$69.3 million. Written premium grew at 6.1% and finished at \$126 million. Growth at this level is significantly above industry norms driven by a 12% increase in commercial writings, continued expansion in Pennsylvania and increased retentions in all lines of business. Though our expense ratio improved, it remains higher than expected. We will continue to manage this area aggressively by becoming more efficient and continuing to leverage technology.

## Areas of Focus

### Consumer of the Future:

As consumer expectations of response time and accessibility continue to grow, fueled by increased online interaction, we are working hard to adapt our strategy and systems to keep pace.

2010 marked many advancements in this area, including the upgrading of our websites, a paperless option for our policyholders and new concepts for customer

service. These foundations have us well positioned to continue to enhance both our franchise and that of our agents in order to meet the rapidly shifting landscape. We will continue to allocate resources to this critical area in partnership with our agents. The combination of our ability to deliver technological advancement and their strong local presence and expertise will continue to contribute to a customer experience that is second to none.

### Enterprise Architecture:

Staying on the same theme as the evolution of technology relative to consumer demands, we initiated a long-term plan of implementing an Enterprise Architecture (EA) design company-wide. This design is a strategy to overhaul our legacy systems and the processes that drive them. We are confident that this major step will provide the technology and efficiency to more effectively drive our business model in the future. Improved resource management, business/information system linkage, and project design were achieved in 2010 by virtue of EA. We expect it to be only the beginning in terms of the upside of this initiative.

### Continued Diversification of our Book of Business:

Diversification of our business continues to have a stabilizing effect on the Company's performance. The expansion of Commercial Lines and the addition of Pennsylvania have greatly improved our spread of risk and begun to soften impacts of weather or poor results of a specific line of business. In 2010, we continued to build on this strategy by adding the State of Virginia to our marketplace. Preparations are underway with the goal of beginning to write business by the end of 2011. We are excited about this new opportunity and are optimistic about the potential of doing business in this state.

### Talent:

In a growing organization, the attraction and development of employee talent is critical to a company's success. This past year we have experienced progress in both areas. Additional talent was added across many disciplines of our organization providing enhanced skill sets and fresh ideas. Also, our existing staff continued to build and

develop their skill set with low employee turnover continuing to bring a wealth of experience to their daily work. The combination is a significant gain and a team prepared for the challenges that lie ahead.

### Market Presence:

With the advent of predictive modeling and needed applications of underwriting discipline, we have experienced some disruption in our book of business. This is expected as rates fluctuate to more closely relate to the individual risk being considered.

By continuing to enhance our model of competitive products, exceptional customer service and user-friendly technology, we had a great year in strengthening agency partnerships and building affinity with our policyholders. Affirming our marketplace value is the following recognition received in 2010:

- Company of the Year in Maine
- #1 Performing Company in New Hampshire
- #1 Performing Company in Pennsylvania
- #5 In the Nation for Ease of Doing Business

When considering what we have been through economically over the past three years, we must thank our Board of Directors for their commitment to stability and long-term perspective, our employees for striving to do more with less and understanding the Company's strategic vision, and our agency partners for their hard work and resiliency during very difficult market dynamics. We have all accomplished much — together.



Larry M. Shaw, CPCU  
President & CEO  
MMG Insurance

“It’s lack of faith that makes people afraid of meeting challenges, and I believed in myself.”

-MUHAMMAD ALI



**Steven P. Cote**  
President  
Chalmers Insurance Group  
North Conway, NH



“MMG is a true partner for independent agents, dedicated to being both ‘high tech and high touch’. The Company’s investment in automation has allowed us to quote and place business, answer inquiries of all kinds and make premium payments more efficiently than with its peer competitors. The Chalmers Insurance Group has grown substantially over the past three years with MMG – in a very difficult business climate – because of the sheer ease in doing business from a technological standpoint and through the development of great personal relationships.

As community-based agents, we rely heavily on our carrier partners to truly understand the culture of our customers and the territories in which we do business. National carriers simply cannot accommodate this need effectively. The current state of the market dictates that we all must run our operations ‘lean and mean’ – focusing on transacting business efficiently and accurately for the benefit of our valued clients and for the health of our bottom line. MMG Insurance Company gives us the tools and the expertise to take care of business and compete successfully every day.”



sacrifice



**“Growing up in Northern Maine, my family and community instilled in me a sense of giving at an early age. Being there for others is the Aroostook County way, and I want to make sure that I do my small part to make this a better place for everyone to live.”**

**— A.J. Cloukey**

## 2011 Community Volunteer of the Year

A.J. Cloukey has been named the 2011 MMG Community Volunteer of the Year in recognition of his outstanding commitment to improving his community. A.J., a senior accountant at MMG, was nominated by his colleagues, who noted his many commitments that have benefitted businesses, communities and families throughout Presque Isle and Aroostook County.

A.J. has served on the board of the Presque Isle Kiwanis for five years, and is currently serving his second term as President. During his tenure with Kiwanis, he has chaired several Kiwanis committees that benefit the City of Presque Isle and the region, including the Christmas Basket and Toy Giveaway Committee, which benefits over 100 families in the area.

He also serves on the Presque Isle Recreation Department Advisory Board and the boards of Momentum Aroostook and the Northern Maine Fair Association. A.J. has been actively involved with Special Olympics since he was in grade school, helping his father, Rene Cloukey, Jr. and other coaches to teach the fundamentals of basketball to the Olympians.



A.J. also shares his love of basketball with a local middle school basketball team, and is active with the alumni group for his alma mater, Thomas College. A.J. is a devoted husband to wife, Shawn, and a very inspiring role model and uncle to his two nephews and his niece.

As the recipient of this year's award, A.J. will be a member of the 2011 MMG Giving Committee. In addition, MMG will make a \$500 donation to Kiwanis Community Christmas Basket Project in A.J.'s honor.

“I am a member of a team, and I rely on the team, I defer to it and sacrifice for it, because the team, not the individual, is the ultimate champion.”

-MIA HAMM

## MMG Receives Top Honors for Commitment to Agents and Industry Leadership

---

MMG was honored to receive awards from insurance agency associations in three states:

### **2009 Company of the Year**

Maine Independent Agents Association

### **2010 Top Performing Company**

Professional Insurance Agents of New Hampshire

### **2010 Top Performing Company**

Independent Agents & Brokers of Pennsylvania

We were also ranked in the **Top 5 nationwide for Ease of Doing Business** in the annual Deep Customer Connections survey of approximately 7,800 insurance agents.

We're humbled and honored to receive these awards, which are a tribute to the hard work, dedication and commitment of our employees. We're particularly gratified that these awards represent recognition from Independent Insurance Agents, who have always been a key component of our Company's success.



---

determination



## Continuing our focus on agents' and consumers' needs today...and tomorrow



In 2010, we continued to demonstrate our commitment to making it easy for agents and insureds to do business with us by enhancing our online presence.

In April 2010, we unveiled our redesigned public website, MMGins.com. Not only does the new site better align with our Company's overall branding through compelling imagery and messages that reinforce our promise to protect your piece of the world—it also makes it much easier for site users to quickly find the information they're looking for, whether about the products and services we offer or “smart thinking” tips on how to reduce costs and avoid preventable losses. We also made the “Find an Agent” link more prominent across all pages of the site.

We have continued to promote the ease, functionality and security of online account management through our MyMMG portal, where insureds can view and pay bills, update their contact information, view and print policy documents, and monitor the status of claims.

Currently, MMG is embarking on a multi-phase effort to encourage current and potential users of MyMMG to Go Paperless. The combination of environmental benefits as well as improved efficiency for our policyholders and MMG makes this an important initiative. Accordingly, we plan to communicate these benefits to our policyholders actively in 2011.

“The price of success is hard work, dedication to the job at hand, and the determination that whether we win or lose, we have applied the best of ourselves to the task at hand.”

-VINCE LOMBARDI



## 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  
President of Evergreen Ridge Inc.  
*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*

### **Dawn Hill, Esq.**

Cape Neddick, Maine  
Maine State Senator  
*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**

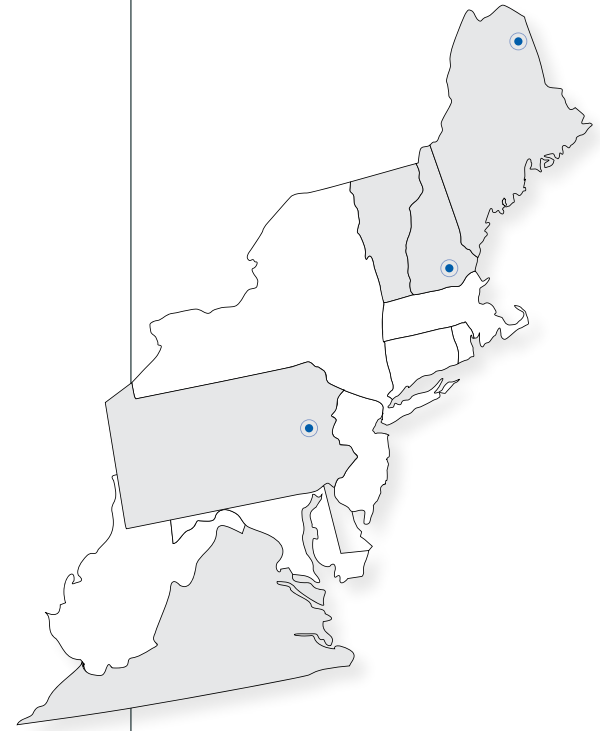
Scarborough, Maine  
Retired Vice President of Maine Central Railroad  
*Director from 1975-1988*

*Front row (left to right):*

*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. We plan to begin writing insurance in Virginia by the end of 2011.





move



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

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

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

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

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

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

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

Stephen J. Gallant  
Vice President  
Marketing Director  
Service Since 1996

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

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

“The most important key to achieving great success  
is to decide upon your goal and launch,  
get started, take action, move.”

-JOHN WOODEN

## Financial Strength

### Comparative Balance Sheet

---

<u>Admitted Assets</u>	12/31/2010	12/31/2009
Total Admitted Assets	\$ 184,113,397	\$ 174,868,274
<u>Liabilities</u>		
Total Liabilities	\$ 114,769,014	\$ 111,110,395
Policyholders Surplus	\$ 69,344,383	\$ 63,757,879

---

Total Liabilities and Surplus	\$ 184,113,397	\$ 174,868,274
-------------------------------	----------------	----------------

“When a gifted team dedicates itself to unselfish trust and combines instinct with boldness and effort, it is ready to climb.”

-PATANJALI

## Two Year Income Statement

---

	12/31/2010	12/31/2009
Underwriting Gain (or Loss)	\$ 2,153,590	\$ (169,691)
Net Investment Income	\$ 4,756,742	\$ 4,464,545
Total Other Income	\$ 928,156	\$ 1,071,795
Net Income Before Income Taxes	\$ 7,838,488	\$ 5,366,649
Net Income	\$ 6,170,452	\$ 5,763,675

---

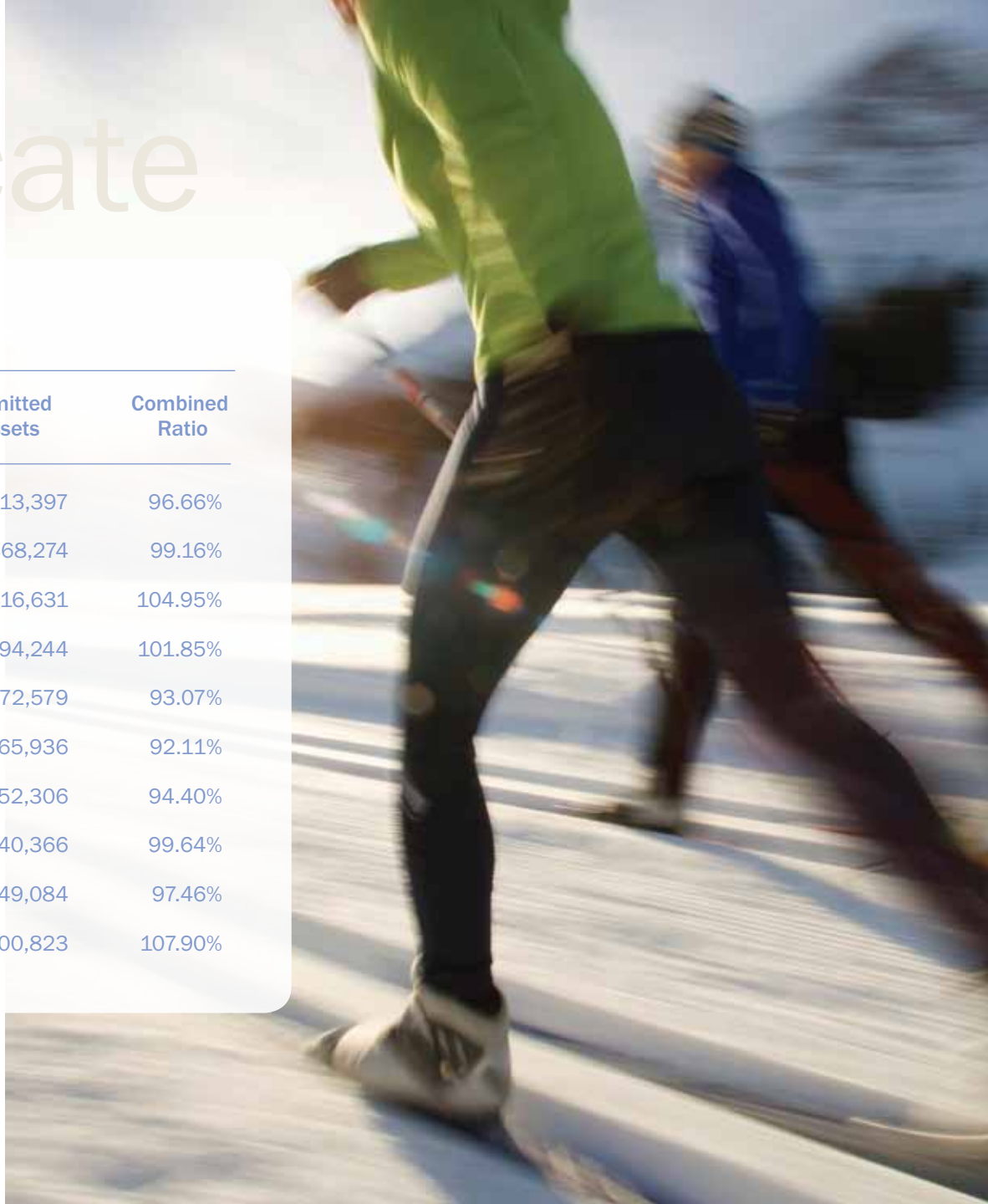
Change in Surplus	\$ 5,586,504	\$ 5,697,857
Surplus End of Period	\$ 69,344,383	\$ 63,757,879



# dedicate

## Comparative Results

	Written Premium	Policyholder Surplus	Admitted Assets	Combined Ratio
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%
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%





MMG Insurance

P.O. Box 729  
Presque Isle, ME 04769  
1-800-343-0533

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

