



Delivering on our Vision

2018 ANNUAL REPORT

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TO OUR POLICYHOLDERS, AGENTS, AND ASSOCIATES



Larry M. Shaw
President and CEO

2018 was a year that the insurance industry continued to experience major catastrophic events. Hurricanes Florence and Michael, combined with the Camp wildfire in California and other global events, such as typhoons in the Western Pacific, made the year one of the costliest over the last decade from a loss perspective. Closer to home, MMG Insurance experienced severe winter weather during the first quarter throughout our five states of operation. Although impactful, I am pleased to report that the Company recovered nicely over the last half of the year, providing solid financial results.

The strong performance in 2018 allowed the Company to achieve and exceed two major milestones: \$200 million of written premium and \$100 million of policyholder surplus. Accompanying these two major financial achievements was the first implementation of our legacy system replacement project, MMG Next. A new billing system was introduced in the first quarter. This major project involved employees from nearly all areas of the Company and was a great success while laying the groundwork for more progress to come. Our team of dedicated employees, agency partners, and policyholders, many of whom are long-term supporters of MMG and appreciate the unique option the Company provides, have laid the foundation for these significant achievements. We are truly grateful for all who have contributed to MMG’s success and are positioning the Company for years to come.

As mentioned earlier, the year started just like 2017 ended, with severe winter weather bringing brutally cold temperatures and plenty of snow. This left the Company with a lot of ground to make up in order to move results back to a positive standing. The second quarter was also

difficult as losses continued to be above expectations. However, those negative trends began to move the other way in August and strong results developed over the last five months, contributing to a combined ratio of 98.71%. After two years of being slightly over 100%, we were pleased to see the combined more in line with expectations. All told, 2018 produced a \$1.2 million underwriting gain and a policyholder surplus increase of \$9.4 million, \$6.9 million from a capital raise and \$2.5 million from organic growth.

Our overall loss ratio of 49.4% was the best we have experienced in five years. Commercial Lines led the way with a 35.7% and a five year of 39.2%. Homeowners continued to show long-term stability finishing at 51.0%, impressive considering how rugged the start of the year was, and has a five year of 49.9%. Personal Auto finished at 67.2% – marked improvement over 2017’s 74.6% and 2016’s 82.0%. The five year stands at 74.9%. We are pleased with the improvement in Personal Auto, yet, there is more work that needs to be done. Overall loss ratios by state and the five year results are as follows: Maine 41.1% and 48.4%, New Hampshire 46.8% and 51.5%, Pennsylvania 63.9% and 68.4%, Vermont 46.9% and 50.9%, and Virginia 87.4% and 78.1%. Northern New England numbers are consistently very good. Pennsylvania has seen improving numbers and we will continue to focus on bringing Virginia more in line with overall company results.

Top line growth was 4.16%, slightly below expectations set at 5.13%. The tempering of the growth rate was driven by underwriting discipline in Personal Lines that included rate increases in both Auto and Home and a competitive marketplace in Commercial Lines driven by additional competitors. Maine grew at 3.22% and now represents 40.18% of our business. New Hampshire grew at 1.61% and represents 25.52%. Pennsylvania grew at 2.10% and represents 14.21%. Vermont grew at 1.36% and represents 13.49% and Virginia grew at 39.42% and represents 6.60%. Virginia had a strong year of growth, finishing at \$13.3 million, providing a solid base of premium that we expect to move to profitability. With retention running close to all-time highs at 89.4%, in order



Our view of the future remains clear and consistent – a commitment to continue to compete in both Personal and Commercial Lines.

Larry M. Shaw, CPCU



to grow the 4.16%, \$24 million of new business was written. Although the growth rate seems light, this number represents an impressive amount of business put on the books and allowed us to finish the year at \$201 million.

The Next \$100 Million

Reaching two of the significant milestones mentioned earlier, \$200 million of written premium and \$100 million of policyholder surplus, provides a strong base to move forward. However, we know challenges lie ahead as we look to increase both. Our view of the future remains clear and consistent – a commitment to continue to compete in both Personal and Commercial Lines. Our ten year outlook is a 50/50 Personal to Commercial mix with growth in both areas achieved by maintaining our unique option for independent agents and policyholders.

To achieve our longer term goals in Personal and Commercial Lines, strategic steps will be taken over the next three years. On the Personal Lines side, the Auto line will continue to get attention in regards to improving profitability. This will be accomplished by continued segmentation of business and adjusting rates to be more aligned with the exposure at hand.

Homeowners has been a strong performer over the last ten years. We remain committed to continually monitoring properties to assure insurability, deliver rate activity as warranted, and package this business with Auto and other lines like Umbrella.

Commercial Lines has been a consistent strong performer over many years. A reliable stabilizer in our overall results, Commercial Lines is now 39.19% of our business. With a more aggressive, competitive stance defined by addressing our agents' needs of accessibility and responsiveness, we clearly see the path to Commercial Lines becoming 50% of our business. New underwriting leadership in this area has built the foundation and approach to continue to enhance our offerings. Increased target classes, higher limits on property and liability, and an intent to continue broadening our appetite are central to our growth strategy. Much investment has been made in regards to people and technology. We have added underwriting expertise and worked hard to develop existing talent. We have also

created a higher level of collaboration with marketing in order to bring a broader team to the table. At the same time, we are presently developing our first policy and claims administration systems to replace legacy technology. We plan to implement BOP and STC on this new platform in early 2020.

Our competitive success can be attributed directly back to our high tech, high touch business model. By providing the marketplace with a unique option for agents and insureds, MMG has achieved success. Our model emphasizes great people providing the highest level of service, technology that is user-friendly, and a combination of the two to provide agents and consumers solutions to their evolving expectations. We look forward to the next \$100 million.

Talent

We couldn't be more proud of our people and how they do their jobs, day in and day out. A culture of assisting, solving, discussing, and being available provides a competitive advantage for the Company. Who sits in these roles matters, or to use a sports analogy, who we put on the field impacts our success. We have made great strides in attracting new talent to join an already strong team. Throughout the organization, we have added talented players to our existing solid foundation. In 2019 and going forward, our focus is on developing employees to their full potential. Being an experience-based business, we see this team only getting stronger as we go forward. It is imperative that we become adept at guiding all individuals to their highest potential and aspirations. Although we have been on a successful run in regards to talent, it is work that is never done. We will stay diligent and always look to field the best team possible.

Technology

As you are aware, we are currently in the process of replacing our legacy software with state-of-the-art systems and processes. The MMG Next initiative was launched in 2016 with our first implementation in February of 2018. We consider this a major success with accolades deserved across our organization. Information Systems, Customer Service, Accounting, and many others provided exemplary effort in working through the release and typical issues that accompany an undertaking this complex.

As mentioned, our first policy and claims administration system is being integrated as I write this report. BOP and Small Contractors have a planned implementation for the first quarter of 2020. This is a major project representing our first foray into systems that are so critical to agents and policyholders alike. As our first undertaking with policy and claims, we are building the foundation for all future systems as we complete the replacement of all lines of business.

Many other opportunities remain in regards to technology. As consumer expectations continue to be set by web-based applications, MMG will aggressively pursue digital strategies in 2019. The opportunities to improve the agent and policyholder experience are significant and we are pleased with our initial steps. A multitude of advancements will allow us to make the worlds of underwriting and claims more efficient and enhance our ability to make better informed decisions and provide a very high level of service to policyholders and agents alike. Additionally, in order to manage the associated data demands, we are making significant investments in improving quality, access, and analysis of data through a new enterprise data warehouse.

In closing, I once again want to thank and congratulate the many individuals that have allowed us to hit the milestones discussed and, more importantly, made us the successful business we are. Past and present employees, board members, agents, and policyholders have positively impacted MMG, which has us well-positioned for the future. We all must pause and reflect on what has been accomplished – no small feat – and get ready to build the next \$100 million.


Larry M. Shaw, CPCU
President & CEO
MMG Insurance

VOLUNTEER CONTRIBUTIONS



52%

OF MMG EMPLOYEES
VOLUNTEERED IN 2018

26%

OF THOSE EMPLOYEES
VOLUNTEERED MORE
THAN 100 HOURS

53%

OF THOSE EMPLOYEES
SERVED IN LEADERSHIP ROLES



801

AVERAGE
VOLUNTEER
HOURS PER
MONTH



165+

ORGANIZATIONS
AND EVENTS
IMPACTED BY OUR
VOLUNTEERS



9,613

TOTAL VOLUNTEER
HOURS IN 2018

COMMITMENT TO THE COMMUNITY

At MMG Insurance, our vision has always included the communities we call home. Whether it's helping to improve access to education, youth programs, economic development, cultural enrichment, or simply doing what we can to impact the lives of our employees, neighbors, and friends – we have a responsibility and an opportunity to make a difference.

In 2018, the Company proudly supported more than 100 various organizations and causes, including:

New Ventures Maine
Aroostook Teen Leadership Camp
Susan L Curtis Foundation
American Red Cross
Boys & Girls Club of Penobscot
Junior Achievement of Maine
Advanced Mentoring
Enrichment Network
Girls on the Run
SkillsUSA
BikeMaine
Good Shepherd Food Bank

New Hampshire Food Bank
American Cancer Society
Relay for Life
Caribou Marathon
Gulf of Maine Research Institute
LabVenture
Federation of Virginia Food Banks
University of Maine at Presque Isle
Greenhouse Initiative
Olympia Snowe Women's
Leadership Institute
Aroostook Aspirations
Wintergreen Arts Center

WinterKids
Katahdin Area Council
of Boy Scouts
Maine Development Foundation
Homeless Services of Aroostook
Community Action Committee
of the Lehigh Valley
Future Business Leaders of America
Boys & Girls Club of New Hampshire
Jobs for Maine Grads
Special Olympics
Greater Burlington YMCA
Maine Youth Leadership

Additionally, 2018 marked the 25th year of MMG's Annual Charity Golf Tournament benefiting the United Way of Aroostook. Each year for the past two and half decades, dedicated employees have organized and hosted the event, which draws in golfers and donations from the local area and well beyond. This year's tournament brought in a record one year total of more than \$30,000 – bringing the 25 year total to more than \$525,000 raised for the UWA.





MMG is a friendship. MMG is a partnership.
MMG is somebody you can call and have
a fair, open, and candid conversation with.
They listen.

Ryan Towle
Vice President,
Davis & Towle Insurance Group



Scott Towle (Left)
Plymouth NH Branch Office Agency Manager

Ryan Towle (Right)
Vice President, Davis & Towle Insurance Group

FEATURED AGENCY: DAVIS & TOWLE INSURANCE GROUP

Founded in 1954 by Wendell Towle in Concord, NH, Davis & Towle Insurance Group is a full-service property and casualty group built on three generations of solid family values with seven locations and 110 employees.

Joining the family business in 2001, Ryan Towle quickly discovered that it is an exciting time to be in the insurance industry and that the future relies on the next generation of talent.

"The industry is graying, it has been for some time. My father (Jeffery Towle) and I naturally saw a lot of opportunity in bringing in young talent and I think we've been successful in doing so. If you can find good, talented people that have the right skills and the right background, they can be very successful in this business."

It is this type of forward thinking that has helped Davis & Towle grow to become one of New Hampshire's largest locally owned independent insurance agencies. As a family-owned organization, they are guided by a rich tradition of protecting their community, with a genuine interest in their clients' well being. It is these types of traditions that they hope to instill in the next generation.

"Our job is to give them the right tools and support and the right relationships, relationships that can last their whole life. It's really a great career for a millennial. You can have strong reputations in the community, you can be well regarded, you can be active, and you can basically build your own business."

For Davis & Towle, MMG shares and supports their common values and continues to make their partnership worthwhile. "When you have a lot of insurance companies you work with, you can tell some want to have a partnership but they don't really know how to be partners. MMG knows. You appreciate doing business that way because in the insurance industry not everything is black and white, there are shades of gray. And you need to be able to pick up the phone and know the person you're talking to is on the same team and wants to help you solve that problem."

When it comes to a forward thinking strategy, MMG and Davis & Towle are definitely on the same page. "MMG is a friendship. MMG is a partnership. MMG is somebody you can call and have a fair, open, and candid conversation with. They listen. We've been together since 2009 and every year is better than the last. I've never looked back."



DEFINING OUR VISION: 20 YEARS OF PROGRESS

2000

The Company reorganizes to a mutual holding company to provide the financial and operational flexibility needed to successfully compete in the future.

2002



MMG unveils a new logo and begins operating in the state of Pennsylvania to diversify and pursue growth opportunities.

2006



2005

The Company doubles the size of its existing headquarters in Northern Maine and changes its name to MMG Insurance to reflect its expanding footprint.

2007



The Company introduces MyMMG, a secure portal for policyholders to manage their accounts, services, and information.

MMG begins operating in the state of Virginia.

2011



A.M. Best upgrades MMG's rating to an "A" (Excellent), and the Company is honored nationally as a Ward's 50 Top Performing P&C Company and with the Company Award of Excellence from the National Association of Professional Insurance Agents.

2014



MMG is named Company of the Year in Maine by the Maine Insurance Agents Association for the seventh time. The Company is ranked as a Top Performing Company in New Hampshire for the eighth time by the Professional Insurance Agents of New Hampshire.

2016



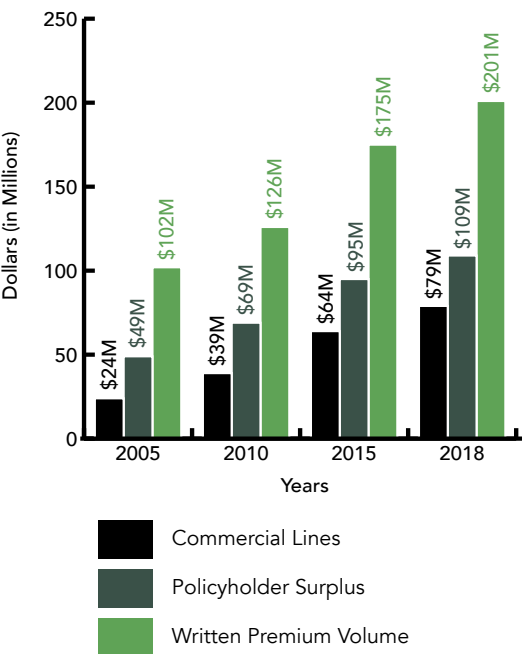
MMG releases its new billing system with the completion of the first phase of MMG Next and is awarded the Business Rules Excellence Award for innovation, impact, and implementation of work surrounding the project.

2018



2020

FINANCIAL PROGRESS



Delivering on a vision requires commitment and a clear focus on the future. Throughout the past 20 years, MMG Insurance has made strides in expanding its high tech, high touch business model through investments and innovation in technology, talent, products, and new markets.

Moving forward, the MMG Next initiative will continue to play a major role with both immediate and far reaching impacts. This critical technology project, which is centered on legacy system replacement, is designed to provide enhanced user experiences and improved functionality to

2013

MMG is named among the top 3 nationally for Ease of Doing Business by Deep Customer Connections, a survey of more than 7,000 insurance agents, and is named the #1 Performing Company in Commercial Lines by the Insurance Agents & Brokers of Pennsylvania.

2015

The Company is honored as the Champion of Attraction, Retention and Engagement by the Maine Development Foundation and planning begins for MMG Next, an extensive technology upgrade project.

2017

The Company is named among the best places to work in Maine for the seventh time.

strategically position MMG for the future. The first part of this journey, the completion of our new billing system, was completed in February of 2018 and successfully rolled out to MMG's network of nearly 200 independent insurance agencies across more than 500 locations in Maine, New Hampshire, Vermont, Pennsylvania, and Virginia.

With the first phase of MMG Next complete, our attention now shifts to policy and claims as we look to continue transforming for tomorrow and rising to meet the evolving expectations of our agency partners and policyholders.



POLICYHOLDER FEEDBACK

MMG is the best. Extremely customer driven and all of their employees are exceptionally professional!

Kevin A.

My claim was handled very professionally and in a timely manner. We are so glad we have MMG for our business and personal insurance needs.

Myron S.

Our adjuster was amazing. He was fast and easy to work with. It will be so much easier to pay my MMG insurance bill in the future having first-hand knowledge of how rewarding it is to be covered when a disaster strikes!

Willa B.

MMG is a great company. We've been with them for several years. Great customer service!

Lisa B.

I've been with MMG for way more years than I have owned my home, maybe 25 years or more and would not change you guys for the world. Affordable and the greatest customer service I've ever had.

Joanne R.

We have been thrilled with MMG and all of the representatives we have worked with. Keep up the great work. We will be sure to continue to recommend MMG to others we know.

Daniel W.

Fantastic service, from start to finish!

Todd K.

COMMUNITY VOLUNTEER OF THE YEAR



Kim Guerrette Michaud
Personal Lines
Lead Underwriter

"I'm not much of a sleeper," she says with a laugh. Perhaps it's that, along with her go-to order of coffee with two creams over ice, which allows Kim Guerrette Michaud to volunteer an average of 70 hours a month.

Kim, who has been with MMG Insurance since 1997, has her hands full as a Personal Lines Lead Underwriter and has a heart full of compassion for her community.

Leading Kids to Learning

Kim confesses her volunteer heart is most devoted to the Wintergreen Arts Center in Presque Isle.

"It's a creative space for everyone. We really feel everybody has a creative piece to them and it's our goal to help people find that space within themselves."

Wintergreen offers creative pre-school, after-school, homeschool, and adult programs.

"There's not a lot of desk time. It's movement. It's color. It's helping them reach a love for learning through creativity."

Choosing Can Over Can't

Also among her volunteer ventures is her role as an assistant coach for the local Special Olympics soccer team.

Kim calls the kids "athletes with disabilities," choosing to focus on what they can do, not what they can't do.

"One young lady, who is basically non-verbal, had problems running. She couldn't take too many steps continually, but if you put a ball in front of her she could kick it straight as an arrow."

Cooking Up Community Service

Off the field, you might find Kim in the kitchen, where she joins others in preparing meals for the Sister Mary O'Donnell Emergency Homeless Shelter in Presque Isle.

"They are a pretty incredible, dedicated group of people."

She's part of the "food train" that whips up meals and delivers them to the shelter, which serves more than 200 adults and children every year. She and her husband also help with serving meals on Thanksgiving and Easter.

Up in Lights

"My oldest daughter became involved in pageants about ten years ago. It was a passion she and I developed together. As she retired from competing, I began judging and coaching."

Kim and her daughter have now teamed up, flip-flopping roles as pageant director and assistant for local pageants.

"The self-confidence and self-esteem the young ladies build through pageants is remarkable and my daughter and I love sharing that."

All in the Family

Kim credits her ability to volunteer close to 850 hours per year to her husband, Carl, and says her instinct to serve comes from her parents.

"Growing up, they instilled in me that community is everything. In small communities you have to support each other to move everybody forward."

It's a way of thinking that Kim and Carl have ingrained in their four children as well.

"Our motto at our house is 'Volunteerism: Bring a friend.' One thing we've always said is that if you're going to volunteer, invite someone to do it with you."



THANK YOU: HAROLD A. DAKIN

Harold Dakin retired from our Board of Directors in June of 2018. He served for a total of 20 years from 1998 to 2018, and within that time, served as Chair of the following committees: Audit, Compensation & Personnel, Finance & Investment, Planning, and Governance. In addition to his dedication to MMG's advancement, Harold has been an influential business leader and communications industry expert throughout his career. We dedicate this portion of our annual report in recognition and appreciation of Harold's many contributions to MMG Insurance.



IN REMEMBRANCE: THEODORE "TED" B. TORNQUIST

Ted Tornquist played an important role at MMG Insurance for almost 25 years after joining our Board of Directors in 1981. He served on various committees and as Chairman of the Board from 1990 to 2005, during which time he also stepped in as interim President and CEO for one summer while the Company searched for new leadership. Ted's legacy includes tremendous commitment to community, both as an accomplished businessman and as a personal champion of many causes and organizations. He is remembered fondly as a friend, colleague, and valued part of MMG's history.

BOARD OF DIRECTORS



Seated (left to right): Michael D. MacPherson; Samuel W. Collins

Standing (left to right): Jay Y. McCrum; Dawn Hill, Esq.; Larry M. Shaw; Jean M. Deighan; John H. Cashwell; Donald W. Perkins, Jr.; Jon J. Prescott; Lisa M. Ventriss; Kevin P. McCarthy

Jay Y. McCrum

Mars Hill, Maine
CEO/Chairman of McCrum Family Holdings
Director Since 2005

Jean M. Deighan

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

Dawn Hill, Esq.

Cape Neddick, Maine
Maine State Senator
Director Since 1990

Lisa M. Ventriss

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

Kevin P. McCarthy

Dunwoody, Georgia
Retired President & CEO of Unum US
Director Since 2018

Jon J. Prescott

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

Michael D. MacPherson, Chairman

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

John H. Cashwell

Bangor, Maine
President of JHC Consulting LLC
Director Since 1997

Larry M. Shaw, CPCU, President

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

Donald W. Perkins, Jr.

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

Samuel W. Collins, Vice Chairman

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

MMG'S EXCELLENCE RECOGNIZED



The Business Rules Excellence Award honors MMG Insurance's innovation, impact, and implementation of work surrounding replacement of core technology systems. The prestigious global BRE program was founded by Business Rules Solutions and is managed by Future Strategies, Inc.

OFFICERS



Seated (left to right): Eric W. Tawfall; Michael M. Young; Larry M. Shaw; Matthew R. McHatten; Matthew P. Cote
Standing (left to right): Derek J. Hochradel; John B. Herweh; Timothy W. Vernon; Douglas R. Hazlett; Stacy L. Shaw; Corey A. Graham

Eric W. Tawfall, CPCU
Vice President, Personal Lines

Michael M. Young, CPA, CFE
Senior Vice President, Chief Financial Officer & Treasurer

Larry M. Shaw, CPCU
President & Chief Executive Officer

Matthew R. McHatten
Executive Vice President, Chief Operating Officer, Secretary & Clerk

Matthew P. Cote, CPCU
Vice President, Marketing & Business Development

Derek J. Hochradel
Vice President, Commercial Lines

John B. Herweh, SPHR, SHRM-SCP
Vice President, Human Resources

Timothy W. Vernon, SCLA
Vice President, Property Claims, Loss Control & Governmental Affairs

Douglas R. Hazlett
Vice President, Product Management

Stacy L. Shaw
Vice President, Chief Information Officer

Corey A. Graham, AIC, LPCS, CSPO
Vice President, Casualty Claims

FINANCIAL STRENGTH

COMPARATIVE BALANCE SHEET

	12/31/18	12/31/17
Admitted Assets		
Total Admitted Assets	291,003,931	276,645,456
Liabilities		
Total Liabilities	182,302,629	177,343,332
Policyholder Surplus	108,701,302	99,302,124
Total Liabilities & Surplus	291,003,931	276,645,456

TWO YEAR INCOME STATEMENT

	12/31/18	12/31/17
Underwriting Gain / (Loss)	1,211,473	(4,715,171)
Net Investment Income	4,059,161	6,517,491
Total Other Income	783,700	879,324
Net Income Before Income Taxes	6,054,334	2,681,644
Net Income	5,182,328	2,219,350
Change in Surplus	9,399,178	1,866,129
Surplus End of Period	108,701,302	99,302,124

COMPARATIVE RESULTS

	Written Premium	Policyholder Surplus	Admitted Assets	Combined Ratio
2018	201,463,139	108,701,302	291,003,931	98.71%
2017	193,408,226	99,302,124	276,645,456	101.97%
2016	184,850,895	97,435,995	262,103,546	101.63%
2015	175,015,305	94,479,777	245,158,129	98.30%
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%

Protecting your piece of the world®



Protecting your piece of the world

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

www.mmgins.com

