

A Year of Challenge and Resiliency



2020 ANNUAL REPORT

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**I think there are things
that we can all do to build
resilience in ourselves, but
also to build resilience in
each other.**

- Sheryl Sandberg

TO OUR POLICYHOLDERS, AGENTS, AND ASSOCIATES

2020 will long be remembered as a year of challenge, uncertainty, and hardship brought on by a global pandemic. COVID-19 touched us all. Our thoughts are with those who lost loved ones and the countless others whose lives were changed by the far-reaching effects of a virus that had no boundaries. At the writing of this report, the vaccines are being rolled out. We are hoping that once fully distributed, our world can start to rebuild and move to a new normal.

The onset of the pandemic resulted in many businesses quickly moving their workforce to a remote model. MMG was one of those. In less than a week, 90% of our employees moved to a work from home design. Although never rehearsed in real time, our people adapted, created workspaces at home, and went to work immediately. Our Management team and IT staff logged many hours, connecting each remote individual while also making sure critical business functions continued. We are thankful and impressed with the way in which our people confronted the unknown, set up shop in their homes, and excelled at keeping the Company operating at a high level, all while balancing significant personal challenges. We are approaching a full year in this work from home design, and I am proud to report the service levels to policyholders and agents did not slip in the least.

Concurrently, our Independent Agency partners found creative approaches to support their workforce and customers. Considered essential, our agents adapted to alternative communication approaches and continued to deliver high levels of service.



Larry M. Shaw, CPCU
President and CEO

Overall, the insurance industry exhibited resiliency that has provided stability during the economic chaos we were all confronted with. The pandemic is one more catastrophic event where our industry stood strong and provided certainty to the many who depend on that support during the most trying of times.

Financial results for the year were solid. A mild beginning in the first quarter of the year from a weather perspective, combined with the impacts of COVID-19 becoming a reality in the middle of March, resulted in losses below expectations. The result of fewer miles driven and less activity overall brought about by lockdowns and restrictions held loss ratios down. In recognition of the reduced exposure from the drop in miles driven, we refunded \$1.7 million in Personal Auto premium in April and May.

A 93.6% combined ratio and upward movement in the investment numbers provided an increase in policyholder surplus of \$13.8 million to a new total of \$143.4 million. This surplus growth, combined with 2019's increase of \$20.9 million, has strengthened MMG's capital position to an unprecedented level. The overall direct loss ratio of 43.48% broken down by state and by line is as follows: Homeowners 46.00% and a 5 year of 47.90%, Personal Auto 55.64% and a 5 year of 67.70%, Commercial Lines 34.73% and a 5 year of 38.00%. By state, Maine 40.32% and a 5 year of 44.60%, New Hampshire 32.17% and a 5 year of 46.40%, Pennsylvania 55.91% and a 5 year of 60.20%, Vermont 48.15% and a 5 year of 49.50%, Virginia 66.33% and a 5 year of 77.70%.

Surprisingly, top line growth would have been on budget at 5.01% without the Personal Auto premium returned in April and May. A 4.22% growth was experienced overall with the refund accounted for. By line, Homeowners grew 1.72%, Personal Auto showed a negative of 2.39%, and Commercial Lines grew an impressive 11.16% on a budget of 9.78%. By state, Maine grew 5.58%, New Hampshire 3.07%, Pennsylvania 2.96%, Vermont 1.34%, and Virginia 8.42%. The driver of Commercial Lines growth was an active agency plant combined with exemplary collaboration of our Marketing and Underwriting teams. "Accessible, responsive, and helpful" was the MMG mantra, and the results speak for themselves.

A Year of Operational Gains

As mentioned in the opening, COVID-19 touched all aspects of MMG in 2020. From the early March move to working from home, to the protocol adjustments for employees who were essential to remain in the office, the adaptation of policyholder servicing, and evolution of future plans, there was a significant amount of learning derived from navigating through this environment. The longer-term impacts of the pandemic will continue to present themselves for years to come. However, our experiences over the past year revealed immediate opportunities with regards to increasing flexibility of our work environment, developing new ways of training and onboarding, enhancing our agency and internal communication, and the need to expedite our overall online presence. Flexibility and adaptability have proven once again to be competitive strengths for MMG.

Technology

As we are all experiencing, technology is becoming an increasingly significant part of our everyday lives, both professionally and personally. As we have reported in past annual reports, we remain entrenched in the replacement of our legacy systems, a project referenced as MMG Next. This past year, we achieved a major milestone on this journey. Both our new policy administration and claims system for our Businessowner and Small Contractor lines of business were developed and went live in mid-December. The first policy issued represented a commitment by all involved to accomplish a long-awaited goal. This establishes the foundation from which all lines of business will follow and creates an important foundation to build upon in the future.

In 2021, Personal Auto will become the focal point. The engineering of our new product and rating model is planned to converge with the build-out of the MMG Next Personal Auto policy administration and claims systems. Once accomplished, we will be well on our way to replacing our legacy systems with state-of-the-art technology, providing efficiency gains and a design that will position us well for the future.

Over the past 10 years, consumers have steadily moved more transactions to online platforms. This trend increased dramatically during the pandemic.

The impact of this acceleration will result in the consumer not only expecting, but demanding, this type of channel. MMG's digital strategy, in coordination with our agency partners, will need to meet that demand. In 2020, progress continued in this area. Implementation of a new Customer Relationship Management (CRM) system and other foundational work was accomplished. New strategies developed for automation and improved portal design were additional breakthroughs.

In past annual reports, we have mentioned the importance of data and discussed the building of a new data warehouse. I am pleased to report the warehouse has been built and is operational. This coming year, we foresee major enhancements, including the addition of new staff and the build-out of capabilities. All in all, 2020 was a year of significant progress across the technology footprint that will yield benefits far into the future.

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Talent

2020 was an interesting year regarding talent, given uncertainty as to where the economy was headed and moving to a work from home environment. In early summer, we made the decision to move ahead with our business plans. From a talent perspective, that meant hiring and onboarding new staff. This required significant changes in approach as we moved to a 100% virtual process. Challenges were evident due to this situation; however, our Management team and Human Resources responded with energy and creativity. Once we went into the planned hiring mode for the year, all other talent efforts kicked

into gear. Leadership development was also at the forefront with the addition of external coaching and a formal mentoring program.

Another area of progress continued around diversity, equity, and inclusion. More gender representation at the top levels of management received focus with a desire to provide opportunities for advancement for all. We also spent time with our leaders building understanding of implicit bias. We plan to continue our focus on this area in 2021 while aligning it with our core corporate values of equity and fairness.

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This past year we have experienced employees, agents, and reinsurers all coming together to assist during the toughest of times.

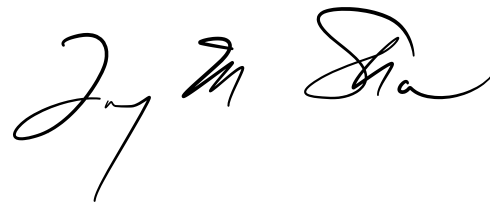
Marketplace

Marketplace dynamics became very unpredictable as we headed deeper into the pandemic in April, May, and June. As lockdowns and restrictions spread through our states of operation, we began assessing the impact on our business. Initial measures included payment flexibility in response to the abrupt impacts to our policyholders. Next, our Marketing and Underwriting departments retooled their approach to engage our agents in an overall spirit of “how can we help.” This, combined with our agents’ strong customer relationships and adaptation, resulted in increased commercial opportunities. Accessibility, responsiveness, and a willingness to work with our agents resulted in the 11.16% growth. Another positive development was obtaining a license to write Commercial Lines in Massachusetts. With our existing agent connections to the State, a strong economy, and the ability to deliver new technology by virtue of MMG Next capabilities being released, we are optimistic that this expansion will provide significant contributions to our future growth.

On the Personal Lines side, the opportunities were not the same as we continued a major reconstruction effort to bring a new Auto product to market. Loss results were positive in both Auto and Homeowners; however, underwriting discipline and rate increases held growth to nearly flat. As mentioned earlier, in 2021, completion of our new rating model and the legacy Auto product replacement in the MMG Next platform will greatly enhance our competitive position.

In November, MMG was named Insurance Company of the Year by the Maine Insurance Agents Association. This is the ninth time we have received this recognition. We can confidently say that this one was equally as special, and perhaps more so, than the previous eight. It again represented affirmation of our goal of a consistent, exceptional experience, no matter who you encounter at MMG. We appreciate the recognition by our Maine agents and thank them for their partnership.

In closing, 2020 will forever be part of our memories and the impacts will be felt for years to come. The resiliency of the industry, our Independent Agents, and our employees was truly remarkable! Taking on challenges in unique circumstances leaves the outcomes unknown. This past year we have experienced employees, agents, and reinsurers all coming together to assist during the toughest of times. We are fortunate to have an engaged and insightful board, an agency plant always ready to take on the challenge, and employees willing to change their world and provide whatever is asked of them. Together, we have shown again that we will rise and take on whatever is thrown at us. We look forward to better days, striving to bring the MMG unique option to whatever the situation requires. 🏡



Larry M. Shaw, CPCU
President and CEO
MMG Insurance

FEATURED AGENCY | THE RICHARDS GROUP



Pete Richards (Vice President), **Mark Richards** (President),
Drew Richards (Vice President)

In a year rippled by uncertainty, effectively navigating change and strengthening relationships defined success. MMG's 2020 Featured Agency, The Richards Group, discovered that their years of investment in these navigational beacons laid the foundation for success in 2020.

Pete and Drew Richards, brothers, and grandsons of company founder, Edward Richards, represent the third generation operating The Richards Group. The Agency's partnership with MMG spans almost 40 years and was first established by Mark Richards, company president and father to Pete and Drew.

The Richards Group is 153 years old, and it's getting younger every year. "Over the past couple of decades, our employees have gotten younger, we found new energy, and embraced innovation," says company Vice President Pete Richards. "As we've expanded and brought on new people, we take the time to listen to ideas they bring to the table."

The Richards Group works to cultivate those same relationships with their customers. "Our industry can be easily commoditized, and you've seen that from some big, national insurance companies,"

comments Vice President Drew Richards. "But we are an Independent Agency, and we've invested in people and technology to help keep the 'personal' in Personal Insurance."

Akin to MMG's business philosophy, The Richards Group's forward-thinking strategy has also been instrumental to maneuvering the challenges presented by COVID-19. Throughout the pandemic, the Agency's team has advanced relationships, connecting with customers to answer questions and adapting to meet their needs.

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**Their products and services
aside, MMG's people and energy
are their most valuable assets.
They're a group that you want to
get to know.**

Drew Richards

Vice President, The Richards Group

When it comes to their partnership with MMG, "Relationship is probably the first word that comes to mind," notes Drew. "And that's what MMG Insurance really excels at. Their products and services aside, MMG's people and energy are their most valuable assets. They're a group that you want to get to know. Give them at-bats when it comes to business and they hold up their end of the deal all along the way."

The brothers anticipate further advancements on the road ahead. "The world is going to look different when we come out of this pandemic, and we'll continue to evolve to be well positioned to help people navigate risk management and insurance issues," says Pete.

Pete and Drew added that their entire team was honored to be named MMG's 2020 Featured Agency and both see "evolution" ahead for their relationship with MMG. 🍷

COMMUNITY VOLUNTEER OF THE YEAR | SPENCER KING



For Spencer King, the message on volunteering is simple: “Start somewhere.” He did just that when he first joined MMG Insurance, and his involvement has only grown since then. Spencer’s efforts to improve the lives of others have earned him the honor of Community Volunteer of the Year.

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**I am appreciative of the
Company’s support and
humbled to be selected as
Community Volunteer of
the Year.**

Spencer King
Senior Underwriter, Commercial Lines

Finding Joy

Spencer King, Commercial Lines Senior Underwriter, has been with the Company since 2010, and says he finds “happiness” working at MMG and “joy” by volunteering. Spencer’s wife, Angela, inspired him to start volunteering with Special Olympics the same year he started at MMG. Over 10 years later, Spencer has come to appreciate the positive impact and life enrichment that comes from volunteering.

The Significance of Support

Spencer also volunteers as head coach of the Special Olympics Snow Dogs basketball team, a commitment he initially worried would infringe on his work. He soon received reassurance and support.

“My boss pulled me into his office and said, ‘MMG supports members of our team giving back to our community. Take the time you need to coach and adjust your schedule to balance both work and volunteer efforts.’”

Spencer’s volunteerism extends into other organizations in the Aroostook community as well. He has served on the Washburn School Board and on the Presque Isle Country Club Board of Directors.

“I have friends that work elsewhere and I don’t think they get the same support when it comes to volunteering. I am appreciative of the Company’s support and humbled to be selected as Community Volunteer of the Year.”

The Snow Dogs Mush On

The cancellation of the Snow Dog’s basketball season due to COVID-19 presented Spencer with a new challenge. Rest assured, this didn’t stop Spencer from making sure the athletes remained involved with their team. Together with his assistant coach, they raised funds to send each player a basketball so they could practice at home and they made videos leading the team virtually through drills.

“We’ll continue to keep the team involved so they can participate in a modified season.”

All in the Family

Equally eager to have the Snow Dogs return to the court is Spencer’s daughter, Carrigan.

“We got Carrigan a shirt that says ‘Snow Dogs Coach’ that she wears to practices.”

Raising their daughter to understand how vital volunteering is to the community is important to both Spencer and Angela. “We want her to see the good in people and realize it’s meaningful to help.”

BOARD OF DIRECTORS



Michael D. MacPherson
Chairman

Presque Isle, Maine

President/Managing Partner
CSP LLC

Vice President/Owner
Future Security, Inc.

Director Since 1997

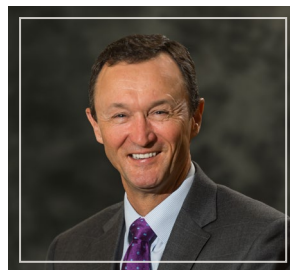


Samuel W. Collins
Vice Chairman

Caribou, Maine

President
S.W. Collins Company

Director Since 2001



Larry M. Shaw, CPCU
President

Presque Isle, Maine

Chief Executive Officer
MMG Insurance

Director Since 1995



Dawn Hill, Esq.
Cape Neddick, Maine

Former Maine State Senator

Director Since 1990



Lisa M. Ventriss

South Burlington, Vermont

President
Vermont Business Roundtable

Director Since 2000



Donald W. Perkins, Jr.

Cape Elizabeth, Maine

President
Gulf of Maine Research Institute

Director Since 2005



Jay Y. McCrum

Mars Hill, Maine

CEO/Chairman
McCrum Family Holdings

Director Since 2005



Jon J. Prescott

Houlton, Maine

President & CEO
Katahdin Trust Company

Director Since 2005



Jean M. Deighan, JD, CFP®

Bangor, Maine

Founder & Senior Advisor
Deighan Wealth Advisors

Director Since 2014



Kevin P. McCarthy

Dunwoody, Georgia

Retired President & CEO
Unum US

Director Since 2018



**Donald E. Simon, CPCU,
ARe, CIA, LLIF**

Lansing, Michigan

Chief Executive Officer
Farm Bureau Insurance of Michigan

Director Since 2019

OFFICERS



Larry M. Shaw, CPCU
President & Chief Executive Officer



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



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



Stacy L. Shaw
Senior Vice President
Chief Information Officer



David G. McPherson
Senior Vice President
Operations



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



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



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



Derek J. Hochradel
Vice President
Commercial Lines



Eric W. Tawfall, CPCU, AIDA
Vice President
Personal Lines



Kayla O. Dill, CIC, AIC
Vice President
Marketing & Business Development



THANK YOU, Doug Hazlett

Doug Hazlett retired from MMG Insurance in October of 2020. He served in the role of Vice President Product Management. Doug joined the Company in 2012 as Vice President Personal Lines Manager, bringing a wealth of knowledge and experience to the Company. In addition to his efforts to advance MMG, Doug has also been an involved member of his community, dedicating his time to a variety of civic organizations. We wish Doug well as he begins this new chapter and dedicate this portion of our annual report in recognition and appreciation of his many contributions to MMG Insurance. 📧

MANAGEMENT TEAM

Dianne C. Collins, CPCU, AU
Customer Service Manager

Jason D. Ennis
Enterprise Architecture Manager

Kevin P. Levesque, FITSP-M
IT & Information Security Director

Chris J. Maple, CPCU, AIT, CSPO, CSM
Product Management Director

Stephen H. Morgan
Casualty Claims Manager

Terri L. Ouellette, MSB, ARe, AIAF
Accounting Manager

James R. "Judge" Parker
Regional Director - Virginia

Toby T. Plummer, CSM, CSPO
Information Systems Manager

**Evelyn G. Schronce, CPCU, CIC, AIM, AU,
API, AIC, AFIS, AINS, AIS**
Regional Director - Pennsylvania

Keith D. Sperrey, API, AINS
Marketing Director

Allison L. Trepaney, CIC
Regional Director - New Hampshire

Arthur J. "AJ" Cloukey, AIAF
Assistant Accounting Manager

Nicole T. DiVito
Assistant Customer Service Manager

Andrew J. Grass, CPCU
Assistant Commercial Lines Manager

**Chantal M. Pelletier, CPCU, API, AU, AINS,
AIS, PCS**
Assistant Personal Lines Manager

Abel T. Russell
Assistant Casualty Claims Manager



2020 Company of the Year

MMG is honored to have been named the 2020 Company of the Year by the Maine Insurance Agents Association. We are proud to receive this award for the ninth time, as this recognition speaks to our agency partners' trust in our business model. We thank and recognize our team for their steadfast efforts to provide exceptional customer service through a challenging year. 🏠

Comparative Balance Sheet

	12/31/20	12/31/19
Admitted Assets		
Total Admitted Assets	\$333,381,721	\$313,512,006
Liabilities		
Total Liabilities	\$189,984,504	\$183,874,791
Policyholder Surplus	\$143,397,217	\$129,637,215
Total Liabilities & Surplus	\$333,381,721	\$313,512,006

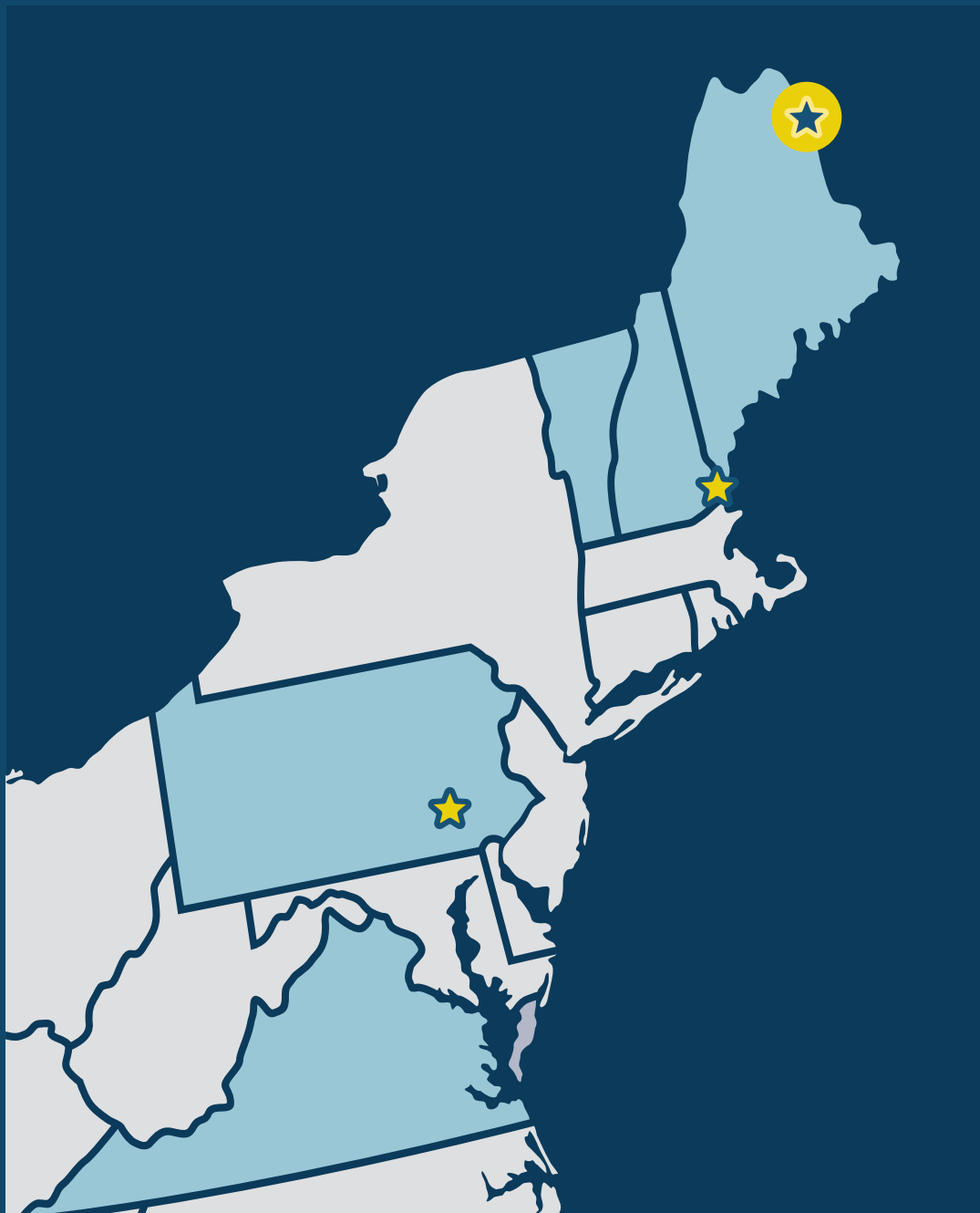
Two Year Income Statement

	12/31/20	12/31/19
Underwriting Gain	\$10,698,190	\$6,522,261
Net Investment Income	\$4,583,905	\$5,525,551
Total Other Income	\$249,855	\$581,821
Net Income Before Income Taxes	\$15,531,950	\$12,629,633
Net Income	\$11,915,642	\$10,261,778
Change in Surplus	\$13,760,002	\$20,935,913
Surplus End of Period	\$143,397,217	\$129,637,215



Comparative Results

	Written Premium	Policyholder Surplus	Admitted Assets	Combined Ratio
2020	\$219,837,209	\$143,397,217	\$333,381,721	93.64%
2019	\$210,940,835	\$129,637,215	\$313,512,006	95.84%
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%



MMG Insurance proudly supports the Independent Agency distribution system throughout its five-state operational footprint of Maine, New Hampshire, Pennsylvania, Vermont, and Virginia. MMG has corporate offices in three locations: headquarters in Presque Isle, ME; regional operations in Portsmouth, NH; and Lancaster, PA.



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