

# ANNUAL REPORT



# 2016

**A.I.M. Mutual**  
INSURANCE COMPANIES

Rated A (Excellent) by A.M. Best Company

SPONSORED BY ASSOCIATED INDUSTRIES OF MASSACHUSETTS

## To Our Policyholders

We are happy to report that Our Company prospered in 2016 as evidenced in our operating results. We followed up a very strong financial result in 2015 with an outstanding year in 2016. It is important that we recognize our colleagues and stakeholders for their hard work and dedication to the mission of Our Company. Market-leading financial results enable us to reinvest in our business and to continue improving our product offering to our brokers and policyholders.

Continued favorable development on prior year loss reserves contributed to an underwriting gain for the third consecutive year. The strong underwriting results, combined with solid investment income and gains from investment sales, resulted in net income of \$19.7 million. Policyholders' surplus exceeded \$200 million for the first time and ended the year at \$215.0 million, an increase of 11% over year end 2015. The balance sheet includes high quality bonds and common stocks which represent almost 90% of total assets of \$595 million, representing growth of approximately 6% year over year.

A.M. Best reaffirmed our A (Excellent) Rating with a stable outlook, citing the Company's excellent capitalization, strong operating performance over the long-term, conservative operating philosophy, and prudent reserving practices. With the workers' compensation industry reporting overall positive results the last couple of years and the prospect for enhanced investment returns, it is reasonable to expect the workers compensation market to become even more competitive in the near term. We recognize there may be challenges ahead but remain confident in our ability to deliver favorable performance relative to our peers and continue to meet our financial goals.

### Our Colleagues

While there were many positive aspects of 2016, we must note with sadness the passing of an individual who played a key role in the formation and success of A.I.M. Mutual. Mr. John J. Gould passed away on July 30, 2016 at the age of 86. He had the vision and foresight, at the height of the workers compensation crisis in 1988, to form A.I.M. Mutual. Mr. Gould was the long-time Chairman of the Company until 2012, when he became Vice Chairman. He remained active with the Company until his retirement in 2015. We will be forever grateful for his dedication and commitment to Our Company.

Also in 2016 we celebrated the careers of two longtime A.I.M. Mutual colleagues, Larry Winship and Lois Keenan, who retired last year. Lois joined the Company in 1989 as an Underwriter covering the Boston and south coast territories. Larry joined us in 1990 in the loss control group and served policyholders in the territory north of Boston. Their contributions in building and sustaining the Company are greatly appreciated; we thank them for their service and wish them well as they embark on this next phase of their lives.

Our Company has been fortunate to be voted a top place to work in Massachusetts for seven years running in the *Boston Globe* survey. We decided, in 2016, to participate in new survey through *Business Insurance* which compares employers nationwide in all facets of the insurance industry.

Our colleagues voted A.I.M. Mutual to the list of best places to work in insurance, and it is an honor and a testament to the culture we have long enjoyed here.

### Operational Highlights

*"To maintain their own competitiveness, workers need to attain and stay current on the qualifications needed to advance in a constantly evolving economy."*

*Elaine Chao, United States Secretary of Labor*

Secretary Chao's quote appropriately describes the state of the economy for the American worker as well as for their employers. As our evolving economy creates new and different challenges for workers, so it does for the employers and those that provide insurance coverages to them. Workers compensation is not exempt from these challenges and very often we find ourselves on the leading edge of developing new ways to manage and mitigate their impact on the employee and employer.

Our mission at A.I.M. Mutual is to be at the forefront of creating solutions for our policyholders and their workers. We work to stay ahead of the curve and anticipate ever-changing workplace needs. Our Company once again led the way in 2016 with our worksite wellness program, *A.I.M. Works: The Wellness Advantage*. This is an intensive program designed to address workplace and life stresses that impact an employee's overall wellbeing. Our Wellness team developed a plan to look outside the existing cohort of participants and bring our wellness offering to all of our policyholders. The idea is to offer a custom program that fits the needs of each group of workers. Smoking cessation, nutrition and exercise remain the key elements of our wellness programming; however, other factors such as sleep deprivation and sufficient retirement savings have emerged as adjunct concerns that our worksite wellness program now addresses.

Each year, the National Association of Mutual Insurance Companies announces the recipients of their Awards for Innovation. Our Company received the award for Impact, an acknowledgement of the groundbreaking work we have done in the fight against the over-prescription and abuse of opioids. We are honored to be recognized by our industry peers and very proud of our colleagues for the work they do caring for injured workers, ensuring they receive the best medical care and clinical advice available.

As a leading writer of workers compensation in the Commonwealth, it is imperative that we continue evolving our service model. We review not only what we deliver to each policyholder, but how we deliver on the promise of service excellence. During 2015 we deployed an automated underwriting platform for select brokers to use when submitting business. During 2016 we worked with this core group to refine the platform. We are happy to report, due in large measure to the work done in conjunction with key brokers, we now receive all new business applications to Associated Employers Insurance Company (AEIC) via the platform. Creating efficiencies allows our talented

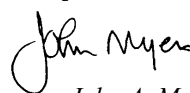
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## To Our Policyholders (continued)

underwriters to focus on the important elements of risk evaluation and generate new business opportunities.

Our broker partners are the conduit through which we reach our policyholders and deliver support and services. In 2016 we began work on our Broker Centric model. We deployed the new model during the first quarter of 2017 to great reviews from brokers. We believe this new approach to be an efficient method to deliver our full product suite to our valued policyholders and their representatives.

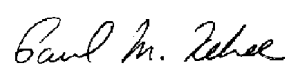
Our Company is a dynamic entity with dedicated and committed colleagues working hard to ensure A.I.M. Mutual's place as a top provider of workers compensation in the jurisdictions we serve. We are enthusiastic about our future and look forward to continuing the evolution of this great enterprise for many years to come.



John A. Myers  
Chairman



Michael E. Standing  
President & CEO



Paul M. Kehoe  
Vice President & CFO

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Vice President

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Corporate Secretary

## CONSOLIDATED BALANCE SHEETS (CONDENSED)

December 31 (in thousands)	2016	2015
<b>ASSETS</b>		
Bonds	\$479,799	\$450,973
Common stocks	43,311	38,279
Cash and short-term investments	10,715	14,422
Premiums receivable	40,921	39,087
Deferred federal income taxes	9,803	9,630
Accrued investment income	4,071	3,461
Other assets	7,025	6,254
<b>TOTAL ASSETS</b>	<b>\$595,645</b>	<b>\$562,106</b>

## LIABILITIES AND POLICYHOLDERS' SURPLUS

Reserves for losses and loss adjustment expenses	\$275,382	\$264,059
Unearned premiums	50,384	49,820
Ceded reinsurance balances payable	13,342	14,067
Borrowed money	13,000	13,000
Federal income taxes payable	2,128	1,984
Other liabilities	26,392	25,393
<b>TOTAL LIABILITIES</b>	<b>380,628</b>	<b>368,323</b>
<b>POLICYHOLDERS' SURPLUS</b>	<b>215,017</b>	<b>193,783</b>
<b>TOTAL LIABILITIES AND POLICYHOLDERS' SURPLUS</b>	<b>\$595,645</b>	<b>\$562,106</b>

## CONSOLIDATED STATEMENTS OF INCOME (CONDENSED)

Year Ended December 31 (in thousands)	2016	2015
Premiums earned	\$137,393	\$133,069
Net investment income	13,065	11,268
Net realized capital gains	2,132	268
Other (expenses)	(364)	(520)
<b>TOTAL REVENUES</b>	<b>152,226</b>	<b>144,085</b>
Loss and loss adjustment expenses incurred	98,344	95,460
Underwriting expenses and dividends declared to policyholders	29,384	30,267
<b>TOTAL LOSSES, EXPENSES AND DIVIDENDS</b>	<b>127,728</b>	<b>125,727</b>
<b>INCOME BEFORE FEDERAL INCOME TAXES</b>	<b>24,498</b>	<b>18,358</b>
Federal income taxes	4,796	3,641
<b>NET INCOME</b>	<b>\$19,702</b>	<b>\$14,717</b>

Ernst & Young LLP has completed the audit of the 2016 financial statements of the Companies. A copy of the audited financial statements can be obtained by contacting A.I.M. Mutual.