







MESSAGE FROM

JOHN F. DONOHUE

Chairman, President & Chief Executive Officer Arbella Insurance Group

Last year was a defining moment for all of us. Hundreds of thousands of Americans were lost to the coronavirus, while political, economic, and social upheaval created constant uncertainty. The pandemic disrupted every aspect of our lives and will likely do so for years to come. Despite the unimaginable tragedy and loss, much good has occurred, including scientific advances, progress toward social justice, and a global surge in generosity.

## **DEFINING MOMENTS**

No amount of experience could have prepared us for the coronavirus, yet we responded to every curveball with flexibility and compassion: In less than a week, we equipped our employees with the technology to work from home. We found new ways to work remotely with our customers. We made flexible payment accommodations for those struggling financially and launched temporary new coverages in record time. We gave back millions of dollars to our insureds who were driving less.



And, we expanded our support of nonprofit organizations, which are so vital to our communities. It was certainly a year of remarkable achievement.

The overwhelming impact of the pandemic notwithstanding, Arbella achieved strong financial results. We delivered a 91.4% net combined ratio, which was driven by modest revenue growth, a quality book of business, and an ongoing focus on expense management. Milder weather and fewer miles driven by our customers contributed positively to net loss and allocated loss adjustment expenses. We closed the year with \$90 million in after-tax income and a surplus of \$837 million.

After years of hard work, we were extremely pleased when A.M. Best upgraded our financial rating from A- to A (Excellent), recognizing our strong capitalization, operating performance, and surplus growth. The agency also acknowledged our proven ability to leverage data analytics and pricing programs across all lines of business. Achieving this upgrade during such tumultuous times speaks volumes about Arbella's financial strength.

Throughout 2020, a deep commitment to our independent agents and customers remained our central focus. As a result of our proactive approach, our personal and commercial business units delivered topline growth, minus pandemic-related customer refunds, and we remained a go-to provider in all states in which we do business. Feedback from agents and customers confirmed that we addressed their needs with unwavering commitment.

**OUR PEOPLE AND COMMUNITIES** 

As they have done so many times before, Arbella employees met the many challenges we all faced last year with calm confidence. Their ability to adapt and serve the needs of others while facing upheaval in their own lives was critical to our success. I am proud of the resilience and kindness our employees demonstrated. We were honored when they voted Arbella a *Boston Business Journal* Best Places to Work Company for the 12th consecutive year.

The pandemic put additional strain on our local communities, especially food pantries and homeless shelters. The number of families seeking food assistance increased by as much as 300%—many experiencing hunger for the first time in their lives. In March, June, and again in December, the Arbella Insurance Foundation partnered with Arbella employees and independent agents to actively support local relief efforts.

Sadly, last year, we witnessed several violent murders of people of color, confirming that racism persists in our country. These horrific crimes forced us to look closely at systemic racism, and Arbella began the work to increase awareness of inequality and address racial bias. We have much to learn and do, and we are committed to real change.

Arbella's fundamental approach to pricing, products, and underwriting is sound. Looking ahead, we will stay that course and sustain our profitable growth while enhancing the service experience we deliver to our customers and agents. We will continue to navigate the pandemic with flexibility and compassion, and will fight against social injustice to further support our underserved communities.

I am fiercely optimistic about the future. There is so much we can accomplish together.

Thank you for your continued support.

We will continue to navigate the pandemic with flexibility and compassion.

John F. Donohue

Chairman, President & Chief Executive Officer

Arbella Insurance Group

### ARBELLA'S COMMITMENT TO DIVERSITY AND INCLUSION

"Arbella will create deeper awareness and understanding for a more diverse, supportive, and inclusive workplace where all individuals are valued for their talents and are empowered to reach their full potential."

We will continue to empower our Diversity and Inclusion Council to implement change at Arbella.

We will take action to expand diversity in hiring.

We will engage our employees in meaningful conversations about tolerance.

We will work with our nonprofit partners to support their antiracism efforts financially and through employee volunteerism.

After years of hard work, we were extremely pleased when A.M. Best upgraded our financial rating from A- to A (Excellent), recognizing our strong capitalization, operating performance, and surplus growth.

# service



he best companies shine during times of crisis. Despite being forced to close our offices and claim drive-ins, Arbella customers received an uninterrupted, compassionate, and highly responsive service experience.

Arbella service representatives assist our customers and independent agents with inquiries about their claims, bills, and payments. In 2020, those needs took on new urgency as thousands of people lost their jobs and many lost loved ones. Some faced severe economic hardship and struggled with the threat of eviction. Many customers who drove less had questions about lowering their premiums. It was a somber time, and our customers needed comfort and flexibility. Even as they dealt with their own loss and grief, our employees demonstrated compassion, adaptability, and empathy.

By mid-March, Arbella had implemented our business continuity plan, which provided the framework for our response to the crisis. Within 72 hours, 98% of our service employees had successfully transitioned to a full-time, work-from-home model. We immediately began executing hundreds of new protocols to provide flexible payment accommodations, halt nonpayment cancellations, waive late fees, and process more than 275,000 pandemicrelated premium refunds for our personal auto customers.

Delivering Arbella's brand of high-touch service demanded creative ingenuity on a daily basis. Employees throughout the company stepped in to help answer customer calls with empathy and respect. We prioritized frequent and effective communication with our agents. With continuous input from them, and our front-line employees, we remained laser-focused on our customers.

Many of the customers who called our contact centers and utilized our chat services were understandably anxious. To respond to their needs and maintain our excellent service levels, we established a dedicated phone line to address questions about our Here. For Good.® Give Back Program. Our caring employees responded to more than 10,000 of these calls, answering them within 19 seconds on average.

The Arbella Service Center, which delivers tailored customer service on behalf of a select group of agents, supported them and their customers through the myriad of changes associated with the pandemic.

"I have insured my car and home with Arbella for 30 years and their commitment to customers during the crisis was impressive. When I received Arbella's letter about their Give Back Program, I felt truly cared for."

- Mary R., South Yarmouth, MA





Arbella achieved excellent service levels while moving forward with several significant improvements: We expedited the introduction of Arbella Quick Claim, our contact-free auto damage assessment tool that uses smartphone technology. We began testing a similar tool for property claims, with very promising results. We launched customer text payment confirmations and expanded chat functionality to all our contact centers. And, we provided our agents with more document-delivery options by implementing robotic processing and record imaging. Looking ahead, we will maximize the collection of our customers' feedback with new survey methods, and will further enhance our service capabilities with new billing, payment, and policy delivery options.

While the pandemic introduced unexpected challenges to our organization last year, it also presented us with the opportunity to review our service delivery processes. Collaborating with our agents, vendors, and each other, we made important changes that are critical to our service capabilities. We will continue these efforts in 2021 and beyond.

"Our commercial insurance clients have experienced tremendous challenges during the pandemic, and we-and they-are extremely happy with the customer service delivered by Arbella representatives. They understand the situation and have treated our clients with dignity, respect, and most important, empathy."

- Tom Regan, Vice President, OceanPoint Insurance, Middletown, RI



Whether Arbella customers have a general policy or billing inquiry or have suffered a loss, our

Claim\* and Customer Service\*\* employees consistently provide an outstanding service experience.





# personal lines

espite the tremendous disruption of 2020, Personal Lines was there to help our customers and independent agents who faced the unknown on a daily basis.

Arbella underwriters responded quickly with temporary accommodations that addressed our customers' needs: When businesses began to rely on their employees to perform delivery services, we made sure our customers were covered. As college students were sent home to work remotely, we worked proactively with parents and agents to ensure they were covered. If policyholders relocated during the pandemic, we ensured that their unoccupied homes were covered. And, when our customers began driving less, we refunded \$23 million to them through our Here. For Good. Give Back Program.

We also made it easier and faster for our agents to do business with us. In Massachusetts, we launched Arbella Quick Quote for umbrella policies, relaxed our umbrella renewal procedure, and further enhanced our popular condo coverage. In preparation for upcoming expansion in Connecticut, we introduced our home system and cyber coverages, launched a real-time rating tool, and made several enhancements to our underwriting procedures.

Arbella Personal Lines delivered strong business results in 2020. We grew our premium and policy counts in both our auto and home lines. We maintained strong customer retention and closed the year with a net loss ratio of 46.9% and a combined ratio of 91.7%.

The challenges of 2020 were no match for the determination and motivation of Personal Lines employees. Together with our partner agents, we navigated pandemic-related obstacles to address our customers' rapidly changing needs. Agents praised our responsiveness and flexibility, reporting consistently that Arbella is a company they can continue to rely on.

Going forward, Arbella Personal Lines will continue to deliver new products at competitive prices that respond to the changing needs of our customers and agents. As we continue to weather this storm together, we will remain a trustworthy beacon throughout the region.

"Our relationship with Arbella Personal Lines continues to strengthen, and we rely on them to guide us through a complex marketplace. Always friendly, dedicated, and professional, Arbella has consistently delivered high-quality products and first-class service. Their dependability has earned our trust and allows us to

- Royce Cross, President & CEO, Cross Insurance, Bangor, ME

remain competitive."



# commercial lines

When the world came to a standstill in March, Commercial Lines demonstrated why strong, trusted relationships have always been the foundation of our success.

Almost immediately, our independent agents expressed concerns about the survival of their customers' businesses. Each day, our top priority was to help them and their customers get through the pandemic intact and deliver solutions to address needs that we never could have anticipated.

The crisis called for a deep understanding of the unfolding needs of our policyholders: Within weeks, we received state approval for a new auto layup credit to assist fleet customers who were forced to take vehicles off the road. More than 300 of our insureds have utilized the credit, totaling hundreds of thousands of dollars in premium savings. When customers reported business slowdowns, we promptly endorsed their policies with decreased exposures and lowered their premiums accordingly. Although we couldn't meet in person, we provided consultations, loss control services, and premium audits via Zoom, phone, and email.

We also focused on moving our business forward. In February, we broadened underwriting eligibility for contractors and artisans, and in August, we launched the new Arbella Edge for Auto Repair Shops, providing affordable coverage options for auto repair and service station clients.

In 2020, Arbella Commercial Lines grew our voluntary written premium by 4% over 2019, our previous watershed year. We grew in all states in which we do business and in each of our major business lines. While we delivered excellent growth in Massachusetts, 70% of our overall growth occurred in Connecticut and Rhode Island. Our voluntary business profitability remained strong, and we beat our 2020 plan to close the year with a combined ratio of 90.4%.

Arbella employees proved that by working toward a shared goal, we can get through challenges that once seemed inconceivable. Our agents told us that few other carriers were as easy to do business with in 2020, citing our proactive communication, rapid responsiveness, and compassion.

Looking ahead, we will continue to respond effectively to changes brought on by both the pandemic and the marketplace. Our competitively priced products, nimble decision-making, and personal approach position us for strong, profitable growth in 2021 and beyond.

"Arbella's underwriters think outside the box and are willing to listen when challenging risks hit their desks. They are flexible, open-minded, and eager to write new business. This has been a significant differentiator for both Arbella and our agency, especially during the pandemic."

- Joe Williams, Independent Insurance Agent, J. Williams Insurance, Braintree, MA



# culture & brand

When 2020 began, we had established strong momentum to execute our brand campaigns in support of our business plan. Our creative and media strategy emphasized savings with Arbella when bundling home and auto.

Consumers would see and hear our advertising through multiple channels— TV, radio, billboards, social, and digital—in addition to the wide array of advertising exposure we would receive from our partnerships with the Celtics, Bruins, and WEEI Red Sox radio.

But then the world changed. We closed our offices and sent our employees home where they could work safely. Everything—sports, employee programs and volunteerism, community programs and events—was cancelled. With few commuters on the road, it no longer made sense to air our clever radio ads or display our billboard messages. We pulled our consumer ad campaigns and focused instead on critical communications with our employees, agents, and customers to ensure they knew they were valued.

Staying connected became a top priority. Our employees quickly became Zoom experts and kept the business running. We hosted virtual state-ofthe-business meetings, which attracted hundreds of our independent agents. We kept our customers informed of temporary pandemic-related protocols, including our flexible payment options, contact-free claim process, and premium refund program.

The health and wellbeing of our employees was paramount. Our wellness team provided them with ongoing support and guidance to cope with the anxiety presented by COVID-19. By summer, 90% of Arbella employees temporarily returned to our offices at least on a part time basis. They made our success possible in 2020, and we are proud of their response to the crisis. We were pleased to receive the Boston Business Journal Best Places to Work Award for the 12th consecutive year—an extraordinary achievement in any industry.

Following the deaths of George Floyd, Breonna Taylor, and others, our country faced the injustices of racism with renewed urgency. Arbella embarked on a journey to become a more diverse and inclusive company. We established a Diversity and Inclusion Council focused on awareness and education, employee recruitment, and community involvement in the fight against systemic racism.

Last year's challenges were daunting, but they also created new and unexpected opportunities. We seized those opportunities and became a stronger company, proving again that we are Here. For Good.®

"My role speaks volumes about Arbella's commitment to helping employees be their healthiest, best selves. Throughout the pandemic, I have worked to ensure that they are safe and comfortable and have the information they need to make good decisions about their heath and wellbeing."

- Jeanne Freiberger, Occupational Health Nurse, Arbella Insurance Group



# foundation

The pandemic had a devastating impact on our nonprofit partners. As job and food insecurity skyrocketed, the demand for resources and services increased drastically almost overnight.

The outpouring of aid to community programs and relief efforts during the crisis was inspiring. Arbella Insurance Group employees and independent agents mobilized to support vital organizations that impact so many New England residents. We thank them all for their partnership.

Since 2005, the Arbella Insurance Foundation has been recognized as a Top Corporate Giver, donating more than \$33 million to New England charitable organizations. In 2020, the Foundation, Arbella employees, and our agents donated \$2.6 million to 650 nonprofits.

One of the Foundation's top 2020 priorities was providing COVID-19 relief to the communities Arbella serves. With the Foundation's support, employees and agents donated \$257,000 to local food pantries through our established Let's Drive Out Hunger program and the new Give Food x3 initiative. They continued to support cultural, educational, and health and wellness charities through virtual fundraisers and matching-gift programs.

In May, the racial injustice and inequality in our country claimed national attention. In June, Arbella took a stand to fight racism, and with the Foundation, supported many organizations that provide services to local, diverse populations.

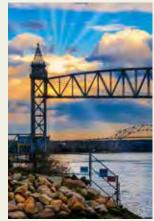
After 11 successful years, the Foundation retired our *Distractology* program, one of the country's first to use simulated scenarios to educate inexperienced drivers about the dangers of distracted driving. We thank the schools and agents who partnered with us to bring Distractology to 20,000 New England students, and the University of Massachusetts, Amherst for bringing its research to Arbella more than a decade ago. We are delighted to donate the Distractology classroom trailer to UMass, where our journey together began. We are proud that the university will use it for research, outreach, and education. The Foundation will remain focused on investing in new ways to make our roads safer.

In 2021, the Foundation will continue to support the important work of our charitable partners while building relationships with newly established organizations that address the evolving challenges facing our communities.

"Despite the challenges of 2020, we witnessed countless miracles. Many more people needed our assistance, and the community rallied. The Arbella Foundation was a key partner in that response. Everyone at Interfaith Social Services is incredibly grateful to the Foundation's sustaining investment in our mission."

- Rick Doane. Executive Director, Interfaith Social Services products

# financials









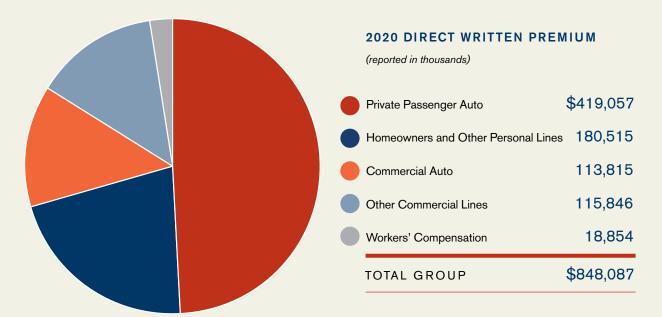
MASSACHUSETTS

CONNECTICUT

**NEW HAMPSHIRE** 

**RHODE ISLAND** 

Arbella sells property and casualty insurance products through independent and other local agents in Massachusetts, Connecticut, New Hampshire, and Rhode Island.\*



\*Doing business as Arbella Mutual Insurance Company; Arbella Protection Insurance Company, Inc.; Arbella Indemnity Insurance Company, Inc.; and Covenant Insurance Company

### ARBELLA INSURANCE GROUP STATUTORY RESULTS

(reported in thousands)

	2020	2019	2018	2017	2016
Direct Written Premium	\$848,087	\$861,557	\$840,269	\$825,007	\$866,711
Underwriting Profit/(Loss)	65,235	31,565	(2,001)	45,048	26,461
Net Investment and Other Income	48,459	49,822	46,066	39,787	41,119
Net Income/(Loss)	90,183	65,260	35,996	65,656	54,725
Net Combined Ratio	91.4%	95.5%	99.9%	94.9%	97.1%
Combined Ratio excluding catastrophe losses	88.5%	93.8%	94.4%	94.2%	95.3%
BALANCE SHEET					
Cash and Invested Assets	\$1,572,040	\$1,458,951	\$1,345,306	\$1,132,548	\$1,321,548
Total Assets	1,863,030	1,768,670	1,666,668	1,624,306	1,563,985
Loss and Loss Expense Reserves	437,138	459,477	463,041	455,697	447,053
Unearned Premiums	430,527	426,778	416,383	408,802	422,955
Policyholders' Surplus	836,506	734,825	649,494	621,071	557,635
Growth in Surplus	13.8%	13.1%	4.6%	11.4%	9.2%

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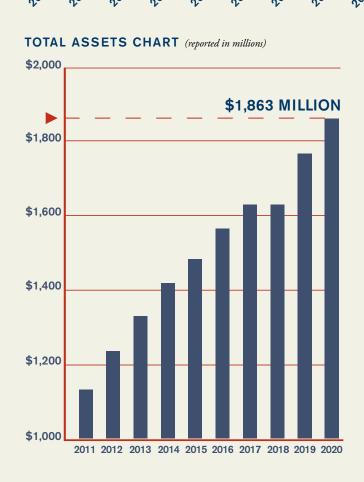
# financials

# \$900 \$837 MILLION \$800 \$500 \$500

"Arbella's achievement of an "A" rating from A.M. Best in 2020 confirms our distinguished financial strength and position as a leading insurer in New England."

\$300

- Chris Hall, Chief Financial Officer, Treasurer & Executive Vice President, Arbella Insurance Group





### **BOARD OF DIRECTORS**

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President, Arbella Insurance Foundation

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### **OUR VISION**

Arbella's vision is to be the best property and casualty company in the Northeast.

### **OUR MISSION**

Arbella's mission is to be a recognized regional leader in the property and casualty insurance industry. We will achieve this goal by maintaining financial strength, selling our products in select markets, and staying true to our core values and competencies.

### **OUR CORE VALUES**

### **EMPLOYEES**

We encourage a culture that supports the balance between personal interests and professional goals and development.

### **CUSTOMERS**

We maintain the highest levels of customer service and treat all customers with honesty and fairness.

We maintain positive and enduring relationships with all those who rely on our service. We keep our word and act with honesty and integrity.

### **PERFORMANCE**

We always seek new ideas, opportunities, and methods of doing business because we strive for excellence. We aim to outperform the industry in every way. We are resilient and passionate about what we do.

### **CITIZENSHIP**

We engage in activities that have a positive impact on the people and organizations within our communities.

### **DIVERSITY AND INCLUSION**

We are committed to building a more diverse, supportive, and inclusive workplace where all individuals are valued for their talents and are empowered to reach their full potential.

