**Q** The *Extra* Mile





### Our *journey* in 2016

A look back at our company's year from Robert A. DiMuccio, Chairman, President and Chief Executive Officer

I was one of 35 people who celebrated 25 years at Amica in 2016. This means we've joined hundreds of others who have bricks inscribed with their names embedded in a special walkway that honors longtime employees at our corporate headquarters.

This growing pattern of bricks makes one realize very quickly how long Amica has benefited from employees who've chosen to spend much of their work lives here. It also puts the focus on the people behind our company's success and our journey of more than 100 years.

And that's why we wanted to share stories about our connections with customers, our exceptional employees and teams, and the communities we serve in this year's annual report. I hope you'll take some time to read the stories and get to know us better.

But first, let's take a look back at 2016.

#### • In the rearview mirror

Each year brings its own set of successes and challenges – and I am truly proud of all we accomplished. Here are some of the highlights:

Amica Mutual had an outstanding year for sales and premium growth, with a 4.3 percent increase in policies in force. Our sales teams across the country worked hard to help increase our total number of policies in force to almost 1.6 million. Premiums earned totaled over \$2 billion, an increase of about 6.5 percent. CEO Bob DiMuccio shared Amica's story with 1,700 people during his keynote speech at an international technology conference in San Francisco. It was sponsored by software publisher Guidewire, which Amica partnered with on three major technology initiatives, including our most recent deployment in October.



"Our people know how to go the extra mile." - Bob DiMuccio

continued on page 4

### Our journey in 2016

continued from page 3

#### • Here for our customers

But 2016 was not without its challenges. We saw an increase in auto losses, a trend that began in the fourth guarter of 2015 and continued through 2016. More people are driving, and new vehicles are now equipped with sensors and other technology that are expensive to repair. An increase in auto accidents resulting from distracted driving is also contributing to higher auto losses. However, it's important to note that these results are not unique to Amica, as auto losses are up across the entire industry.

We also dealt with our fair share of home losses last year. In March, we experienced a rise in claims from hailstorms and tornadoes in the Midwest and Southwest. And in October, Hurricane Matthew hit the Southeast, which impacted our policyholders in several states.

Our combined ratio was 110 percent, which improved from 113.1 percent the previous year. Our loss ratio was 67.3 percent, which was also improved from 69.6 percent in 2015.

It's important to note that we ended the year with a net income of \$147 million. Even though we experienced a significant amount of claims, our solid investment portfolio kept us on firm financial ground. In all, income from investments totaled \$250 million.

With more than \$5.1 billion in assets and almost \$2.6 billion in surplus at year-end, our balance sheet remains incredibly strong. Our structure as a mutual insurance company allows us to maintain a resilient financial position through our well-managed investment portfolio and conservative business philosophy. We are committed to maintaining this mutual structure because, combined with our financial stability, it provides exceptional security for you.

#### • The road ahead

I'm often asked about the future, and where I think the insurance industry is headed. As we've seen, technology will certainly play a major role. But I truly believe that the success of our company still depends on our people.

We are, first and foremost, a people business.

Respectfully submitted,

Roher A. J. Muesio

Chairman, President and Chief Executive Officer

#### Amica's Board was honored as the Private Company Board of the Year in 2016 by the National Association of Corporate Directors New England Chapter, the leading source in New England for corporate governance information, education and training.



Patricia W. Chadwick President, Ravengate Partners, LLC Age 68. Director since 1992. 1, 4 (Chair)



Jeffrey P. Aiken, J.D. Attornev-at-law Age 70. Director since 1993. 1.2



Ronald K. Machtlev President, Bryant University Age 68. Director since 1999. 1,4



Barry G. Hittner, J.D. Attorney-at-law Age 71. Director since 2000. 1, 3



**Cheryl W. Snead** President and Chief Executive Officer. Banneker Industries, Inc. Age 58. Director since 2000. 1,4



Michael D. Jeans President (Retired) New Directions, Inc. Age 68. Director since 2001. 1, 2 (Chair)

**Committees of the Board of Directors** 1 Investment Committee 2 Audit Committee 3 Governance and Nominating Committee 4 Compensation Committee

For additional financial information, see pages 16 and 17.

### Amica Board of Directors

#### Donald Julian Reaves, Ph.D.

Retired Chancellor and Professor Winston-Salem State University Age 70. Director since 2004. 1, 3 (Chair)

#### **Richard A. Plotkin, CPA**

Age 73. Director since 2005. 1, 2





#### Robert A. DiMuccio

Chairman, President and Chief Executive Officer, Amica Insurance Age 59. Director since 2005. 1 (Chair)

#### Edward F. DeGraan

Vice Chairman–Gillette (Retired) Age 73. Director since 2006. 1, 3









#### Debra A. Canales

Executive Vice President/Chief People and Experience Officer. Providence Health and Services Age 55. Director since 2012. 1,4

#### Jill J. Avery

Senior Lecturer Harvard Business School Age 49. Director since 2015. 1, 2

### Those we *met* along the way

We were introduced to some amazing customers and enjoyed some memorable stories about our employees in 2016. We'd like to share a few here.



#### • Walking into a new life

The Amica family: It begins with employees who care about each other – and becomes a way of life.

So says **Sarah Grosnick**, an assistant vice president in sales and client services. When she and her husband, Bryan, decided to adopt a child from China, they turned to Julie Deziel, Knoxville Regional branch manager. Sarah knew Julie's story - how she had adopted three little boys from Vietnam, China and Taiwan.

"Julie was there to guide us through the whole process," Sarah said, explaining that they both received assistance through Amica's adoption support program. "With all the expenses and requirements that go into adopting internationally, it was reassuring to know we had support."

These days, Sarah and Bryan are captivated by their 2-year-old son, Luke, who became part of their family and the Amica family - in July 2016.

#### • Hiking at 17,500 feet

Climb Mount Everest? Yes, you can – especially if you have the support and well wishes of your whole team behind you.

Ask Kate Leavitt, who manages Amica's Service Center Operations - West in Spokane Valley, Washington. After several weeks of intense training and learning to camp, she hiked to Mount Everest's base camp in late April.

"Dreams can be really huge and daunting, and it's important to know that our support for one another can be the keystone in achieving these things," Kate said, noting that her Amica team was among her biggest supporters. "A genuine interest, kindness toward one another and support can be what allows others to find their way as well."





#### • Painting the journey

Al Albrektson is the Rhode Island native who painted the watercolor landscape for our 2016 Thanksgiving card. Many of you wrote notes and emails to say how much you enjoyed it.

At 97, Al is our oldest artist for a unique tradition that's now 46 years old. But what we love is that Al still paints and teaches painting in his basement studio – and he has a whole group of students and fans who keep him going. (Plus, he was an Amica policyholder for more than 50 years.) This wasn't the first time that Al's work has appeared on our card. More than 40 years ago, one of his paintings was chosen for our 1973 card - and then again in 1974, 1975, 1995 and 2000.

"I was guite surprised to learn that Amica wanted to put another of my paintings on their Thanksgiving card," Al said. "Six times – and I'm sure glad I made it to a sixth time!" You can learn more about Al – and our Thanksgiving card - on our YouTube channel

"Our support for one another can be the keystone to achieving ..." - Kate Leavitt



Meeting customers like **Doug Brooks** from Atlanta, Georgia, who checked off his 90th half marathon during the 2016 Thanksgiving weekend event.

"Running has taught me a lot about determination and perseverance," said Doug, who trains and races with his wife, Meg. "It's hard to believe that I'm at race No. 90, and to be in Seattle for the Amica-sponsored event was awesome!"



Run with us this November as we celebrate our 10th year as title sponsor. Learn more at SeattleMarathon.org.

### Taking the *next* steps

The Amica Companies Foundation expanded its charitable giving in 2016. We'd like to introduce you to three of the groups we're proud to support.





#### • Fresh Start Women's Foundation

#### Phoenix, Arizona

The women who come here are all ages and from all walks of life. But they have one thing in common – they need skills and confidence.

And that's what they find at this supportive resource center for women, which offers a wide range of classes, counseling and job training. The center used Amica's charitable grant to fund career readiness programs, teaching women the skills they need to be successful.

They also come with determination to succeed, as a counselor shared one woman's story:

"She said that she'd been homeless while taking the course, and hoped nobody had noticed that she'd worn the same few outfits the entire week. She had previously been a massage therapist, but due to health issues and loss of employment, she hadn't been able to renew her license. She was stuck in a cycle of being unemployed, homeless and unable to pay for clothes or the fees for her license."

But this woman – like hundreds of others who have found hope at Fresh Start now has the confidence in herself to take the next steps.

HERE TO HELP -\$3.6 MILLION IN CHARITABLE GIVING IN 2016



#### • "I Have a Dream" Oregon

#### Portland, Oregon

Like all children, Gerardo has a dream: "My dad didn't finish high school or middle school. He says he doesn't want that type of life for me. ... The thing I'm most excited to do is go to college and travel around the world. Then I can help my sister finish college and my cousins finish college. I want to help my family any way I can."

Gerardo is one of the many children getting help to make his dreams a reality through the "I Have a Dream" Foundation's Dreamer School Project.

This visionary program ensures that all low-income children have the opportunity to pursue higher education through guaranteed tuition support, and by equipping them with the skills, knowledge and habits they need to succeed.

Amica's charitable grant was used to provide reading support, after-school programs, college and career visits and service-learning activities for 800 children in 2016.

We believe in dreams - and putting solid foundations beneath them.

#### • Young Americans Center for Financial Education

#### Denver, Colorado

When they speak about literacy here, they're talking about dollars and cents.

The nonprofit arm of this award-winning program teaches young people 21 and under about finances, economics and business. Its goal is to help Colorado youth understand how to make and manage their money wisely, regardless of their background.

Amica's charitable grant was used to fund summer, after-school and in-school sessions that served 500 young people in 2016. These programs offer real-life experiences and hands-on programs to give them the confidence and skills to prosper.

Team leaders see significant growth in the youth who attend these programs. They learn teamwork, public speaking and critical thinking – all valuable skills to succeed in the real world.



### Going the *extra* mile

Each year, Amica customers report thousands of home insurance claims – large, small and everything in between. But behind each claim there's a story. We'd like to share this one with you.

Tornadoes aren't supposed to hit Texas the night after Christmas.

But that's what happened in Rowlett, a city of more than 58,000 people about 20 miles east of downtown Dallas. The twister's path was a half-mile wide and four miles long. And one of the homes in the tornado's path that was completely destroyed belonged to our customer, **Deborah Thomas**.

Deborah and her daughter were out of town for the holidays when the tornado hit, and they learned from a neighbor that their home had been leveled. In addition, Deborah's son, Joey, hurt his leg while evacuating.

"My neighbor across the street called us and said, 'I just want to let you know that we have Joey and he's OK, but your house is gone,'" Deborah said. One of Deborah's first phone calls that night – while she was still out of town – was to Amica, and she spoke with adjuster Will Skelton.

"That call stood out because she said that her son had been injured," Will said. "I tried to put her at ease and make sure she knew we would help her."

When Deborah returned home, she was faced with the tornado's utter devastation. "After my neighbor said my house was gone, I just thought he meant part of it was gone," she said. "But when I walked up and there was just debris where my son had been, that was pretty hard."

Catherine Toledo, the primary adjuster on the claim, was also at the site that day. "My GPS said I was at my destination, but I had to look on the sidewalk for the actual house number," she recalled. All she saw was debris.





1/2 MILE WIDE **4 MILES LONG** 1,000 HOMES IMPACTED 23 PEOPLE INJURED In the days and weeks to come, Deborah relied more and more on Catherine, who helped her assess her losses, kept her updated on the status of the claim – and was often the shoulder Deborah leaned on.

"I was very comfortable with Catherine from the beginning, and we got closer as time went on," Deborah said. "I think we've developed a friendship out of all of this. She shared in the loss and the tragedy, and then in the rebirth that's going on in the neighborhood."

"I provided Deborah with the care she needed, because this was more than just a claim," Catherine said. "She was going through a devastating catastrophe in her life, so I needed to be more than just a claims adjuster."

Deborah moved into her new home in her old neighborhood in late 2016. She said she wouldn't live anywhere except Rowlett, where she has so many good friends and great memories. Even though it's been a trying year for her family, she says Amica made the claims process as painless as possible.



"I have been through tragedies in my life ... but this one took my breath away." – Deborah Thomas



"I've been very blessed in the aftermath," Deborah said. "Amica was there in my life every day. There was a level of comfort in that – knowing there were people around you who knew how to guide you through such a disaster."



To learn more about Deborah's story, <u>visit Amica's</u> <u>YouTube channel</u>.

## On the *information* highway

Amica employees collaborated on several initiatives in 2016 that provided a framework for the future – for our customers and our communities.



#### • Laying the groundwork for tomorrow

Like all companies more than 100 years old, Amica has seen its share of computer systems over the decades. We've always worked to keep up with updates and new technology to ensure our systems provide the best possible service to customers.

At the end of October, we completed one of our most extensive and complex system projects to date – the deployment of our new core billing system. The scope of this project was immense – Amica's entire book of business, every policy, every account and all payments – had to be converted and deployed to the new system.

Employees from several departments, along with vendor support staff, worked to bring the new system, known as BillingCenter, online – and the deployment was a resounding success.

We thank our employees for their dedication to this project. We're excited to know that this new platform is going to launch Amica into the future and will help us continue to provide exceptional service to our customers.



"This project illustrates what teamwork is all about at Amica." – Bob DiMuccio



### • To the head of the class

**Matt Hallam** is more comfortable in front of a computer than a classroom full of teenagers. But that's where the Amica employee now spends some of his workweek.

Matt, an IT developer, is one of six corporate information systems employees who volunteers in an innovative Rhode Island initiative led by Governor Gina Raimondo. The plan requires every school district in the state to offer computer science courses – making it one of the most comprehensive programs in the nation. Amica was one of the first corporate sponsors to come on board.

The goal of the program is to create a talented and diverse pipeline of students with computer science expertise, which is critical to Rhode Island's economic future. Rhode Island's IT industry is a leading force in the economy, and IT and STEAM (science, technology, engineering, art and math) jobs are among the fastestgrowing positions.

"This has been an incredible experience for all the team members," said Greg Calderiso, an assistant vice president in corporate information systems who led the initiative for Amica. "In the end, we all benefit – the students, the mentors and teachers, and ultimately the state of Rhode Island, its schools and employers."

For more information about this program, visit <u>CS4RI.org</u>.

### • There's an app for that now

Amica employees traveled to Apple headquarters outside San Francisco to collaborate with Apple and IBM on an innovative idea. The goal: to develop an app that would allow our field adjusters to investigate, manage and document claims more efficiently while on the road.

Over the course of several months, the team created, tested and deployed the new app. Using the built-in features of an iPad or iPhone – like the camera, voice recorder and calendar – our adjusters can now do everything, from scheduling an appointment to uploading customer documentation to our internal systems. The new tool has also helped them speed up the claims process while improving the overall customer experience.

"This project was about improving our adjusters' productivity by taking advantage of the latest and greatest in mobile technology," said Adam Kostecki, claims officer in claims executive.

"The fact that we've been able to work with IBM and Apple to design and build a functioning, integrated app so quickly is amazing. It's a testament to what's possible when business and IT work closely with strategic external partners," he said.



On the *road* together

We asked customers to share their stories about their experiences with us. Here are two of the many we received.



#### • Sharing a passion for service

Choose one word to describe Amica and "service" would be among the first on the list.

That's why Stan Dimock's story hit so close to home. The Rhode Islander, who's been our customer since 1981, thanked us for being there for him:

"Through it all, Amica has been there – like a faithful friend – whenever I needed their assistance. ... My Amica story no doubt mirrors the stories of countless insureds who wouldn't consider insuring with any other carrier. And why should we, when we're insured by the best!" he wrote.

We're thankful for his kind words, but it was Stan's own story that piqued our interest.

Stan lives in Bristol, home of the oldest continuous Fourth of July celebration in the country – and famous for the year-round red, white and blue center traffic lines that designate the parade route. In 2016, we learned that parade organizers had honored Stan with one of their most coveted awards, which is given to a town resident who demonstrates the spirit of community service.

Stan's award recognizes his longtime efforts to clean up the town's harbor shoreline and for creating "pocket gardens" in the beautiful downtown area and along the waterfront. In addition, he works for Save the Bay, an organization that watches over and protects Narragansett Bay and its watershed. One of his duties is to organize volunteers for cleanup days along the bay.

We're proud to insure Stan, who is a great role model for those who serve others, including Amica.

#### • Miles of memories

Cars have a special place in many people's hearts.

We insure them, but we also insure the people inside. A note from Byron Yost of Ellington, Connecticut, reminded us of how closely tied we are to some of his fondest family memories. Here is his story.

"When my daughter turned 16, she found a job as a waitress at a pizza parlor. That led to her wanting a car. She convinced her grandfather (my dad) that it was a good idea. He agreed and helped her find one that they both fell in love with. So my dad paid for it, and we bought an Amica auto policy. The two of them went for rides together for hours. That was back in 2005.

"Since then, my daughter graduated from college and is now a delivery room nurse at a nearby hospital. When she bought a new car, again insured by Amica, she sold her old car to her boyfriend's brother.

"She'd still see that old car of hers whenever she visited her bovfriend's home. My daughter told my wife how sad she was, knowing that her grandpa had bought her the car. So my wife and I suggested that she trv to buv it back. And that's what she did.

"My dad now suffers from dementia and lives in a nursing home. And although we visit him a lot, he doesn't remember the stories we

than 30 years."



talk about. But when my daughter told him that she'd bought her old car back, he quickly responded, 'Bring it up next time so we can go driving like we used to!'

"Today, the car sits in my driveway, and my daughter will be getting married in a few months. And Amica has been protecting and watching over my family for more than 30 years - I can't thank you enough."

"Amica has been watching over my family for more

- Byron Yost

#### SHARE YOUR STORY! amicastories@amica.com

## 2016 *at a glance*

## Amica – Combined P&C Operations *Financials*

	\$ in millio
	Balance Sheets 2016
Amica Mutual Almost 1.6 million Policies in Force Almost 1.6 million Total Policies in Force Almost 1.6 million Total Policies in Force	Assets:Bonds and debt securities\$ 2,217Stocks1,767Cash and short-term investments126Other invested assets237Premiums receivable569Other assets203
Combined Ratio Loss Ratio $110\%$ $67.3\%$	Total assets\$ 5,119\$Liabilities:Reserves for losses and loss expenses\$ 1,179Reserve for unearned premiums1,089Other liabilities267Total liabilities2,535
More than \$147 million Net Income Surplus	Surplus to policyholders2,584Total liabilities and surplus to policyholders\$ 5,119Income Statements2016
\$3.6 million Charitable Giving	Premiums earned\$ 2,011\$Losses and loss expenses incurred1,566Other underwriting expenses499Dividends to policyholders147Income from investments250Federal income taxes (benefit)(98)Net income\$ 147
Amica Life	Statements of Surplus 2016
3.2% Policies in Force More than 100,000 Total Policies in Force S67.4 million Premiums and Annuities Revenue	Surplus, beginning of year\$ 2,611\$Net income147Change in unrealized capital gains, net of tax(48)Other surplus adjustments(126)Surplus, end of year\$ 2,584

### Financial Highlights

	2016	2015		2016	2015
Premium growth rate	6.5%	5.0%	Policies in force	1,577,455	1,512,735
Loss and loss expense ratio	77.9%	80.8%	Reported claims: Automobile	330,869	324,560
Combined ratio – earned basis	110.0%	113.1%	Reported claims: Homeowners	46,597	55,501
Return on policyholders' surplus	5.7%	1.3%	Reported claims: Umbrella and other lines	3.753	3,767



### Here to help *across* the country

Here are some helpful facts and figures about our company, our people and our products. Whenever or wherever you need us - we're here to assist you.





Our mission is to create peace of mind



Serving customers in all 50 states.\*



offices



"Highest in Customer Satisfaction Among Auto Insurers in the New England Region, Four Years in a Row"<sup>1</sup> and "Highest Customer Satisfaction Among National Homeowners Insurers, 15 Years in a Row."<sup>2</sup>

Click here for more information.

PBN BESTPLACES WORK

We're honored to be named one of the best places to work in Rhode Island.

Founded in We are the oldest mutual insurer of autos in the U.S.

<sup>1</sup>Amica received the highest numerical score among 16 providers in the New England Region in the J.D. Power 2016 U.S. Auto Insurance Study, based on 44,681 total responses, measuring the experiences and perceptions of consumers with their auto insurer, surveyed January-March 2016. Your experiences may vary. Visit jdpower.com.

<sup>2</sup>Amica Mutual received the highest numerical score among home insurers in the J.D. Power 2002-2016 U.S. Home Insurance Studies. 2016 study based on 13,711 total responses among 28 providers, measuring the opinions of customers with their current home insurer, surveyed June-July 2016. Your experiences may vary. Visit jdpower.com.

# and build enduring relationships.



A.M. Best awards Amica Mutual and Amica Life the financial strength rating of A+ (Superior).

> A.M. Best Company. Feb. 3, 2017. For the latest rating, access ambest.com

### Join our communities and join the conversation



#### Corporate Office

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