



2014 annual report

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

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From the Chairman

For A.I.M. Mutual Insurance Companies, 2014 was a landmark year, both for what we've achieved together and for what lies ahead. We completed our 25th year in business financially strong and resolute in our commitment to service excellence. It's an accomplishment we can take pride in, made possible by the partnership we've forged with employers and by the talents of the employee group we've assembled through the years.

I've had the privilege of being president and chief executive officer for almost 20 years, and, since 2012, chairman, of this organization. With the election of Michael Standing to CEO this past January, that management transition is complete. Mike has been with us since 2012 and president since June, 2013, and has more than 25 years of property & casualty experience. Also in January, Paul Kehoe was elected Vice President and Treasurer of the Companies, succeeding Gregory Shah, who is now Chair of our Investment Committee, Corporate Secretary and Advisor to the Board. I very much appreciate Greg's 20-year commitment to the organization's mission as its CFO, his financial expertise and personal support.

I'm confident, under Mike Standing's direction, our Companies will remain at the forefront of workers compensation innovation and insurance services. Our partnership will always be the cornerstone, and we welcome the opportunity to work on your behalf, providing the full complement of services you expect—and deserve.

--John A. Myers, Chairman

To Our Policyholders:

As we close the books on our 25th year, I am happy to be writing to you as President & Chief Executive Officer and to report on the strengths of our Companies as well as the management team we have assembled to lead this fine enterprise. First though, I must thank Mr. John A. Myers, III, Executive Chairman & CEO and Mr. Gregory R. Shah, Vice President, CFO, both of whom have transitioned to new roles with the Companies effective January 1, 2015 – Mr. Myers to Chairman and Mr. Shah to Chair of our Investment Committee, Corporate Secretary and Advisor to the Board. Without their skilled, careful guidance and management, we would not have the great opportunity that lies before us. All of us here at A.I.M. Mutual thank them and wish them all the best as they embark on the next phase of their lives.

The fiscal year 2014 was noteworthy, replete with accomplishments and milestones. We celebrated our 25th anniversary with colleagues and business partners. Total assets have surpassed \$500 million for the first time in our Companies' history. Another milestone achieved in 2014 was the completion of the management transition noted above, which included the election of Mr. Paul M. Kehoe, our long-time Controller, to the office of Vice President and Treasurer. We are confident that, together with all of our colleagues and members of the Senior Leadership Team, we will continue to set the standard for innovation and service for all workers compensation insurers in the jurisdictions we serve.

The Senior Leadership Team discusses, in bi-weekly meetings, the tactical and strategic issues we face as an organization to ensure that we remain focused on

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CONSOLIDATED BALANCE SHEETS (CONDENSED)

<i>December 31 (in thousands)</i>	2014	2013
ASSETS		
Bonds	\$429,053	\$398,420
Common stocks	35,234	30,580
Cash and short-term investments	8,320	8,751
Premiums receivable	38,261	36,624
Deferred federal income taxes	10,551	9,392
Accrued investment income	3,300	3,044
Other assets	7,916	7,533
TOTAL ASSETS	\$532,635	\$494,344

LIABILITIES AND POLICYHOLDERS' SURPLUS

Reserves for losses and loss adjustment expenses	\$251,612	\$235,796
Unearned premiums	49,446	46,894
Ceded reinsurance balances payable	12,466	10,817
Borrowed Money	13,000	---
Federal income taxes payable	404	---
Other liabilities	25,060	22,680
TOTAL LIABILITIES	351,988	316,187
POLICYHOLDERS' SURPLUS	180,647	178,157
TOTAL LIABILITIES AND POLICYHOLDERS' SURPLUS	\$532,635	\$494,344

CONSOLIDATED STATEMENTS OF INCOME (CONDENSED)

<i>Year Ended December 31 (in thousands)</i>	2014	2013
Premiums earned	\$127,394	\$120,866
Net investment income	9,793	10,013
Net realized capital gains	2,438	2,055
Other (expenses)	(1,066)	(739)
TOTAL REVENUES	138,559	132,195
Loss and loss adjustment expenses incurred	95,066	92,707
Underwriting expenses and dividends declared to policyholders	29,577	29,745
TOTAL LOSSES, EXPENSES AND DIVIDENDS	124,643	122,452
INCOME BEFORE FEDERAL INCOME TAXES	13,916	9,743
Federal income taxes	2,250	1,631
NET INCOME	\$11,666	\$8,112

Ernst & Young LLP has completed the audit of the 2014 financial statements of the Companies. A copy of the audited financial statements can be obtained by contacting A.I.M. Mutual.

To Our Policyholders (continued)

providing the best product available to you, our policyholders. This group has a wealth of knowledge and diverse experiences to draw on to solve issues and determine the future direction of the Companies. Along with Mr. Kehoe and me, the Senior Leadership Team consists of Bob Cella, Vice President-Field Operations; Abi Troy, Director of Information Technology; Wayne Grudzien, Director of Administration & Insurance Services; Laura Parsons, Director of Claims and Teri Bowman, Manager Human Resources.

We pride ourselves on the partnership we've established with you. The following recounts a case involving one of our insureds, who shared our commitment to finding the best treatment path for their injured employee.

"Sam" was seriously injured at work and suffered debilitating pain following the amputation of a finger. A.I.M. Mutual's claim and medical management team stayed in close contact with Sam, his care providers, and with his employer. When surgeries, therapy and medication failed to help his chronic pain, a spinal cord stimulator was next. But our team recommended a different course: a relatively new, less invasive option called scrambler therapy.

After just five sessions, Sam was pain free for the first time in two years and today works full-time at full duty with no relapse. What's also noteworthy is the scrambler therapy that changed his life is not a treatment path most other insurers would approve.

That's one way our initiatives in workers compensation insurance are making a difference. They distinguish us in the market and meet the needs of today's employers, as reflected in a 92% retention rate among our voluntary policyholders.

A.I.M. Mutual remains financially strong, with overall results for 2014 that compare favorably to those of the industry. A.M. Best, the nationally recognized, independent rating organization, reaffirmed our financial strength rating of A (Excellent) with a stable outlook for 2015. Their conclusions were based on our balance sheet strength, operating performance and business profile, specifically noting: "The ratings reflect the group's excellent capitalization, strong operating performance, conservative operating philosophy and prudent reserving practices."

We reported an underwriting gain in 2014 despite a challenging environment for workers compensation rates in both Massachusetts and New Hampshire. The underwriting results helped offset investment returns that have been under pressure due to persistently low interest rates. A positive result for the industry was Congress' reauthorization of the Terrorism Risk Insurance Act for another six years through 2020.

Our conservative management style continued to serve us well in 2014. Total assets increased by \$38.2 million, or 7.7%, to \$532.6 million. Investments, predominately bonds with an average quality rating of AA, represented almost 90% of that total. Liabilities increased \$35.8 million, or 11.3%, in 2014. In the fourth quarter, we took advantage of an opportunity to save \$1.9 million and extinguish our \$15 million floating rate surplus note. We ended the year with policyholders' surplus of \$180.6 million, an increase of \$2.5 million. We reported net income of \$11.6 million, and premium revenue increased by just over 6.5% in 2014 from \$120.9 million to \$127.4 million.

Our unique approach to claim management has led to significant benefits for injured workers and their employers. At the same time, we continue to make strides in Injury Prevention and Worksite Wellness, broadening the scope further and building on our success to date. In 2014 we invited a cohort of our policyholders to join our pilot program, A.I.M. Works: The Wellness Advantage. This program was specifically designed to create and sustain a culture of wellness over a 12-month period. We intend to expand this program each year to include a new cohort of policyholders over the next two years. In addition to the life-changing health benefits for employees and their families, anticipated outcomes include lower absenteeism, increased productivity, and improved recovery times for workers injured on the job.

Our Companies, with the steadfast support of our Board of Directors, have established a tradition of innovation and set a high bar to clear in order to meet your expectations today and in the future. I am confident the Senior Leadership Team and all of our colleagues, together with our enterprise partners, will not only clear that bar, but continue to build on this well-earned reputation. Thank you for your business.


John A. Myers
Chairman


Gregory R. Shah
Corporate Secretary


Michael E. Standing
President & CEO

Board of Directors

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Chairman
A.I.M. Mutual Insurance Cos.
Burlington

John Gould
Vice Chairman
A.I.M. Mutual Insurance Cos.
Burlington

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Chairman, *retired*
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Communications, Arlington

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Chairman

Michael E. Standing
President & CEO

Gregory R. Shah
Corporate Secretary

Robert R. Cella
Vice President-Field Operations

Paul M. Kehoe
Vice President & Treasurer

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