

THE
ANDOVER
COMPANIES.

WE KNOW OUR PATH

2023 ANNUAL REPORT





CORE VALUES



BE A CHAMPION



VALUE EVERYONE



BE AN EXPERT



RISE TO THE OCCASION

PRESIDENT'S LETTER

Due to persistent economic and social inflation, a record year of severe convective storms, and increased reinsurance costs, the US property and casualty insurance industry had to navigate choppy waters in 2023. These forces generated challenging conditions and a 10-year high net underwriting loss for the industry.

The Andover Companies faced these same headwinds in 2023. Stubborn inflation resulted in elevated loss costs. An uptick in severe weather increased loss severity, including a historic deep freeze event in the Northeast on February 3 and 4. This powerful arctic air mass generated \$47.9 million in incurred losses for The Andover Companies. Reinsurance costs also increased significantly due to a fundamental shift in pricing and risk appetite within the property catastrophe reinsurance market.

Overall, we ended the year with a net underwriting loss of \$62.0 million and a net combined ratio of 105.4%. Rising interest rates and our income-driven investment strategy helped fuel a company-best investment income of \$99.3 million. Also, a disciplined resetting of the global property reinsurance market led to a profit of \$54.9 million on our assumed reinsurance business. These favorable results helped The Andover Companies achieve a pretax operating profit of \$31.9 million and a net operating ratio of 93.1%.

The Andover Companies achieved several new heights in 2023. Direct written premiums grew 12.3% to a record \$826.8 million, policyholder surplus grew 7% to a company-best \$2.35 billion, and total assets grew 6.6% to top \$4 billion for the first time. Policyholder retention reached a five-year high of 91.0%.

Amid this industry landscape, The Andover Companies continues to thrive as one of the largest and longest-standing mutual insurance groups in the Northeast. Since 1828, our path has been one of strategic navigation, firmly anchored by a clear vision of providing the highest-quality home and business insurance solutions to meet the evolving needs of property owners. This steadfast commitment has fortified our company's foundation, laying the groundwork for a prosperous future.

Behind this financial success lies the unwavering dedication of our team. We continue to build and invest in Business Intelligence, Technology, and Innovation while strengthening our core functions in Underwriting, Claims, Billing, and Agency Partnerships. Our business initiatives have positioned us as a trusted partner for our network of independent agents and our mutual policyholders.

Marking nearly two centuries in operation, we would not be where we are today without the continued support of our agents, policyholders, reinsurance partners, board of directors, and employees.

Our path does not end here; it will continue to evolve, guided by the lessons learned and the milestones achieved. Together, we will continue to thrive and set new standards of excellence.



Charles J. DiGrande, CPCU, ARe, AIM
President & CEO



FINANCIALS

ANNUAL STATEMENT

As filed with the Massachusetts Insurance Department.
As of December 31, 2023.

ASSETS

Cash	\$	278,457,092
Bonds		595,338,951
Common Stocks		2,454,430,182
Real Estate		37,298,825
Other Invested Assets		167,385,635
Interest Accrued		9,219,993
Other Assets		526,115,287
Total Assets	\$	4,068,245,965

LIABILITIES

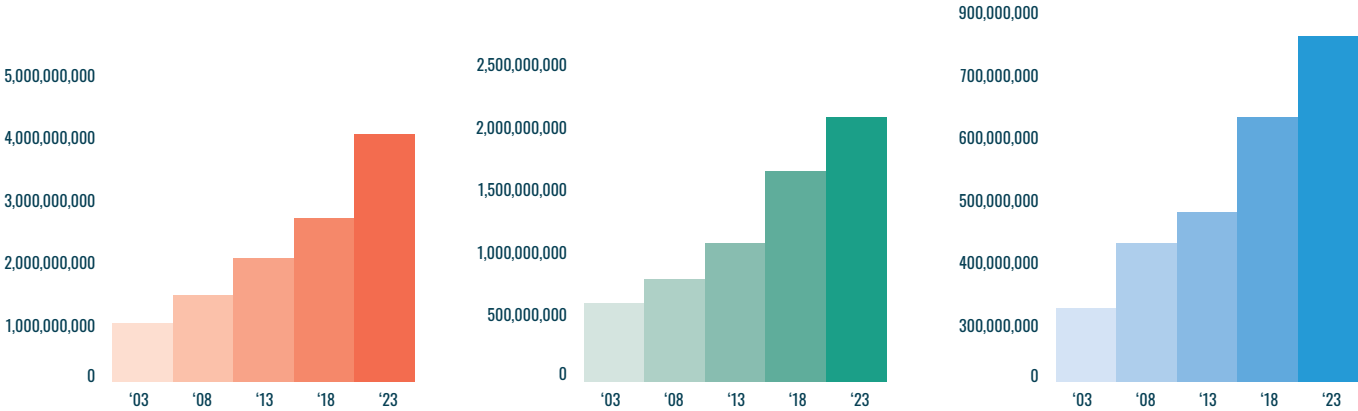
Loss and Loss Adjustment Expense Reserves	\$	577,297,390
Unearned Premiums		445,564,008
Other Liabilities		696,690,437
Total Liabilities	\$	1,719,551,835

SURPLUS

Surplus	\$	2,348,694,130
Total Liabilities and Surplus	\$	4,068,245,965

THE ANDOVER COMPANIES COMBINED RECORD OF GROWTH

	ASSETS	SURPLUS	PREMIUMS
2023	\$4,068,245,965	\$2,348,694,130	\$852,600,724
2018	\$2,726,744,324	\$1,522,741,483	\$639,534,271
2013	\$2,071,375,906	\$1,217,020,583	\$492,735,562
2008	\$1,531,072,640	\$823,173,545	\$436,326,100
2003	\$1,064,983,851	\$563,939,555	\$381,280,442



\$4B+

ASSETS TOPPED \$4 BILLION FOR THE FIRST TIME IN ANDOVER'S 196-YEAR HISTORY.

\$2B+

ANDOVER ACHIEVED A RECORD-BREAKING SURPLUS IN 2023.

.36

ANDOVER ATTAINED A PREMIUM-TO-SURPLUS RATIO OF .36, OUTPERFORMING THE INDUSTRY AVERAGE OF .80.



WHY ANDOVER

For nearly two centuries, our dedication to excellence has revolved around providing premier home and business insurance solutions tailored to property owners' evolving needs. With top-rated financial strength, steadfast customer loyalty, and comprehensive coverage options, our ongoing efforts and recent recognition continue to support our overarching goal of being the easiest carrier to do business with.



A

Since 1940, Andover has consistently achieved an "A" (Excellent) or higher financial strength rating from AM Best, the largest credit rating agency in the world specializing in the insurance industry.



A+

Thanks in part to a 100% Loyalty Score for Customer Satisfaction in 2023, Andover has proudly held BBB Accredited Business status for over three years, maintaining its A+ BBB Rating.



Andover earned NerdWallet's highest review rating of 5 stars for outstanding home insurance coverage. Recognized among the Best Home Insurance Companies in Massachusetts, Andover continues to excel in delivering superior services.



A+

Our 196-year-long tradition of providing reliable home insurance coverage secured Andover an A+ Policygenius coverage rating due to our quality customer service and coverage add-ons for extra protection where policyholders need it most.

GROWTH HIGHLIGHTS

49

NEW HIRES

32

PROMOTIONS

CELEBRATING LONGEVITY

26 EMPLOYEES: 20+ YEARS

31 EMPLOYEES: 30+ YEARS

5 EMPLOYEES: 40+ YEARS

PAVING THE WAY

Each year, we are excited to welcome the next generation of insurance professionals into our internship programs. The Andover Companies onboarded five college students last summer for a 10-week program. These internships offer hands-on training and one-on-one mentorship within the Underwriting, Product Development, Claims, Business Intelligence, Accounting, and Marketing departments, providing a holistic overview of the daily operations of an insurance company.

In addition to our college internship program, we proudly partnered with Notre Dame Cristo Rey (NDCR) High School for the third consecutive year to host four ambitious high school students. Celebrating its 20th year of "Educating for Life," NDCR High School has a valuable Corporate Work Study Program that allows students to work one day a week at local businesses or nonprofit organizations to gain real-world experience and essential corporate skills. As a proud supporter and Corporate Work Study Program partner, we continue to foster young talent and provide valuable experiences and educational opportunities to our community.



"Our partnership with The Andover Companies has been an incredible gift to us. I **cannot express how wonderful it is to know that such a trusted CWSP partner is completely committed to our young professionals' future.** We are extremely grateful to everyone at Andover for allowing our vision and mission to be actualized!"

SISTER MARYALYCE GILFEATHER, SNDDEN, PH.D.
PRESIDENT | NOTRE DAME CRISTO REY HIGH SCHOOL

SETTING THE TRAJECTORY

BUSINESS INTELLIGENCE DEPARTMENT

Andover's Business Intelligence Department offers data analysis and insights and promotes quality, data-driven decision-making across the organization to help us achieve our goals.

2023 was a transformational year for the team. We established in-house actuarial capabilities that allowed us to streamline and enhance our rate review processes to help cement the company's long-term financial strength. In parallel, Business Intelligence strengthened its foundations in data science and machine learning to move our advanced analytics practice forward. The group also rolled out a predictive model to help prioritize property reinspections and is actively working on new models that will promote profitability, efficiency, and improved experiences.



100+
NEW DATA ENHANCEMENTS
OR ANALYSES

190+
PUBLISHED DATA
WORKBOOKS

135
EMPLOYEE
COLLABORATORS

200+
PREDICTIVE-MODEL
REINSPECTIONS

MODERNIZING OUR CORE SYSTEM

ACXCHANGE 2023 ROLLOUT COMPLETION

The Andover Companies celebrates the successful implementation of ACXchange, our advanced, cloud-based core operating system. Through a comprehensive and supportive agent training program, we were able to ensure a smooth adoption and a strategic transition from our legacy system. Our development of ACXchange underscores our unwavering commitment to elevate operational efficiencies and meet the evolving needs of our agents and clients.

ACXchange enhances our service offerings with a modern interface that facilitates real-time transactions and simplified payment processes. The successful development and launch of ACXchange were made possible through the concerted efforts of various departments within our organization, highlighting our commitment to leveraging technology for future growth and enhanced business functionality. This strategic move advances our current operations and strengthens our position for scalable future endeavors.

Our journey toward innovation and operational excellence continues, with our completion of ACXchange marking a significant step forward in serving our clients and securing our leadership status in the P&C insurance sector.

NAVIGATING TOGETHER

myANDOVER CUSTOMER PORTAL

This year marks a significant milestone in enhancing Andover's customer experience.

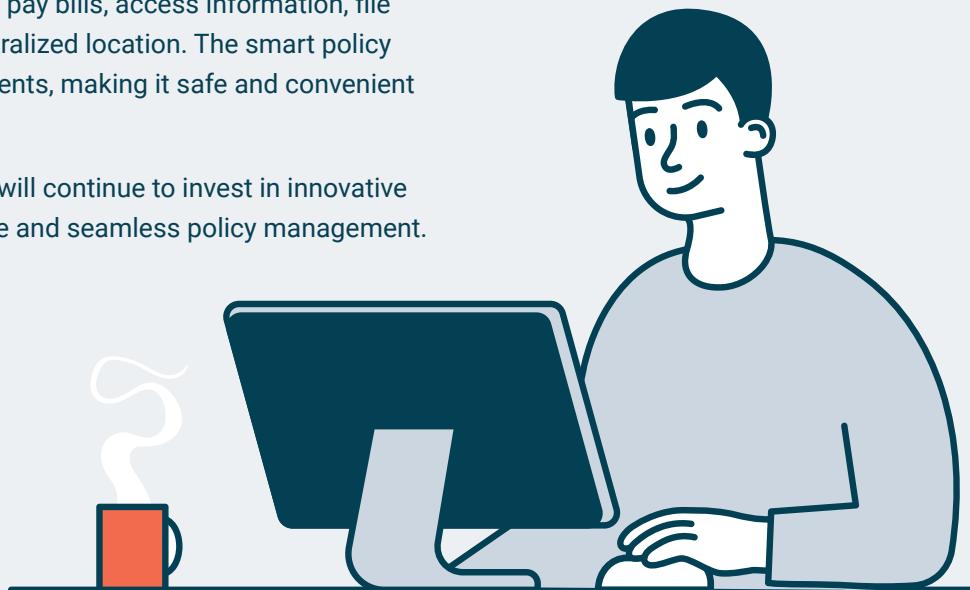
In keeping with our commitment to be the easiest mutual company to do business with, we successfully completed the expansion of the myAndover customer portal. The user-friendly platform is now available to all policyholders.

With myAndover, our clients can effortlessly pay bills, access information, file claims, and download resources in one centralized location. The smart policy dashboard securely stores essential documents, making it safe and convenient to use for hassle-free policy management.

As we commemorate this achievement, we will continue to invest in innovative solutions for enhanced customer experience and seamless policy management.



SCAN HERE FOR VIDEO HIGHLIGHTS



TALES OF THE TRAIL

ANDOVERCOMPANIES.COM/BLOG

Andover's recent public website redesign was the first step in our ongoing efforts to improve online users' journey with our company.

As part of this initiative, we introduced a monthly blog series covering various seasonal and trending insurance topics. The articles—which we also share on our social media channels—provide educational resources, valuable insurance insights, and exclusive guides to help policyholders mitigate risk and safeguard assets.

Providing this helpful information is another way Andover aims to build a stronger, more informed community. We welcome employees, agency partners, policyholders, and new online visitors to explore and share these essential blog posts.

"The William Raveis Insurance Agency office relies heavily on our insurance carriers' reputations and their willingness to collaborate. **Andover's blog series and social media posts offer additional ways for me and my team to provide valuable information to our clients.** We are proud to partner with such an exceptional insurance provider."

HEIDI SUMMA

REGIONAL SENIOR VICE PRESIDENT OF INSURANCE SALES |
WILLIAM RAVEIS INSURANCE AGENCY

SUPPORTING PARTNERSHIPS



ANDOVER FOOTPRINT

The Andover Companies' reputable personal and business insurance solutions are available through our trusted network of local independent agents across the Northeast.

Together, we continue implementing our founders' mission of protecting our neighbors and community with premium products and services.



CONNECTICUT



ILLINOIS



MASSACHUSETTS



MAINE



NEW HAMPSHIRE



NEW JERSEY



NEW YORK



RHODE ISLAND

EMPOWERING EXPERTS

THE INSURANCE LIBRARY WEBINAR SERIES

Andover is proud to continue collaborating with The Insurance Library and being a sponsor of its esteemed webinar program. The monthly webinar series enables employees and agency partners to acquire CE credits and stay abreast of dynamic trends and emerging risks, enhancing their proficiency in the insurance industry. For the third consecutive year, Andover maintained its position as the top sponsor, securing the highest number of webinar seats. We want to extend our gratitude to our dedicated agents and employees for actively seizing this opportunity to augment their insurance knowledge, marking yet another successful year of partnership.



The Insurance Library
Research • Education • Engagement

1,525
SPONSORED SEATS

“The Andover Companies sets a high bar as the biggest supporter of our webinar sponsorship program. **The way Andover uses its sponsorship to provide employees and agents with high-quality, CE-credit-approved classes on timely and interesting subjects is exactly how we envisioned this members-only benefit working.** We are proud to partner with Andover and grateful for its support.”

MICHAEL A. PEZZA JR.

EXECUTIVE DIRECTOR | THE INSURANCE LIBRARY



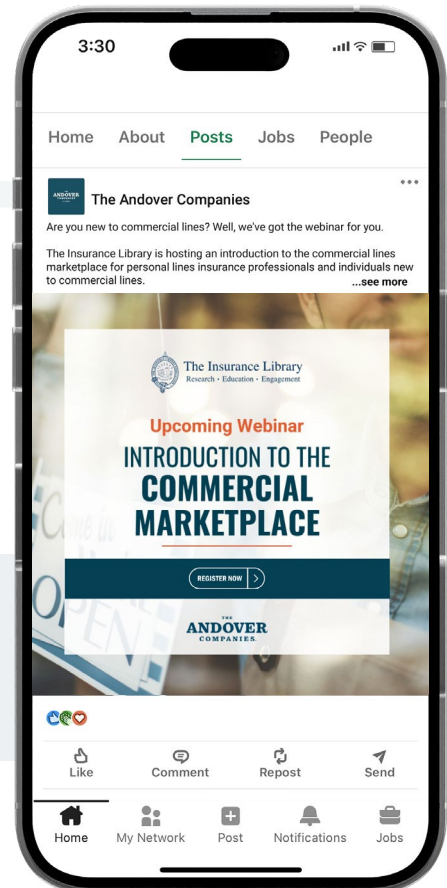
Stay informed about our upcoming webinars with The Insurance Library, and connect with us on social media for all the details you need for easy registration.

ANDOVER SOCIAL HIGHLIGHTS

300+
SOCIAL POSTS

5,877
FOLLOWERS

149,863
IMPRESSIONS



UNIFIED STRIDES

THE ANDOVER COMPANIES CHARITABLE FOUNDATION

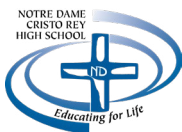
Over the past year, our commitment to making a difference in the communities we serve has continued to grow, thanks to the unwavering dedication and support of our employees and agency partners.

The Andover Companies Charitable Foundation has amplified the impact of our giving and our philanthropic endeavors, which have extended far and wide, with a clear focus on initiatives that reflect our core values.

As a team, we have funded crucial projects, empowered underserved populations, strengthened our partnerships with local nonprofits, fostered lasting relationships in our communities, and ignited hope.



PROUD TO SUPPORT





CULTIVATING COMMUNITY

BUILDING IMPACT PARTNERSHIP

Andover announces its partnership with Building Impact, a nonprofit organization transforming corporate volunteering by partnering with civic, business, and nonprofit leaders to address complex social issues. This exciting new relationship helps Andover expand its volunteer initiatives throughout the US. It builds new connections with local nonprofits for our employees and agency partners and offers them hands-on opportunities to directly contribute and uplift their communities. Through meaningful endeavors such as our pilot program with Mill City Grows—where we successfully impacted 120 lives with landscaping, maintenance, and the construction of new garden beds—we proudly reinforced our commitment to introduce new avenues for service and philanthropy. As we celebrate the initial success of our collaboration, we are dedicated to further growth, ensuring that our collective efforts continue to make lasting impressions on communities nationwide.

PROTECTING THE PATH

The Massachusetts Department of Fire Services is a collaborative partner and vital resource in Andover's fire investigations. Our commitment to mitigating risks and examining property losses aligns with the department's training, public education, and fire prevention efforts. In 2023, Andover began discussions with Fire and Explosion Investigation Unit representatives to determine how we can further support this vital resource. These conversations led to an opportunity for Andover employees to participate in an onsite demonstration where we observed the skills of the unit's ignitable liquid and explosive detection canines. The canines, who work with state police fire investigators and bomb technicians, exhibited their invaluable contributions to public safety. In 2024, Andover aims to enhance this partnership through participation in the department's K9 sponsorship program.



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2023 OFFICERS

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Regional Vice President—Field/Marketing

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Assistant Vice President—Underwriting

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Merrimack, Cambridge, Bay State

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Merrimack, Cambridge, Bay State

David F. Dietz

Retired Partner
Goodwin Procter LLP
Merrimack, Cambridge, Bay State

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President and Chief Executive Officer
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Merrimack, Cambridge, Bay State

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Vice President and Treasurer
The Andover Companies
Bay State

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The Andover Companies
Bay State

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Executive Vice President
The Andover Companies
Merrimack, Cambridge, Bay State

Kevin J. Ouellette

Vice President, Secretary, and General Counsel
The Andover Companies
Bay State

Stephen E. Randall

Senior Vice President
The Andover Companies
Bay State

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Merrimack, Cambridge, Bay State

David A. Splaine

President
Spinnaker Associates
Merrimack, Cambridge, Bay State

Karyn E. Polito**

Principal
Polito Development Corporation
Merrimack, Cambridge, Bay State

*Retired in 2023

**Joined in 2023

The Andover Companies consists of Merrimack Mutual Fire Insurance Company, Cambridge Mutual Fire Insurance Company, and Bay State Insurance Company.

FIELD REPRESENTATIVES

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Maine, Massachusetts, New Hampshire, and Rhode Island

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Regional Vice President

Joseph R. Corcoran III, CPCU, AU
District Manager
Southeastern Massachusetts
and Rhode Island

Peter Dube
District Manager
Maine

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District Manager
New Hampshire

Emma G. Lewis, CPCU, ARe
District Manager
North Shore Massachusetts

Daniel M. Barone, CPCU, ARe
Executive Special Agent
Eastern Massachusetts

Karli D. Loiselle
Special Agent
Central and Western Massachusetts

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Fred Brambila, CIC
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Scott A. Brekne, CPCU, CIC
District Manager
Metro New York and Long Island

Scott D. Durham
District Manager
Southern New Jersey

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District Manager
Upstate New York and Westchester County

Christopher G. Perrini, CPCU, AU
District Manager
Connecticut

Ryan G. Cass
District Manager
Northern New Jersey

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Director of Strategy and Business Development

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Patsy O'Connell
Director of Field Services
ADM Product Owner



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