



ANNUAL 2022 REPORT



MESSAGE FROM
JOHN F. DONOHUE

We are living in an era of constant disruption. To remain competitive, companies must be able to change rapidly. Over many years, Arbella has developed the ability to adapt and respond quickly—to extreme weather, new competitors, and new ways of doing business. This capability was the foundation for our success in 2022.

IMPACT OF GLOBAL CONDITIONS

Global conditions are having a powerful impact on the property and casualty industry. Climate change is causing more extreme weather events, and industry reinsurers are experiencing heightened demand. This, combined with inflation, is driving higher reinsurance prices that are impacting all insurance carriers, including those of us here in New England.

On a national level, the materials used to repair and replace cars and property rose in cost and demand last year. Many remain difficult to acquire. Post-pandemic era driving behaviors resulted in a surge in auto accidents. The Federal Reserve hiked interest rates multiple times. These factors led to significant industry-wide increases in customer losses, claim costs, and policy premiums.

FINANCIAL RESULTS

Arbella is not immune to these pressures. In 2022, we experienced elevated loss ratios, particularly in personal auto, and closed the year with a combined ratio of 100.2%. However, we delivered historic revenue growth exceeding both our plan, by \$54 million, and the prior year, by 9.3%. While some of our results were below plan, Arbella remains a financially strong regional leader able to withstand significant change and uncertainty. In early December, A.M. Best reaffirmed our Financial Strength Rating of A (Excellent).

NOTABLE TRANSITIONS

Workplaces have changed forever. Arbella's employees are embracing our new flexible, hybrid schedule. They are communicating confidently—both in person and remotely—with customers, agents, and each other. Despite labor shortages, Arbella's employee retention remains strong, and the *Boston Business Journal* once again recognized us as a Best Places to Work company.

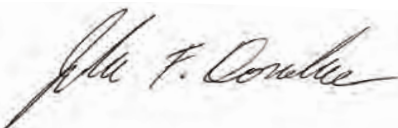
Although quality customer service has eroded in nearly every business sector, Arbella continues to deliver a highly responsive, personalized experience. Our customers and independent agents reported that unlike many other companies, Arbella delivered prompt, expert, and compassionate advice.

Diversity and inclusion are about moving from awareness to taking action for change. Over the past two years, we broadened our recruiting outreach to more diverse hiring partners and launched new internship programs. We continued to provide well-received D&I learning opportunities for all employees. The Arbella Insurance Foundation expanded its Social Justice Initiative to help people gain equitable access to housing, education, and employment.

HERE. FOR YOU.

As we celebrate 35 years in business, Arbella is known as a trusted, dynamic, and growing company. Although we expect today's volatility to persist through 2023, we will continue to adapt and quickly respond to the changing needs of our employees, customers, agents, and communities.

Thank you for your continued support.



Chairman, President & Chief Executive Officer
Arbella Insurance Group

SERVICE

We can't always control what happens, but we can control how we respond.

FAST, PERSONALIZED, EMPATHETIC SERVICE

In 2022, our empathy remained one of our most valuable assets. Arbella contact center employees responded to more than 695,000 phone and chat inquiries and delivered consistently high levels of caring and responsive customer service. Although the number of customer inquiries jumped significantly over 2021, we received more unsolicited thank you messages from our customers. They cited numerous examples of how Arbella employees helped customers mitigate repair delays and enhanced their overall service experience.

We are often asked how we deliver such outstanding service, and the answer is easy: our people. We don't hire representatives, we hire people who like to help others. We don't measure the number of inquiries answered, we measure the number of people helped. We don't limit the time employees spend with callers, we encourage them to listen.

"Last year, significant water damage forced us out of our home for months during reconstruction. Arbella provided a phenomenal level of expeditious and caring service that made a real difference during one of the worst periods of our lives. When most companies seem purely financially driven, it's nice to know there are some that actually care."

– Michael Janicke
Taunton, MA



The Arbella Service Center (ASC) is a special call center that delivers tailored customer services on behalf of a select group of our independent agents. In 2022, the ASC continued to grow and we welcomed additional agents to the Arbella family. ASC agents consistently rated the service we delivered to their customers as exceptional.

BEHIND THE SCENES

Investing in our employees will always be a top priority. We provide each individual with career development opportunities to support their growth within our service department or beyond. Last year, we promoted a significant number of service employees to new positions, including leadership roles. Everyone participated in our ongoing training designed to empower them to deliver a delightful service experience to our customers.

In 2022, we delivered several transformative initiatives to meet the changing needs of consumers. We transitioned to a new customer survey tool that provides us with a higher response rate and more actionable feedback. We utilized data to enhance our understanding of what customers want. We expanded the use of soft phone technology to give our employees more mobility. We launched our Spanish interactive voice response system, introduced an e-signature tool, and piloted an advanced texting solution. Almost 20% of our customers now utilize our digital appraisal tool, Arbella Quick Claim, with excellent feedback.

When everything goes well it's easy to be great. These past few years have shown us who we really are—a local company that enjoys making life better for our customers. We will continue to invest in our people and technologies to make a positive difference in their lives.

695,000

Our contact center employees responded to more than 695,000 phone and chat inquiries.

20%

Almost 20% of our customers now utilize our digital appraisal tool, Arbella Quick Claim, with excellent feedback.

Empathy

Our empathy remained one of our most valuable assets.

PERSONAL LINES

Arbella Personal Lines successfully navigated the turbulent insurance market of 2022. Customers purchasing personal insurance policies needed the right coverage, reasonable pricing, and prompt turnaround times. Arbella and our independent agents delivered.

We grew our personal insurance business by \$50.7 million. By year-end we had achieved our biggest year of new business growth, and became the third-largest auto insurer in Massachusetts.

We expanded our brand in Connecticut, and new business surged there too. Arbella's financial strength combined with a stable and preferred book of business enabled us to keep personal insurance price increases at moderate levels compared with many competitors. As a result, we achieved excellent customer retention, exceeding plan.

The key to this success remains our adaptability and the strong relationships we enjoy with our independent agents. They report that our prompt responsiveness and flexible



underwriting make it easy to do business with us. This is particularly noteworthy at a time when many companies struggle to deliver timely response rates and expert support. Throughout 2022, we provided our agents with proactive updates that helped them communicate effectively with customers about rates and ways to save. Together, we ensured that Arbella customers received the highest quality buying experience possible.

We couldn't do this without the dedication of our deeply engaged Personal Lines employees. While they differentiated Arbella with personalized service, they also collaborated to introduce new products, enhance our use of data, and launch a fast and intuitive quote proposal system. They kept learning and growing, and inspired us all by embracing Arbella's diversity and inclusion efforts.

We anticipate challenging economic conditions will continue to put pressure on the personal insurance industry in 2023. Most customers industry-wide will see their auto and home insurance rates go up. Arbella Personal Lines is positioned to address these pressures with great care and deliver the pricing, products, and service levels that meet the changing needs of our independent agents and customers.

"Last year, still dealing with the tailwinds of the pandemic, our customers needed the security of knowing their insurance company was there for them. More than any other carrier, Arbella demonstrated that they genuinely care about people. Their underwriters were super responsive, and they handled our customers' claims with speed, empathy, and a grace you don't often see today."

– David Robinson
*President and CEO,
RogersGray Insurance*



COMMERCIAL LINES

Many New England business owners saw their sales go up in 2022, but inflation, labor shortages, and supply chain delays continued to wreak havoc. Main Street businesses needed advice from experts who were committed to their success. Arbella Commercial Lines, in partnership with our independent agents, responded with a personalized approach to support them.

This strategy was nothing new for Arbella, but it really resonated with our customers last year. Arbella grew its commercial business to \$305 million, 31% of the company's overall business. We surpassed last year's strong new business growth by more than 15%, and our outstanding customer retention exceeded plan. Thanks to years of disciplined underwriting, Arbella has built a diverse and profitable book of commercial business poised for even greater growth.

We have sustained our position as a go-to commercial insurer in every state in which we do business. Over the years, we have worked closely with our independent agents who help customers accurately insure their properties to their current values. This, and our diversified underwriting portfolio, have strengthened our ability to withstand market volatility.



\$305 million

Arbella's commercial business premium reached a new milestone.

15%

We surpassed last year's strong new business growth by more than 15%.

31%

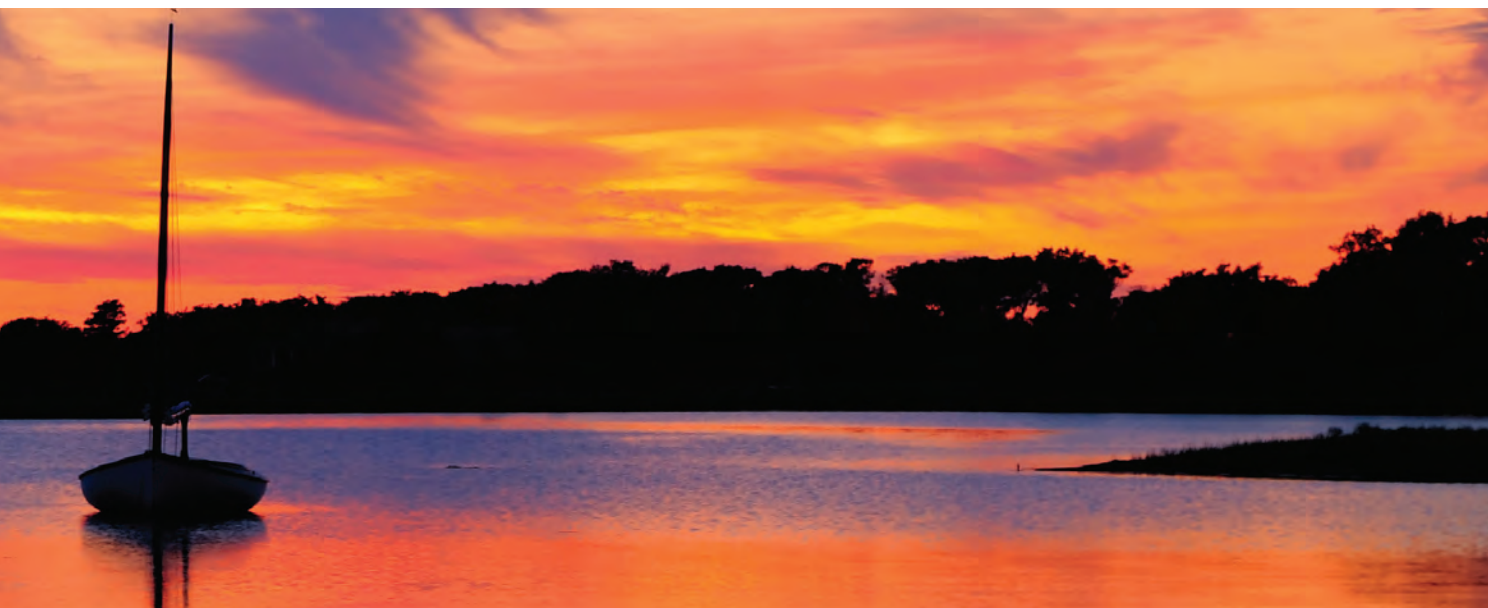
Arbella Commercial Lines grew to 31% of the company's overall business.

Commercial Lines employees are a remarkable group of open-minded experts who enjoy finding creative solutions for customers. Last year they worked cross-functionally to develop new commercial business products, services, and technological solutions that further enhanced our competitiveness. Our underwriters collaborated with our agents to notify customers of price increases in advance and worked together to mitigate them. Our loss control team brought these efforts one step further and provided customers with safety and risk management training to reduce property damage and worker injuries. They did all this while developing their skills and knowledge for exciting long-term careers with the company, and worked together to achieve new levels of diversity and inclusion.

The commercial insurance market will continue to face headwinds in 2023. Arbella, in partnership with our independent agents, will be here for New England businesses with the pricing, products, and service levels that meet their changing needs.

“Arbella understands that every New England business is unique. Even during this time of great pricing pressures, Arbella’s commercial underwriters have never taken a cookie-cutter approach to proposals. They respond promptly and work with us as true partners to find solutions that meet the needs of our clients.”

– Kevin Giovanucci,
*President, Acrisure Insurance,
Needham, MA*



CULTURE & BRAND

We began 2022 with a goal to reimagine our brand communications with consumers, customers, and independent agents. We innovated and transformed while remaining true to our people-first values.

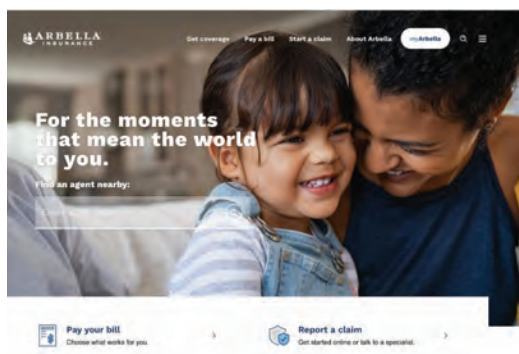
In May, we launched a newly redesigned public website in support of our overall digital strategy. The website's sleek and upgraded look emphasizes Arbella's brand as a local, people-focused company, and its usability enhances our customers' experience within our digital channel. In November, we launched a new agent social media library—an innovative platform that provides agents with sharable graphics and social media content. We also launched our new Agent Learning Center, featuring free educational webinars, videos, and courses.

Our “winning team” continues to be one of our major advertising assets. Our marketing partnership with Celtics Power Forward Grant Williams was highly successful in generating brand awareness. He also helped us support our other partnerships, including Special Olympics Massachusetts. Our partnership with New England Patriots Quarterback Mac Jones caught the attention of many through our new TV, radio, digital, social, and billboard advertising.

Arbella's brand reflects its culture. We made noticeable progress on our diversity and inclusion goals by revamping our hiring practices. Nearly one third of our 2022 new hires were diverse. Our employee D&I Council continued to lead the company through meaningful change. They held multiple well-attended events, and delivered an informative quarterly publication, The Voice.

14 years in a row

Arbella employees voted us a *Boston Business Journal* Best Places to Work company for the 14th consecutive year.



Arbella's new website was launched in 2022.

With all employees working on a hybrid schedule, employee morale remained high, and Arbella employees voted us a *Boston Business Journal* Best Places to Work company for the 14th consecutive year.

Our brand is based on relationships, so we were thrilled to host many events in person, including meetings with our agents and many nonprofit partners. In May, we hosted an inspiring send-off for more than 150 Special Olympics Massachusetts athletes and families as they prepared for the Orlando-based national games. Arbella employees enjoyed a visit from Grant Williams at our annual summer barbeque, and later in the year, we held an extremely successful “Pink Day” fundraiser for the Dana-Farber Cancer Institute. In the fall, we welcomed our agents back to in-person educational networking meetings in several locations across the state.

Looking ahead, volatile economic conditions will continue to challenge our industry and impact our employees and customers. All our efforts will continue to focus on the guiding principles of our brand: being local, reliable, relationship-driven, and Here. For Good.

“Arbella’s efforts to be more diverse and inclusive are really showing—you can see the impact by just looking around! The commitment starts at the top, which has made a real difference, and there are so many allies in every department. As a D&I Council member, I’m proud of what Arbella has accomplished and I look forward to continuing our work together in the future.”

– Francesca Antoine,
Payroll and Benefits Coordinator
Arbella Insurance Group



Celtics Power Forward Grant Williams was highly successful in generating brand awareness.



Mac Jones partnered with Arbella for TV, radio, digital, social, and billboard advertising.

FOUNDATION

The Arbella Insurance Foundation continues to embrace and support the work of local nonprofits. Together with Arbella Insurance Group employees and independent agents, the Foundation donated \$3.6 million to 623 partner organizations in 2022.

Food insecurity remains a staggering challenge in the U.S. Approximately 21% of households with children in Massachusetts are facing food insecurity.

The Foundation responded by giving grants to food rescue operations, community gardens, and food pantries. Many are providing creative new solutions to hunger, including culturally appropriate food, nutrition guidance, and medically tailored meal kits. The Foundation’s “Let’s Drive Out Hunger” campaign continued to create opportunities for Arbella employees and agents to raise funds in support of food programs in their communities. Together, over the program’s 15 years, they have donated more than \$1.8 million to hundreds of local food organizations.

Two years ago, Arbella’s board of directors approved \$5 million in funding over five years to create the Arbella Social Justice Initiative. Last year the Foundation distributed more than \$1.1 million to 41 solution-driven organizations confronting social and racial injustice, including homelessness, income inequity, and education disparities.

21%

Approximately 21% of households with children in Massachusetts are facing food insecurity.

\$1.1 million

Last year the Foundation distributed more than \$1.1 million to 41 solution-driven organizations confronting social and racial injustice.

\$760,000

In 2022, our employees and agents helped give more than \$760,000 to support causes meaningful to them and their communities.

Arbella employees and agents have made it possible for the Foundation to assist many grassroots organizations that it otherwise may not have been aware of. In 2022, they partnered to give more than \$760,000 to social services, health and wellness, cultural, education, and other organizations. Many Arbella employees were ready to get back to volunteering, and 212 employees supported 13 charities through 21 volunteer events. Another 127 employees participated in walks, runs, and other charity events outside of working hours. The Foundation donated an additional \$34,650 in support of these efforts.

The Foundation continued to extend aid to those outside New England. When war broke out in Ukraine, the Foundation provided \$25,000 to the American Red Cross and another \$25,000 to UNICEF in support of relief efforts. A matching gift program offered to Arbella employees raised an additional \$53,000. When Hurricane Ian devastated the Florida coast, the Foundation joined with employees to give more than \$28,000 to the American Red Cross.

Since 2005, the Foundation has donated more than \$40.2 million to address many complex challenges faced by our communities. We are grateful to all those who collaborated and innovated with us, and we will continue to be here to support them.

“So many people, especially BIPOC patients, miss out on breast cancer treatment due to income, language, cultural, and other access barriers. The Foundation’s support of Ellie Fund has helped us expand our community presence, and fund our multilingual materials and interpreter services for patients. I can honestly say this work wouldn’t have happened without Arbella.”

– Meredith Mendelson,
Executive Director
Ellie Fund

\$40.2 million

Since 2005, the Foundation has donated more than \$40.2 million.

\$1.8 million

The “Let’s Drive Out Hunger” campaign has donated more than \$1.8 million over the past 15 years.

Grateful

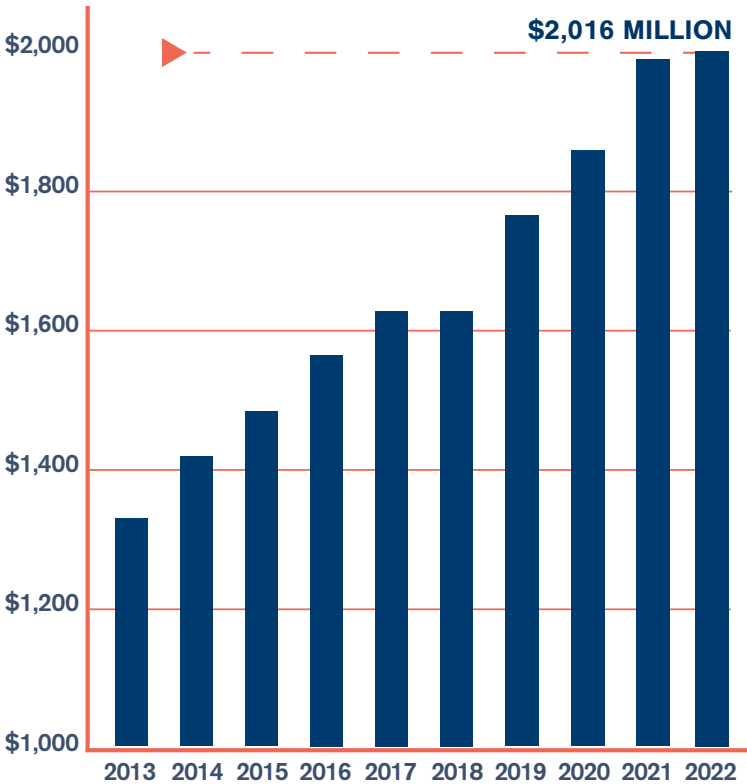
We are grateful to all those who collaborate and innovate with us.

FINANCIALS

“While unprecedented U.S. economic conditions adversely impacted the insurance industry in 2022, Arbella’s financial strength endured.”

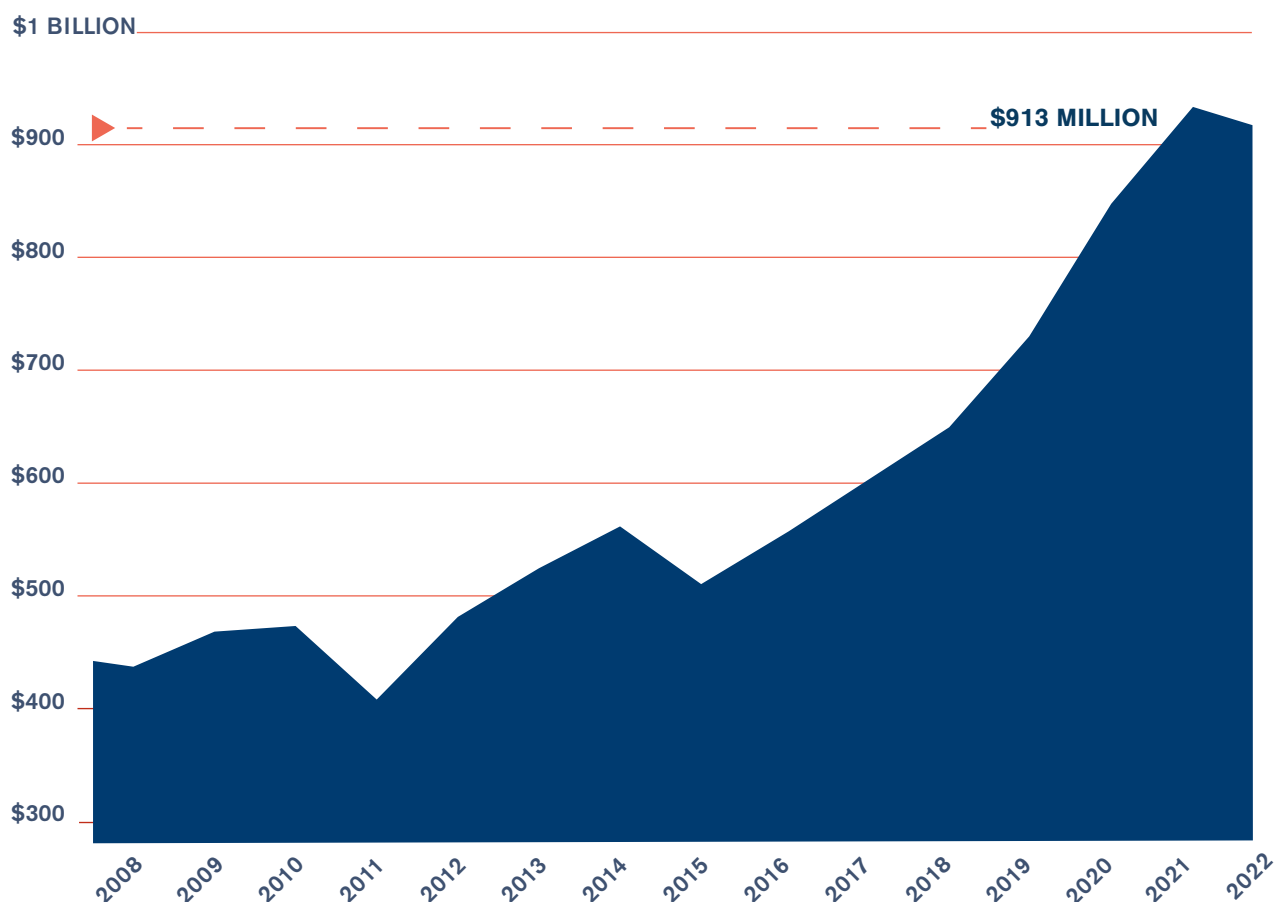
– Chris Hall
Chief Financial Officer,
Treasurer & Executive
Vice President
Arbella Insurance Group

TOTAL ASSETS CHART (reported in millions)



ARBELLA INSURANCE GROUP STATUTORY RESULTS (reported in thousands)

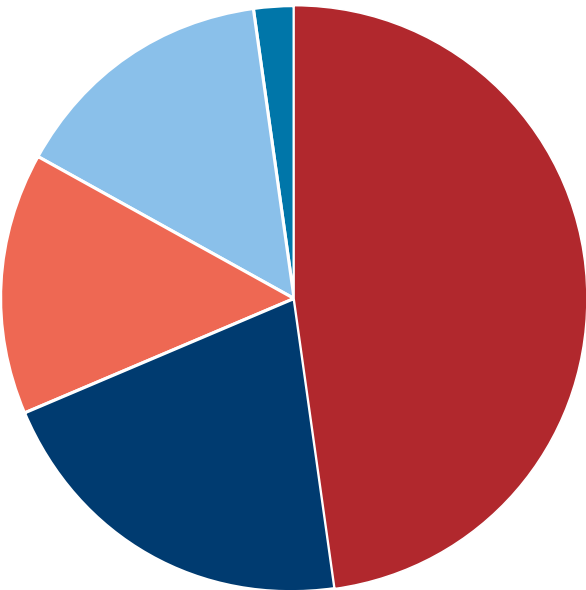
	2022	2021	2020	2019	2018
Direct Written Premium	\$979,351	\$895,726	\$848,087	\$861,557	\$840,269
Underwriting Profit/(Loss)	(18,336)	25,900	65,235	31,565	(2,001)
Net Investment and Other Income	51,018	57,275	48,459	49,822	46,066
Net Income	26,460	64,960	90,183	65,260	35,996
Net Combined Ratio	100.2%	96.2%	91.4%	95.5%	99.9%
Net Combined Ratio excluding catastrophe losses	99.5%	93.6%	88.5%	93.8%	94.4%

SURPLUS CHART *(reported in millions)***BALANCE SHEET** *(reported in thousands)*

	2022	2021	2020	2019	2018
Cash and Invested Assets	\$1,683,263	\$1,700,460	\$1,572,040	\$1,458,951	\$1,345,306
Total Assets	2,015,643	1,988,378	1,863,030	1,768,670	1,666,668
Loss and Loss Expense Reserves	467,252	459,838	437,138	459,477	463,041
Unearned Premiums	493,617	444,836	430,527	426,778	416,383
Policyholders' Surplus	912,543	930,391	836,506	734,825	649,494
Growth in Surplus	-1.9%	11.2%	13.8%	13.1%	4.6%

PRODUCTS

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



2022 DIRECT WRITTEN PREMIUM

(reported in thousands)

Private Passenger Auto	\$468,078
Homeowners and Other Personal Lines	206,551
Commercial Auto	139,458
Other Commercial Lines	143,619
Workers' Compensation	21,645

TOTAL GROUP	\$979,351
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*Doing business as Arbella Mutual Insurance Company; Arbella Protection Insurance Company, Inc.; Arbella Indemnity Insurance Company, Inc.; and Covenant Insurance Company



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 by maintaining financial strength, providing excellent service and products, and staying true to our core values.

OUR CORE VALUES

EMPLOYEES

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

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.

CUSTOMERS

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

TRUST

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.

BOARD OF DIRECTORS

JOHN F. DONOHUE
Chairman

FRANCIS X. BELLOTTI
Vice Chairman

THOMAS S. CARPENTER

THOMAS R. KILEY

ANNE M. DEFRANCESCO

ELIZABETH K. KIM

J. ROBERT DOWLING

JOSEPH G. MURPHY

WILLIAM H. DUMOUCHEL

BRIAN J. O'DWYER

ANDREA W. GARGIULO

JEANNETTE M. ORSINO

DAVID W. HATTMAN



OFFICERS OF THE ARBELLA INSURANCE GROUP

JOHN F. DONOHUE

Chairman, President & Chief Executive Officer

JANET R. CORCORAN

Chief Operating Officer & Executive Vice President

GAIL EAGAN

Executive Vice President, General Counsel
& Corporate Secretary

CHRISTOPHER E. HALL

Chief Financial Officer, Treasurer &
Executive Vice President

JAMES S. HYATT

Chief Underwriting Officer & Executive Vice President

GAYLE O'CONNELL

Chief Marketing Officer & Executive Vice President

ROBERT BIZAK

Senior Vice President, Sales & Marketing

PAUL J. BRADY

Senior Vice President, Head of Claims

LYNELLEN M. RAMIREZ

Chief Actuary & Senior Vice President,
Research Analytics

WILLIAM S. HUGHES

Vice President, Commercial Lines

MATTHEW Y. POSTULKA

Vice President, Chief Information Officer

BEVERLY J. TANGVIK

President, Arbella Insurance Foundation



