

1988-2008



2008 ANNUAL REPORT



ARBELLA[®]

INSURANCE GROUP

HERE. FOR GOOD.[™]

OUR MISSION

The mission of the Arbella Insurance Group is to be a recognized regional leader in automobile insurance and other insurance products. We will achieve this goal and maintain financial strength by specializing in a limited number of products and markets. We will earn customer loyalty by providing exceptional levels of service, utilizing innovative technology and employing effective methods of distribution.





John F. Donohue
Chairman, President and
Chief Executive Officer
Arbella Insurance Group

MESSAGE FROM JOHN F. DONOHUE

I am pleased to submit this report on Arbella Insurance Group's performance in 2008. Once again, Arbella has had a solid year, achieving excellent financial results. This past year was one of major change within our industry: for the first time in decades, the Massachusetts private passenger auto market became deregulated. With this change came upheaval in the marketplace, but Arbella was poised and ready to effectively compete in this new environment. We have been preparing for this new way of doing business over the last several years, putting into place an aggressive marketing campaign to strengthen our brand awareness. All results indicate that our groundwork has paid off and has positioned us well as we face the uncertainty of competing in this deeply troubled economic environment. Our commitment to our core competencies; our strong financial foundation, sound growth and expense management strategies; and our ability to adapt in this changing environment have produced excellent results during a challenging year. I am proud of our company's performance this past year. We are now ready to improve upon our exceptional performance as we begin the company's third decade of successful operations.



ARBELLA

20

YEARS OF BUILDING TO TODAY'S SUCCESS

In 1988, by a special act of the Massachusetts legislature, Arbella was created to assume the business of the Kemper Group, an insurance company seeking to leave the state's then-troubled auto insurance market. By any measure, it was a risky endeavor. We recognized, however, that there was an opportunity to build upon Kemper's successes by continuing to enhance and strengthen the strong partnerships with our premier network of independent agents while committing to the core competencies of customer service and satisfaction, relationship management, risk selection, and loss management. Equally important were the commitments we made at the time: to preserve jobs for employees; to build financial strength for the company; and, as a mutual company owned by our policyholders, to act with prudence on their behalf as we developed our investment strategy. We have, in fact, stayed true to these principles, which have often guided us over the years.

Over the last 20 years, we have built a strong financial foundation; we are also privileged to have a knowledgeable and tenured staff. Our commitment to enhancing our partnerships with our independent agents has been and will continue to be at the forefront of becoming the best property and casualty insurance company in the Northeast. This past year, we expanded our geographical footprint and began doing business in New Hampshire and, for the first time, began selling commercial products in Connecticut. We have now established ourselves as a strong regional company in both personal and commercial lines in key New England states. In this tough and highly competitive market, Arbella is open for business and ready to compete with any company that may decide to enter our marketplace.

A STRONG FINANCIAL FOUNDATION

The ongoing turbulence in the financial markets in many ways is a direct result of Wall Street's relentless pursuit of greater quarterly profits. Fortunately, Arbella is an insurance company, not an investment company. This philosophy was instilled by Arbella's board of directors 20 years ago and could not be truer today. We have embraced a conservative investment strategy that enables us to have the ability to pay customers' claims promptly, even in the event of a so-called 100-year hurricane. This is our chief responsibility to our loyal customers; because we are a mutual company, we have always operated this way. Years of building and maintaining a solid capital and asset base have prepared us to weather any financial storm and continue to thrive, even in challenging economic times.

ROBUST FINANCIAL PERFORMANCE IN 2008

Arbella's conservative investment approach allowed us to avoid the pitfalls associated with the significant financial turmoil that impacted the insurance industry. In fact, Arbella's surplus has grown exponentially over the last several years, and at the end of 2008, it stands at \$438 million. This achievement is a great indicator of both our success and continued financial strength. The company's combined ratio of 98.7 percent demonstrates strong fiscal health. Based on our positive results, Arbella generated a pretax operating income of \$47 million, resulting in a 7 percent return on equity. And, probably most indicative of our financial strength, Arbella's invested assets and total surplus decreased by less than 1 percent at year-end, despite the meltdown in the financial marketplace.

OUR VISION

To be the best property and casualty insurance company in the Northeast.

ENHANCED COMMITMENT TO CUSTOMER SATISFACTION

In order to achieve our goal of being the best property and casualty company in the Northeast, Arbella has long recognized that superb customer service is essential—it is the hallmark of all great companies. Moreover, on a practical level, it is increasingly essential in this new era of deregulation. Our 2007 claims survey results indicated a 93 percent service approval rating, which put Arbella at the top of our industry. However, that is simply not good enough by our standards. In 2008, we introduced a multifaceted customer loyalty strategy that includes customer service training for all Arbella employees. This initiative is a critical component of our ongoing objective of building customer loyalty through consistent, exceptional service. Because we are always seeking ways to be better, this is not a onetime program; rather, it is a transformative initiative to continuously improve the service we deliver through customer contact, process improvements and other business enhancements.

HERE. FOR GOOD.™

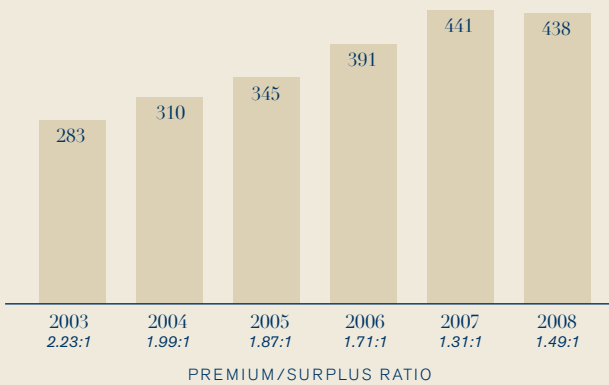
It is no accident that the brand tagline for the Arbella Insurance Group is *Here. For Good.* It sums up our philosophy and our approach to the way we do business. Like our customers, we live here and are devoted to New England. We know the territory, the weather challenges and our customers' insurance needs better than anyone. We have a strong commitment to give back to our community and, as often as possible, do so in partnership with our agents. This pledge is evidenced by the active work of the Arbella Insurance Group Charitable Foundation, which in 2008 undertook an unprecedented number of commitments that are outlined in this report. One that is close to my own heart is our determination to give to the neediest and hungriest in our local communities. This was accomplished through a challenge matching grant with our agents, a new high-level sponsorship of Project Bread's Walk for Hunger, and an assortment of other grants and contributions to local food pantries. In these trying economic times we are keenly aware that our community needs us more than ever, and Arbella is prepared to do its part in the months ahead.

A LOOK AHEAD

As we enter Arbella's third decade of operations, we will continue to execute on our initiatives according to our blueprint. Our focus will remain on our core competencies and core markets while we strive to differentiate ourselves through our service. We will remain true to our brand identity and build upon the solid advertising framework that has been so effective over the last few years. Going forward, we will continue to seek opportunities to expand our media campaign, leveraging our current role as a supporter of our hometown professional sports teams and capitalizing on new opportunities as the Official and Exclusive Auto Insurer of the Boston Celtics. We will also take advantage of opportunities as they arise to support the Bruins and Red Sox through our media partners at Comcast SportsNet and NESN. As the hometown team, Arbella will always be here for those who need us, and through the Arbella Insurance Group Charitable Foundation, we are dedicated to giving back to the community.

As we look to 2009, one thing is certain: challenges await. But that's when Arbella is at its best. We are committed to seizing opportunities that come our way, as we have always done. We'll seek to expand into new states and will look to deliver products that will complement our existing business. And, within the next two to three years, as we continue to grow our business in the remaining New England states, we will be well on our way to becoming a truly regional company, poised to achieve our vision of being the best property and casualty company in the Northeast. That goal is attainable, and it remains our guiding light as we enter the next phase of our journey.

The saying that success has many fathers rings true for the Arbella Insurance Group. I would like to thank our partner agents, our board of directors and the 900-plus employees of Arbella for their tireless and ongoing efforts in achieving these excellent results—not just this year, but over the last two decades...and into the future.



\$438 Million

This year, careful planning and a conservative investment approach has led to a less than 1% decrease in surplus and invested assets.



PERSONAL LINES:

Taking Advantage of Year One of Massachusetts' Insurance Deregulation

Change brings opportunity. When managed competition was introduced in the Massachusetts private passenger automobile market, many predicted gloom and doom for the domestic carriers. At Arbella, however, we recognized and embraced an opportunity, one for which we had been preparing for years. We introduced new rates, products and discounts. We were strategic, and we focused on an account approach, partnering with our valued agents to zero in on targeted customers. Consequently, we held our own in auto insurance market share and saw our homeowners business proliferate in 2008. We remain among the top three dominant auto insurers in Massachusetts, with essentially the same number of customers as in 2007, and we have seen a double-digit increase in homeowners business (13.1 percent). Our successful strategy in Massachusetts mirrored similar success in our personal lines operations in Connecticut. Based on a strong culture of providing exceptional customer service through local knowledge and experience, we were able to grow our combined automobile and homeowners business in Connecticut by almost 5 percent.

COMMERCIAL LINES:

Growing in a Soft Market

In 2008, we experienced the fifth consecutive year of fierce price competition and declining pricing in commercial lines. To be successful in this type of market, a company needs to maintain discipline in its pricing approach and exhibit significant added value to its customers by offering high-quality service and products. Arbella's efforts in these areas led to substantial success in this difficult market during 2008. Growing our overall direct voluntary premium in excess of 3 percent and producing an excellent combined ratio of 94 percent, Arbella generated strong profits in this critical business segment. In addition, we launched several new initiatives to compete more effectively in workers' compensation and commercial auto across both our Massachusetts and Rhode Island markets. As we enter 2009, we are ready to grow at an even faster rate as we expand our coverage for our commercial package and business owner products, develop more flexible pricing in our umbrella product, and continue to expand our market share of workers' compensation business.



OUR VALUES

EMPLOYEES We will encourage a culture which supports the balance between personal interests and professional goals and development.

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

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

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



REFLECTING ON OUR HUMBLE BEGINNINGS



Francis X. Bellotti
Vice Chairman
Arbella Insurance Group

At the end of 1987, Kemper announced that it planned to stop writing auto insurance in the state of Massachusetts. Following years of poor business results and high losses, Kemper had enough. Its plan was to establish a mutual insurance company capitalized with approximately \$100 million to take over its 250,000 Massachusetts auto insurance policies. Frank Bellotti, former attorney general for the Commonwealth of Massachusetts, was approached by Kemper to help set the wheels in motion. At the time, Frank was an attorney at the law firm of Gaston Snow. "It seemed like a no-brainer. We had an opportunity to save jobs and limit the disruption to the auto insurance marketplace," says Bellotti, a resident of Quincy. "These were good people, and we couldn't stand by and watch them lose their jobs." But it wasn't that easy.

Forming a new mutual company would require approval from the state legislature, which would pave the way for Arbella to become the first mutual company to enter Massachusetts in nearly 50 years. "The odds were against us," Frank continues. "Many people didn't want to see us succeed. We were outsiders in the industry, which was in bad shape at the time. People couldn't understand why a company would be willing to pay \$100 million to make this transition. They just didn't want to see Arbella be formed." Bellotti, currently vice chairman of Arbella's board of directors, smiles and says, "Luckily, I always liked a good fight."

In October 1988, nearly a year after Kemper announced its plan to stop writing auto insurance in Massachusetts, Arbella Mutual Insurance Company officially began operations.

At the time, Frank Bellotti was looking to fill the position of chairman of the board of directors. "The only person who came to mind was John Donohue." When asked why he picked John, he responded, "I knew John well. He worked for me when I was attorney general. John was very smart and knew the insurance business. What I needed was someone who could set the strategic vision for the company and hire its first executive team. I knew that John could do that. I trusted him and knew that we would make a great team." Frank attributes Arbella's success over the years to many things but particularly to John Donohue and his leadership and commitment to Arbella. "John is passionate. He gets it, and people like him. He has great ideas and the utmost respect from Arbella's board of directors."

Arbella began with a board of advisors who eventually became Arbella's board of directors, most of whom had a connection in one way or another to the insurance industry. "I am very proud to be affiliated with this group of professionals," says Bellotti. "Most of our board members have been with Arbella since we began and are still with us today." Arbella's board members come from varied backgrounds. They are lawyers, insurance agents and business owners. They come from the public service sector and private industry. But they all share a common bond: they are deeply committed to Arbella. "Twenty years ago when we began doing business, the goal of the entire board was to create a customer-centric company unlike any other. It was important to all of us that we create a company that was serious about service far beyond paying claims," says Bellotti.

But Bellotti admits that there is no rubber stamp and no one way of doing business. "You have to be adaptable. Our environment is always changing, and you have to be able to get in front of it. Among the things that have been a constant for Arbella is John Donohue's leadership, the dedication of all of Arbella's officers, the support from Arbella's board of directors and the ongoing commitment from each and every Arbella employee."

Twenty years have gone by quickly. It is fitting that a couple of local guys deeply embedded in their community would start a company with the tagline *Here. For Good.*

OUR INSURANCE OPERATIONS

The Arbella Insurance Group generated \$684 million in earned premium, investment and diversified insurance services revenue during 2008.

PERSONAL INSURANCE PRODUCTS

Our personal insurance products include private passenger automobile, homeowners multi-peril, dwelling fire, personal umbrella and other related products written in our Massachusetts and Connecticut markets. Sales of personal insurance products during 2008 were \$485.1 million and represented 78.4 percent of our direct written premium.

PRIVATE PASSENGER AUTOMOBILE

Arbella is the third-largest writer of private passenger automobile coverage in Massachusetts. Direct premium written by our lead company, Arbella Mutual, for this product line was \$343.9 million in 2008. Arbella also offers private passenger automobile coverage in Connecticut through our affiliate, Covenant Insurance Company. Direct written premium for 2008 was \$19.3 million.

HOMEOWNERS AND RELATED PRODUCTS

In Massachusetts, Arbella offers multi-peril homeowners and related coverages, such as personal umbrella and dwelling fire insurance, through our lead company, Arbella Mutual, and our affiliate, Commonwealth Mutual. Total homeowners direct written premium in Massachusetts was \$108.3 million in 2008. Our affiliate, Covenant Insurance Company, provides homeowners protection in Connecticut. Total direct premium for this product was \$13.6 million.

COMMERCIAL PRODUCTS

Arbella offers a full range of commercial insurance products to meet the needs of both small and mid-sized businesses, including commercial and fleet auto coverage, commercial multi-peril, and business owners protection and workers' compensation. Commercial insurance sales in 2008 were \$133.6 million.

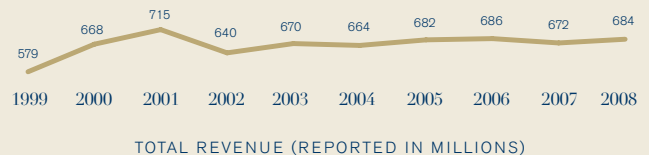
The Arbella Insurance Group is a customer-focused regional group of insurance companies providing personal and commercial property and casualty insurance products throughout Massachusetts, Connecticut, New Hampshire and Rhode Island. In addition to our core insurance operations, Arbella's service companies are committed to providing seamless loss management, claims settlement and agency assistance.

Arbella is the third-largest writer of private passenger auto insurance coverage in Massachusetts.



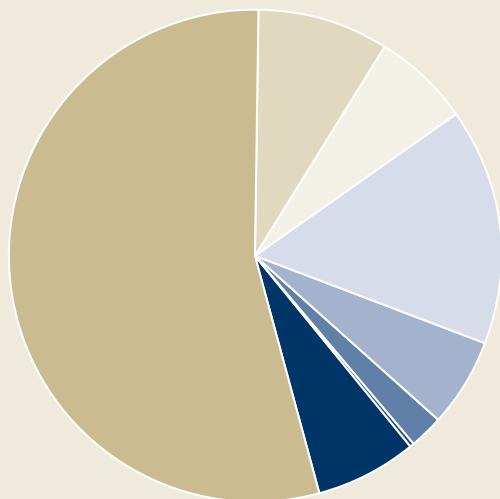
\$684 Million

In 2008, Arbella Insurance Group generated \$684 million in earned premium, investment and diversified insurance services revenue.



Premium, Service & Investment Revenue

(REPORTED IN THOUSANDS)



Private Passenger Auto	\$372,828
Commercial Auto	\$59,048
Other Commercial Lines	\$44,410
Homeowners and Other Personal Lines	\$106,072
Reinsurance	\$40,002
Workers' Compensation	\$14,398
Diversified Insurance Services	\$2,576
Investment Income	\$44,384
Total Group	\$683,717

COMMERCIAL AND FLEET AUTOMOBILE

Arbella is the fourth-largest writer of commercial and fleet auto insurance in Massachusetts. Arbella Protection and Arbella Indemnity offer a full array of commercial auto insurance solutions and pricing for this product line in Massachusetts, Connecticut, New Hampshire and Rhode Island. Arbella is also a limited servicing carrier for all other ceded commercial auto business.

COMMERCIAL AND BUSINESS OWNERS PACKAGE POLICIES

Arbella Protection and Arbella Indemnity focus on small to mid-sized businesses in Massachusetts, Connecticut, New Hampshire and Rhode Island. Direct written premium during 2008 for these products was \$51.5 million.

WORKERS' COMPENSATION COVERAGE

Arbella Protection and Arbella Indemnity provide a number of small to mid-sized businesses in Massachusetts, Connecticut, New Hampshire and Rhode Island with workers' compensation protection, typically as part of an overall package combined with other commercial coverages. Direct written premium during 2008 for these products was \$14.6 million.

OUR DIVERSIFIED SERVICE COMPANIES

Arbella has several insurance support companies that provide diversified insurance services to our agents, policyholders and employees. Total revenue for diversified services in 2008 was \$2.6 million.

- **ARBELLA, INC.**, provides overall strategic direction to our insurance and non-insurance affiliates.
- **THE ARBELLA INSURANCE AGENCIES** comprise several businesses that operate in Massachusetts and Connecticut. Underwriting and limited claims services to our Connecticut-based policyholders are provided through our affiliate Bearingstar Agency, Inc.
- **ARBELLA CAPITAL CORPORATION** serves as the financing arm of the Arbella Insurance Group and provides our partner agents with access to both capital and agency management expertise to support agency growth goals. Arbella Capital also manages our real estate holdings and leases through its affiliate Arbella Property, LLC.
- **ARBELLA SERVICE COMPANY** manages the claims, policy operations, information systems, human resources and other corporate services for the companies of the Arbella Insurance Group.
- **ANCHOR SOLUTIONS** provides medical bill review and loss management services to our insurance operations and to selected clients.

CUSTOMER AND CLAIMS SERVICE

BUILDING CUSTOMER LOYALTY IS OUR PASSION

Since starting our business 20 years ago, Arbella has been committed to delivering the highest levels of customer service to our agents and policyholders, which in turn has been rewarded with enviable customer loyalty.

At Arbella, we know that building customer loyalty requires a continuous effort by our employees to create dazzling customer experiences. We do this by fostering compassionate interactions and conducting business with ease.

In 2008, we aligned training and consulting services across our agency and employee populations so that we could provide these individuals with the customer service and sales skills they need in order to succeed in a changing marketplace. Together, our aim is to retain customers, increase referrals and revenue, and achieve brand recognition.

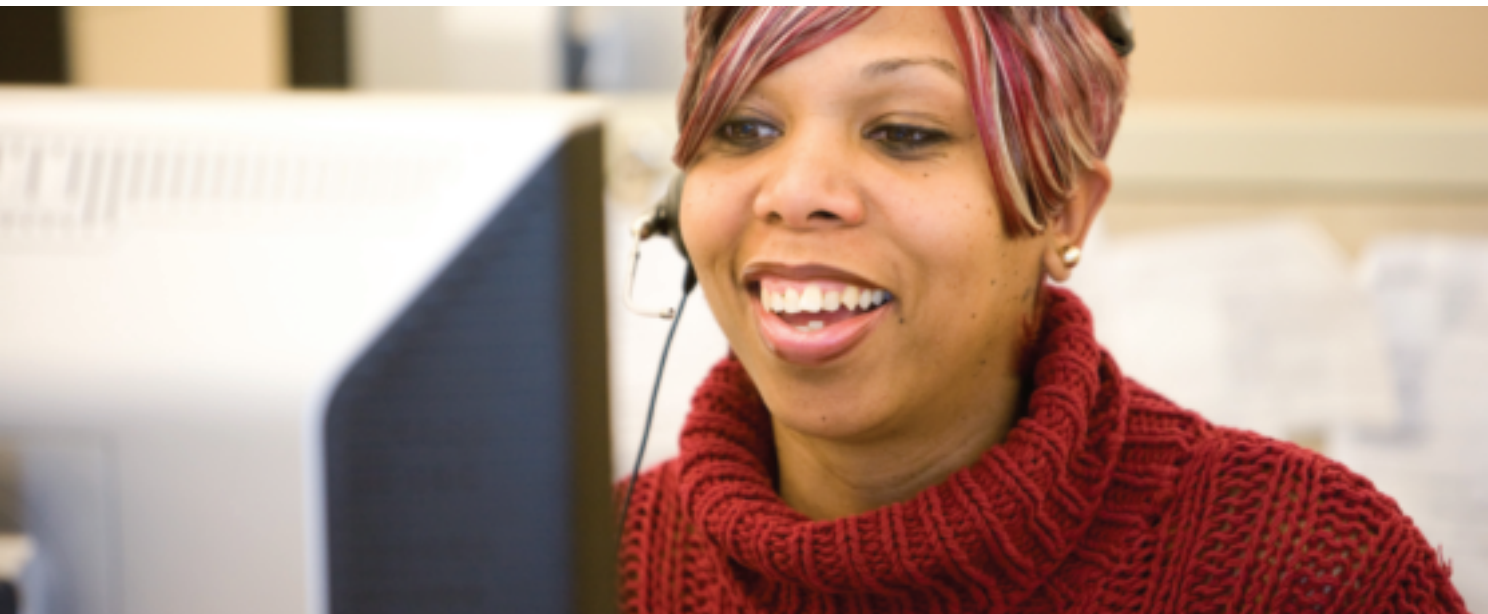
"We're a small agency focused on growth. Arbella's Creating a Sales Culture program offered us the opportunity to work with MarshBerry to benchmark our marketing and operations strategies. The insight and feedback we gained through this partnership have been extremely valuable to our business."

—MORGAN DUFFY, CIC, LIA, HAYDEN WOOD INSURANCE AGENCY, SOUTHBORO, MASS.

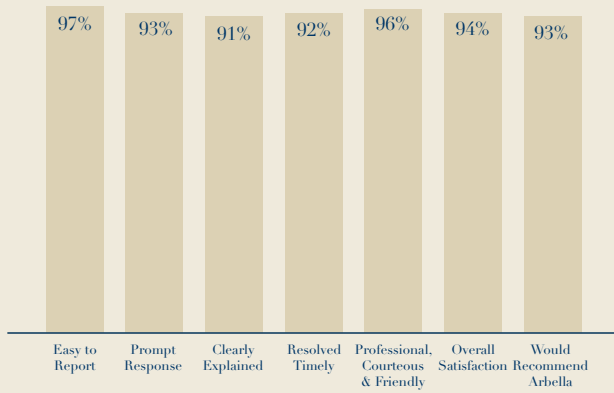
"Our individual challenge is not to become 'good' service providers. Our challenge is to view each service interaction as the only service interaction that matters. To be our best every time."

—CHRIS CARTER, ARBELLA INSURANCE GROUP, SENIOR HUMAN RESOURCES REPRESENTATIVE AND CUSTOMER LOYALTY TRAINER

We earn our customer's trust in our first conversation...their loyalty by our last.



CLAIMS CUSTOMER SERVICE RATING—YEAR-END 2008



94%

overall claims customer satisfaction rate



Arbella's commitment to continuous service improvement was demonstrated when the relatively mild weather of 2008 was interrupted on December 12th by the region's worst ice storm in decades. A quarter of all 2008 homeowners claims were the result of December's turbulent weather, which included the ice storm and two snowstorms. Arbella employees and agents responded with an unwavering commitment to make things easier for people who were experiencing personal catastrophes. Together we walked the talk of our new tagline, *Here. For Good.*

"My appraiser, Ed, truly went above and beyond for me. He came to my home to appraise the damage to my car after a catastrophic ice storm. I happened to mention to him that my car's battery was dead, which was unrelated to my claim, and that I needed to be able to drive to take care of my daughter, who is recovering from brain surgery. The next morning, Ed returned to my home with jumper cables to get my car started so that I could be with my daughter."
—CAROL, ARBELLA POLICYHOLDER, ASHBURNHAM, MASS.

"Melissa may not recall speaking with me, but I will recall my conversation with her for many years. She was my first contact within hours of a horrible accident that involved a young pedestrian. I was very shaken and distraught when I called to report the incident to Arbella's Claim Service Center. Melissa was exceptionally kind, compassionate, understanding and consoling. When I became overwhelmed in recalling the incident, she was patient and professional. Her words and kindness were my first on a road where everyone afterward mimicked her behavior. Melissa made such a difference in helping me move past this experience. Thank you."
—ROSEMARIE, ARBELLA POLICYHOLDER, REHOBOTH, MASS.

The Arbella culture recognizes and rewards employees who work together to improve procedures that have an impact on customers. We hold regular forums where employees share their success stories and are recognized for improving the experiences of our policyholders and agents.

In January 2008, Arbella implemented improvements in many areas that pleased both agents and policyholders. Online and phone payment capabilities are now available, allowing customers to pay their premiums more conveniently. Our new Claim Service Center provides claimants with an efficient and compassionate option for reporting claims. Our redesigned website provides more user-friendly options than most of our competitors.

"Granite Insurance has partnered with Arbella to sell auto and homeowners insurance for 20 years. I can still remember Arbella's original website with the yellow duck! Today arbella.com is leaps and bounds ahead of the others. It is user-friendly and provides us with functionality and choices that no one else offers."
—ROSEMARIE MONACO, TREASURER/BROKER, GRANITE INSURANCE, BRAINTREE, MASS.

MARKETING AND AGENT SUPPORT

THE RIGHT MESSAGE AT THE RIGHT TIME

In 2008, Arbella's positioning as a local, financially stable, customer-centric, hometown insurer resonated more powerfully than ever. Arbella turned up the volume on marketing and sales efforts to make our message heard in ways that were meaningful and memorable for our customers and prospects.

Leading up to deregulation, Arbella saturated the market with a variety of media to proactively build awareness in preparation for the newly deregulated auto insurance market. Radio continued to be a valuable base medium for our campaign as a heavy schedule hit the airwaves in the first quarter of the year and continued through Red Sox baseball season.

Our message of being the hometown insurer emphasized the value of doing business with a company that is deeply entrenched in New England. Arbella adopted the new corporate tagline *Here. For Good.* and further layered our advertising campaign by investing in online advertisements to spread the word about savings, service and stability offered by Arbella. The campaign drove business to our website and prompted us to implement new strategies to capture the effectiveness of these online ad campaigns. Additionally, Arbella introduced print ads in local publications to complement editorials placed in newspapers across the state, in conjunction with April's deregulation. In the *Boston Globe*, the editorial and subsequent ads boldly showed Arbella ranking atop a listing of carriers insuring Massachusetts drivers, offering the most competitive auto insurance rates.

We made the most of our exclusive, multidimensional sponsorship as the Official Auto Insurance Company of the Boston Celtics, expanding our partnership to sponsor the team through its World Championship victory. Our partnership with the Celtics expanded during the NBA playoffs and included Arbella brand signage around Boston and on the Boston Garden JumboTron as well as program ads and giveaway T-shirts during the final championship games.



Here.
For Good.



Central to Arbella's 2008 marketing campaign were direct mailings to customers, co-branded with our agents. These Arbella-sponsored mailings helped agents retain Arbella auto accounts in the deregulated environment, while enticing policyholders to save money by also purchasing Arbella homeowners coverage. "The overall marketing efforts proved successful," says Andrea MacKay, vice president, Massachusetts personal lines underwriting. "Our vehicle exposures in 2008 grew by 189 vehicles, and homeowners written premium was up 13.1 percent, with loss ratios in both lines showing a profit." The campaign was enhanced by the use of the Arbella Agents Cooperative Marketing Toolkit, complete with co-branded advertisements and marketing materials designed to assist agents in driving business results.

Arbella also continued to enrich both the public and agent sections of Arbella.com and added live and recorded Webinars to our arsenal of agent training resources, using technology to help optimize efficiencies and overall marketing efforts. However, our approach to the ease of doing business at Arbella does not always come from state-of-the-art technology. It comes from having smart, compassionate people who respond effectively to customer needs. "We continuously seek ways to improve our service delivery. We keep our ear to the marketplace and frequently visit our agents to ensure that we exceed their expectations. Feedback from our Agents Advisory and Customer Service Councils provides invaluable guidance for continuous improvement," says Gayle O'Connell, vice president, human resources and corporate communications.

In the year ahead, Arbella will continue to build on the brand positioning it has cultivated over the past few years. Among other new initiatives, agents and customers will see Arbella's new television advertising. These TV ads were produced in partnership with Comcast SportsNet in support of our high-profile sponsorship of the Boston Celtics, now entering its second year. Further, we will introduce a campaign aimed at increasing our commercial lines business through print, radio and digital advertising. We'll entertain new partnerships with local media in support of our hometown sports teams, the Boston Bruins and the Boston Red Sox. Most importantly, support for our partner agents will continue as we provide resources and access to marketing programs, training and education as we navigate the uncertainty of the coming year.

IN OUR COMMUNITIES

CARING AND SHARING IN OUR COMMUNITIES

The Arbella Activities Committee (AAC) took corporate citizenship to new heights in 2008, coordinating events that brought employees closer to each other and to our community. “We initiated employee activities ranging from a company-wide barbecue celebrating Arbella’s 20th anniversary to rallies for some of our hometown sports heroes, the Celtics and the Red Sox,” says AAC Chairperson Jayne Gildea.

Employees also worked together to support the many charitable activities coordinated by the AAC. Arbella volunteers helped load 20,000 backpacks with school supplies for Massachusetts children to support Cradles to Crayons and stocked the food pantry at Quincy’s Interfaith Social Services. They filled vans with donated clothes for the Dimock Center in Roxbury and provided gifts for families served by the Dianne DeVanna Center in Braintree.

“During these difficult economic times, we are all acutely aware of the need to help others and give back to our communities. The AAC makes it easy to do that, by arranging activities to benefit local organizations that matter to our employees,” notes Jayne.

The AAC and the Arbella Insurance Group Charitable Foundation often collaborate to provide the financial assistance and employee involvement needed to support our communities. Project Bread is a shining example. The Arbella Insurance Group Charitable Foundation stepped up as a major corporate sponsor of Project Bread’s 40th Annual Walk for Hunger, donating \$50,000, while the AAC galvanized some 200 Arbella employees, family members and friends to form walking teams that raised more than \$35,000 during the event.

When her two-year term as AAC chairperson ends, Jayne will hand over the reins to Chris Carter, senior human resources representative. “Together with our Arbella colleagues, each of us can make a meaningful difference in the lives of people who are less fortunate than we are. It’s great to be part of that,” Jayne notes.



The AAC organized a variety of employee events, such as an ice cream truck visit to welcome summer and a festive kickoff promoting Arbella’s participation in Project Bread’s Annual Walk for Hunger, which featured the Boston Celtics dancers and legendary Celtic JoJo White.



From left to right: John F. Donohue, *Chairman, President and Chief Executive Officer of Arbella Insurance Group*; JoJo White, *Celtics legend*; John Yazwinski, *President and CEO, Father Bills & MainSpring*; Robert N. Marchionne, *Owner and Treasurer, Albert J. Marchionne Insurance Agency, Inc.*

Charitable Giving Exceeds \$1 Million

The Arbella Insurance Group Charitable Foundation contributed more than \$1 million to local charities and nonprofit organizations in 2008, up from approximately \$700,000 the year before. This included more than \$150,000 that was contributed through our popular agent-matching-gift program, in which the Foundation matches donations, up to \$2,500, made by our Chairman and Admiral agents to their chosen charities.



The Foundation distributed \$13,500 in matching gifts based on Arbella employee donations, and an additional \$8,000 was donated to support Arbella employees who participated in charity walks and other events. Each charity assisted by an Arbella employee was given \$200 by the Foundation. Together with Bearingstar Insurance Agency, the Foundation contributed \$11,000 to organizations supporting families and children in Connecticut.

DEEPENING PARTNERSHIPS

“In 2008, we not only increased our giving, we took our relationship with some wonderful New England organizations to a new level. Our work with Project Bread, the Boston Symphony Orchestra (BSO) and the Shamrock Foundation’s Stay in School Program are great examples,” says Beverly Tangvik, director of charitable giving, Arbella Insurance Group Charitable Foundation.

The Foundation was a major corporate sponsor of Project Bread’s Walk for Hunger, providing the buses that transported participants from the various checkpoints set up along the 20 mile route. Arbella’s involvement in the walk helped Project Bread raise more than \$3.8 million, enabling the organization to fund more than 400 emergency food pantries and soup kitchens across Massachusetts. As a corporate sponsor of the BSO, the Foundation supported some of New England’s most cherished cultural traditions, including the Boston Pops, Tanglewood, and the BSO’s education and community outreach programs.

The Arbella Foundation was the exclusive sponsor of the Stay in School Program, run by the Boston Celtics’ Shamrock Foundation, which encourages at-risk kids to attend school. Other organizations to which the Foundation contributed in 2008 included:

- Action for Boston Community Development (ABCD Field of Dreams Charity Fund-raising Event)
- New England Shelter for Homeless Vets
- WEEI/NESN Jimmy Fund Radio-Telethon for the Dana-Farber Cancer Institute
- Cradles to Crayons
- Interfaith Social Services
- Father Bills & MainSpring
- Quincy Public Schools
- YMCAs and Boys and Girls Clubs

“Supporting the organizations that serve the communities where Arbella agents, customers and employees live and work is extremely gratifying and supports Arbella’s commitment to having a lasting, positive impact on the people and local communities of New England,” Beverly says.

BALANCE SHEET

(reported in thousands)

	2008	2007	2006	2005	2004
Net Earned Premiums	\$636,758	\$620,167	\$636,269	\$630,154	\$615,248
Non-Insurance Revenue	2,576	2,631	2,316	2,119	1,792
Investment Income	44,384	49,361	43,496	46,536	43,779
Total Revenue	\$683,718	\$672,159	\$682,081	\$678,809	\$660,819

STATUTORY RESULTS

Growth	1.7%	-1.5%	0.5%	2.7%	-0.9%
Net Income	\$30,920	\$41,779	\$56,306	\$40,971	\$40,965
Combined Ratio	98.7%	97.5%	91.4%	96.9%	98.5%
Invested Assets	\$909,068	\$912,343	\$884,221	\$848,755	\$799,444
Total Assets	\$1,189,573	\$1,164,963	\$1,174,853	\$1,113,837	\$1,046,922
Loss and Loss Expense Reserve	\$359,249	\$349,908	\$380,081	\$401,170	\$394,537
Unearned Premiums	\$316,938	\$300,558	\$342,129	\$311,037	\$295,529
Policyholders' Surplus	\$437,779	\$441,268	\$391,094	\$345,133	\$310,846
Growth in Surplus	-0.8%	12.8%	13.3%	11.0%	9.9%

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Chairman, President and
Chief Executive Officer

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Vice Chairman

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Arbella Protection Insurance Company and
Arbella Indemnity Insurance Company

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