



2021 Annual Report

*Barnstable County Mutual
Insurance Company*

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THE BARNSTABLE STORY

The history of **The Barnstable** began in 1833, when a group of Cape Codders, out of a shared love for their community, pooled their resources and formed The Barnstable County Mutual Insurance Company. Their primary goal was to protect their modest homes from the peril of fire. But they shared an additional objective, one that lives on and still drives

The Barnstable: to provide unquestionably reliable, fair, and sustainable insurance for the Cape Cod community.

During **The Barnstable's** first century, the greatest risk it faced was conflagration and the possibility that every home in its portfolio could burn in the same fire. To mitigate this threat, the Company established a 100-foot minimum distance between any two insured homes.

Thanks to this strategy, **The Barnstable** did not have to hold much capital or money to support its business. Instead, it could share profits with policyholders in the form of dividends. In fact, the Company managed its risks so effectively that by 1845, it was returning over 100 percent of annual premiums to policyholders.

A true watershed moment for **The Barnstable** and the rest of the insurance industry was the Great New England Hurricane of 1938. This catastrophic storm obliterated scores of homes across the region, but because few homeowners had bought coverage for wind damage, most of the storm's devastation

was not covered by insurance. Following the '38 storm, the market demanded wind protection, and so the insurance industry introduced the current homeowner policy.

When **The Barnstable** adopted the homeowner policy in 1956, it immediately faced significant increased risk relative to fulfilling its mission. Now every home in its portfolio could suffer a loss from the same windstorm, a threat to the very existence of the company. In addition, the Company needed to retain capital to fund payments in case of a severe windstorm, so it could no longer pay policyholder dividends. And because the storm potential exceeded its surplus, **The Barnstable** also had to borrow additional capital in the form of catastrophe reinsurance.



Westport, MA in the 1938 hurricane aftermath. Credit: UncoveringWestport.

THE BARNSTABLE TODAY

Today, **The Barnstable's** mission is to provide top-quality coastal home insurance for the long term. The lifeblood of that mission is capital adequacy—access to sufficient money—and financial stability and sustainability are our watchwords.

With climate change very much a reality, the Cape and Islands area faces the constant threat of a cataclysm rivaling or exceeding the '38 Hurricane's destructive force. To cover our catastrophic loss potential without compromising our mission, **The Barnstable** carries the appropriate level of capital. We also practice careful portfolio management, controlling the aggregate size of our insured portfolio while simultaneously monitoring the condition of the homes that comprise it.

The Barnstable has been reliably serving the Cape and Islands since 1833. Our business focus is specialized, and we remain as strongly committed to community as that band of Cape Codders who started the Company 189 years ago. At the same time, we are connected to the larger world, with its problems and challenges. Successfully navigating through such an environment demands that we be nimble, shifting strategies and embracing innovations when situations call for it.

For instance, the office adjustments originally necessitated by COVID restrictions have led us to institute a hybrid workplace. **Barnstable** team members now work mostly from home, with

in-office attendance driven by specific needs. In addition to saving time and money, this approach will continue to help attract and retain talent.

We have also been making adjustments to help policyholders keep their insurance limits in sync with the inflation that has occurred, post-Covid, here in the United States and around the globe. At the same time, we have continued to make certain that our level of capital keeps pace with this growth in insured values.

Finding the right balance between risk and capital is the solution to sustainability. This balance enables

The Barnstable, the only insurance company born on Cape Cod, to continue fulfilling its important mission. And it ensures that our policyholders can continue counting on us to be there when they need us most. We appreciate the relationship we have with our policyholders and Independent Agents, and we look forward to serving you throughout 2022.

JOHN L. DEMELLO
President & CEO

FINANCIAL POSITION

In terms of catastrophic risk, total insured values—**TIV**—is how **The Barnstable** measures loss exposure. It represents the sum of in-force property coverages within our insured value. Our goal is to hold capital, comprised of policyholder surplus and catastrophe reinsurance, within a range of 3 to 5 percent of **TIV** and improve this ratio gradually over time.

In 2021, **The Barnstable's** financial position strengthened as measured by our key metric, **capital-to-TIV**, which rose from 3.28 percent on December 31, 2020, to 3.36 percent on December 31, 2021. After 2020's 12-percent growth in **TIV**, we followed our Enterprise-Risk-Management plan in 2021 and contained the rate of **TIV** growth to a mere .8 percent, allowing our capital growth to catch up.

Meanwhile, policyholder surplus grew 6 percent, primarily driven by strong returns in the public-equity markets. Our core insurance business did not significantly contribute to surplus growth due to the October Nor'easter, which added 10 points to our loss ratio.

In summary, **The Barnstable** finished 2021 well positioned to meet the challenges ahead in 2022. We also learned some important lessons that will help contribute to our future success.

** Estimated pre-tax cost of a hurricane with a probability of occurrence every 100 years, net of catastrophe reinsurance recoveries.*

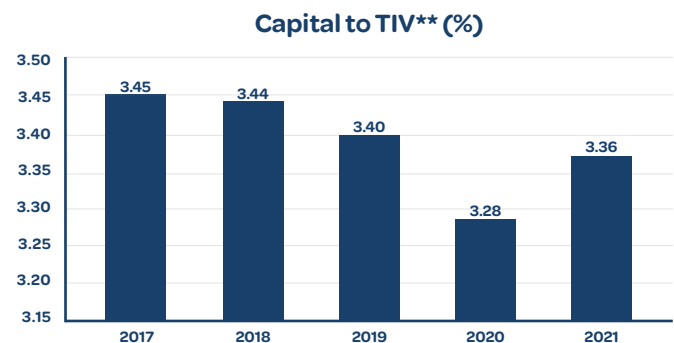
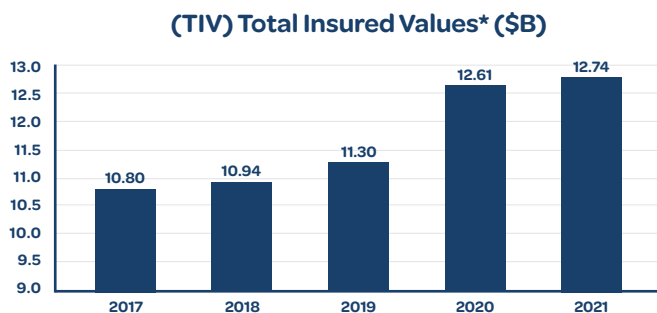
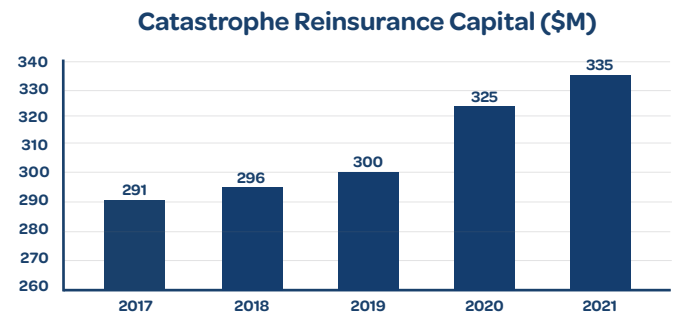
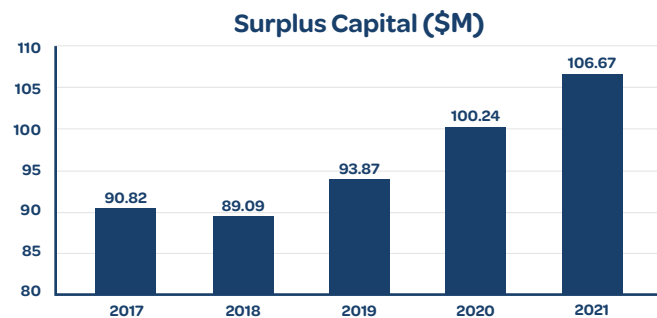
Assets:	December-21	December-20
Bonds, amortized cost	\$64,494,968	\$60,407,338
Common stocks, market value	18,992,644	22,924,684
Real estate, net of depreciation	2,456,775	2,504,031
Cash & short-term investments	21,422,624	17,150,138
Other invested assets	21,342,104	16,410,412
Premium balances	4,234,607	4,620,438
Goodwill	6,990,533	7,797,133
Other assets	3,254,044	3,001,641
Total Assets:	\$143,188,299	\$134,815,815

Liabilities:	December-21	December-20
Loss reserves	\$4,375,388	\$3,119,164
Loss adjustment expense reserves	1,798,741	1,504,213
Unearned premiums	16,929,989	16,434,668
Net deferred tax liability	1,704,192	1,342,398
Notes payable	6,726,023	7,499,122
Other expenses	4,981,502	4,677,649
Total Liabilities:	\$36,515,835	\$34,577,214

Surplus:	December-21	December-20
Catastrophe reserve*	\$13,995,557	\$12,343,579
Unassigned surplus	92,676,907	87,895,022
Total Surplus:	\$106,672,464	\$100,238,601

Total Liabilities & Surplus: **\$143,188,299** **\$134,815,815**

CAPITAL ADEQUACY



** The maximum coverage limits of all in-force policies, representing Coverages A (dwelling), B (other structures), C (contents) and D (loss of use).*

*** Capital, comprised of surplus and catastrophe reinsurance, as a percentage of the total insured values.*

DIRECTORS

(As of March 1, 2022)

Shawn J. Almeida
Michael J. Ayer
David G. Brown
Gary M. DellaPosta
John L. DeMello
Rosemary M. McAndrew
Christine M. Murphy
Charles H. Ritch
William W. Saltonstall
Hamilton N. Shepley
Robert A. Talerman

OFFICERS

(As of March 1, 2022)

John L. DeMello
President and Chief Executive Officer

Christine M. Murphy
Executive Vice President and Chief Financial Officer

Deborah A. Sutton
Vice President and Secretary

Howard W. Perkins
Assistant Vice President and Treasurer

Rated A (Excellent) by A.M. Best,
the leading insurance rating organization.

