

To Our Policyholders,

August 2002 marks Indiana Farmers Mutual Insurance Company's 125th year of serving others in times of adversity, a significant milestone. As you take inventory of your company at this milestone, it's important to note that total assets, premiums written, policies in force and the policyholder security fund are at all-time highs. Your company has never been stronger or better prepared to carry out its mission to be the best and most reliable insurance group in the State of Indiana.

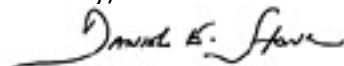
The property/casualty insurance industry, in 2001, posted some of its worst results in several decades. Some of the industry's woes have been simmering prior to 2001, like declining investment income and increasing loss costs. New or unforeseen industry issues, from mold to terrorism, have also greatly affected the industry. The year ended with the industry posting a rare pre-tax loss. The industry's combined ratio deteriorated for the fourth consecutive year to an estimated 117.0%. More disappointing for 2001, and critical to the security of policyholders, is the industry's second consecutive decrease in surplus of 12.1%.

Indiana Farmers Mutual Insurance Company is certainly not immune to these strong and real industry issues. Nevertheless, in 2001 your company continued to outperform the industry and its peers. Our combined ratio for 2001 was a very respectable 104.4%. More importantly, our policyholders can rest assured that we have the required capital to provide the security we promise as the Policyholder's Security Fund (Surplus) increased for the 11th consecutive year. The A.M. Best Company, the oldest and most experienced rating agency in the world, continues to affirm our financial strength rating of 'A' (Excellent).

Your company achieved phenomenal growth in 2001 with premiums and policies increasing 31.7% and 16.7% respectively. This growth stems from focusing upon the needs and expectations of policyholders by partnering with independent insurance agents that deliver professional advice and quality service. We are also proud that the industry recognized our stable performance by bestowing us with three "Company of the Year" awards in 2001.

The future is bright for Indiana Farmers Mutual Insurance Company, its policyholders, partners and employees. We are proud of our history and will preserve our foundational values of integrity, stability and security. But our aim is to serve you better, today and in the future. We will adhere to sound operating principles and remain a well-managed, financially secure company. Thank you for placing your trust in our company as we share in celebrating 125 years of delivering, "Performance in Time of Adversity ... Since 1877."

Sincerely,



Daniel E. Stone
President – CEO

125th Annual Report 2001- Financials

Financial Statement December 31, 2001		
Assets	2001	2000
Cash in banks and offices	\$1,836,061	\$1,842,277
U.S. Government bonds	3,258,598	22,406,116
Other bonds	103,601,291	93,170,263
Stocks (at market)	25,815,589	15,395,397
Real estate (net)	1,096,967	1,177,340
Reinsurance recoverable on paid losses	867,010	2,027,684
Premium in course of collection	4,099,251	1,946,567
Premium installments not yet due	27,649,326	9,345,894
Other admitted assets	9,371,227	3,443,282
Total Assets	\$177,595,320	\$150,754,820
 Liabilities and Policyholders' Security Fund		
Reserve for claims, etc.	\$42,618,161	\$43,194,129
Reserve for unearned premium	57,866,955	33,012,767
Reserve for expense, taxes, etc.	5,569,078	3,468,839
Drafts payable	3,547,450	3,582,100
All other liabilities	144,173	171,625
Total Liabilities	\$109,745,817	\$83,429,460
Policyholder's Security Fund	\$67,849,503	\$67,325,360
Total Liabilities and Security Fund	177,595,320	150,754,820
Total Losses and Loss Expenses Incurred	\$71,590,351	\$58,002,827
Net Premium Written	\$119,236,335	\$90,508,319