

To Our Policyholders,

In 2003 Indiana Farmers Mutual Insurance recorded the best year ever in our Company's 127-year history. Not only did we outperform the property and casualty insurance industry for the sixth consecutive year, but we also achieved our long sought-after goal of an underwriting gain. It is important to note that this achievement was primarily the result of progressive improvement and initiatives that have developed momentum in recent years.

Our 2003 underwriting gain of \$6,590,224 is our largest on record. Our well-managed operating expense ratio of 28.4%, added to the excellent 2003 loss ratio of 65.7%, totals an outstanding 94.1% combined ratio. This critical ratio is a full seven points better than the industry's estimated 2003 combined ratio of 101.1%. Total assets, surplus balance, and gross premiums written as of December 31, 2003 all reached record levels. Net income for 2003, after taxes and investment income, totaled \$9,318,617, also a record for our Company.

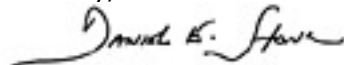
This strong 2003 net income coupled with large unrealized investment gains led to a 22% increase of our surplus balance. The growth of this fund for the 13th consecutive year is an important trend to note. It assures policyholders that we have the required capital to provide the security we promise. 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).

We continue to focus upon exceeding the needs and expectations of policyholders by partnering with independent insurance agencies that deliver professional advice and quality service. We are also enhancing service to our policyholders through our Web site. In 2003 we enabled policyholders to review and make payments on their accounts via a secure Internet interface. Adding Web-enabled capabilities for our agents and policyholders will continue to be an integral part of our service strategy.

Our core competencies were enhanced in 2003 through training and hiring strategies. Important progress was made in the areas of finance, actuarial sciences, claims, underwriting, technology, and leadership. Expense management strategies have also played out well, resulting in nearly a full percentage point improvement of our operating expense ratio.

The financial success of 2003 inures to the benefit of policyholders, agents and Company employees, alike. A strong, stable Company supports premium growth, stable rates, jobs, and limitless opportunity. We have our sights set on achieving \$200 million Gross Premium Written well before the close of this decade. We will reach this goal by providing quality service at all times and by exceeding the needs of policyholders through our partnership between employees and agents. Indiana Farmers Mutual...Stable but not Stagnant!

Sincerely,



Daniel E. Stone  
President – CEO

## 127th Annual Report 2003- Financials

<b>Financial Statement December 31, 2003</b>		
<b>Assets</b>	2003	2002
Cash in banks and offices	\$1,657,659	\$2,131,246
U.S. Government bonds	16,047,514	2,987,232
Other bonds	103,540,371	101,590,999
Stocks (at market)	42,488,449	34,422,774
Real estate (net)	946,623	1,020,838
Reinsurance recoverable on paid losses	2,341	498,136
Premium in course of collection	4,958,307	4,593,552
Premium installments not yet due	30,708,601	30,089,354
Other admitted assets	9,046,716	9,635,949
Total Assets	<b>\$209,396,581</b>	<b>\$186,970,080</b>
 <b>Liabilities and Policyholders' Security Fund</b>		
Reserve for claims, etc.	\$47,698,648	\$45,778,033
Reserve for unearned premium	67,898,084	64,800,100
Reserve for expense, taxes, etc.	7,004,154	4,111,827
Drafts payable	3,307,240	3,873,847
All other liabilities	49,801	28,029
Total Liabilities	125,957,927	118,591,836
Surplus	83,438,654	68,378,244
Total Liabilities and Security Fund	<b>\$209,396,581</b>	<b>\$186,970,080</b>
Total Losses and Loss Expenses Incurred	<b>\$83,657,753</b>	<b>\$81,328,586</b>
Net Premium Written	<b>\$130,379,217</b>	<b>\$120,810,800</b>