

To Our Policyholders,

Last year we reported that our 2003 performance was the best ever recorded by Indiana Farmers Mutual Insurance Company. Remarkably, your company's 2004 performance eclipsed that record-setting year. This financial success inures to the benefit of policyholders, agents and company employees alike. A strong, stable company supports premium growth, stable rates, quality service, jobs and future opportunities.

Total assets, surplus balance and gross premiums written as of December 31, 2004 all reached record levels. Our 2004 underwriting gain of \$9,579,238 exceeded our 2003 record by 45 percent. Net income for 2004, after taxes and investment income, totaled \$12,123,064 - a 30 percent increase over last year. And for the seventh consecutive year, we outperformed the insurance industry with our 92.3% combined ratio, a key industry metric.

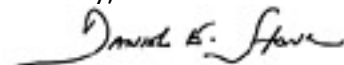
The Policyholders' Security Fund (Surplus) assures policyholders that we have the required capital to provide the security we promise. The growth of this fund for the 14th consecutive year is an important trend to note. The fund balance increased 16% in 2004 to a record high of \$97,131,232. Policyholder confidence is further reinforced by our financial strength rating of 'A' (Excellent) by the A.M. Best Company, the oldest and most experienced rating agency in the world.

Especially rewarding is that your company continues to receive special recognition by insurance industry observers. Indiana Farmers Mutual Insurance Company was selected for the Ward's 50 Benchmark Group of top performing property-casualty insurance companies. An in-depth review of over 2,900 companies was completed to determine the 50 companies that have excelled at balancing safety, consistency and performance over the five-year period of 1999-2003. On January 24, 2005, we were recognized again when the National Underwriter named Indiana Farmers Mutual Insurance Company to its list of Top 50 Profit Leaders. This list of companies is compiled by computing the best six-year average combined ratios for the individual years from 1998-2003.

A few of our 2004 accomplishments include: billing enhancements; integration of imaging into our business practices; improved claim service via the implementation of direct repair programs; and improved sophistication of our pricing and financial modeling. Going forward we will continue to focus upon exceeding the needs and expectations of policyholders by partnering with independent insurance agencies that deliver professional advice and quality service. Our strong relationships with policyholders and agents will be distinguished by the integrity of our talented staff.

Our sights are set on achieving \$200 million Gross Premiums Written by the close of this decade. In the process we will remain true to our values, develop top talent and provide quality service at all times. We will continue to be a stable, financially sound company operated by effective management. Indiana Farmers Mutual...Stable but not Stagnant!

Sincerely,



Daniel E. Stone
President - CEO

128th Annual Report 2004- Financials

Financial Statement December 31, 2004		
Assets	2004	2003
Cash in banks and offices	\$1,780,203	\$1,657,659
U.S. Government bonds	16,635,982	16,047,514
Other bonds	128,171,921	103,540,371
Stocks (at market)	37,688,108	42,488,449
Real estate (net)	873,683	946,623
Reinsurance recoverable on paid losses	481,197	2,341
Premium in course of collection	4,376,678	4,958,307
Premium installments not yet due	32,756,392	30,708,601
Other admitted assets	9,414,082	9,046,716
Total Assets	\$232,178,246	\$209,396,581
Liabilities & Surplus		
Reserve for claims, etc.	\$54,409,546	\$47,698,648
Reserve for unearned premium	70,474,392	67,898,084
Reserve for expense, taxes, etc.	7,051,998	7,004,154
Drafts payable	2,990,191	3,307,240
All other liabilities	120,884	49,801
Total Liabilities	135,047,011	125,957,927
Surplus	97,131,235	83,438,654
Total Liabilities and Security Fund	\$232,178,246	\$209,396,581
Total Losses and Loss Expenses Incurred	\$82,621,917	\$83,657,753
Net Premium Written	\$135,883,117	\$130,379,217