

To our Policyholders,

The year 2007 marked Indiana Farmers Mutual Insurance Company's 130th 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 policyholders' 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 company in the state of Indiana.

Unquestionably, our most significant accomplishment in 2007 was premium growth. In 2007 premiums grew to \$162.5 million, a record high. Paradoxically, the property and casualty insurance industry experienced its poorest market momentum in several decades. Industry premium growth was challenged by a weakened economy, continuation of soft pricing, and increased utilization of alternative forms of risk transfer. In the face of this environment, our direct written premium growth of 7.1% is indeed noteworthy and compares favorably to the industry's estimated 1.2% decrease in premiums.

Our all-lines combined ratio for 2007 was 96.2%. This industry metric translates into an underwriting gain for 2007 of over \$4.1 million. The private passenger automobile and commercial lines of business made the most significant contributions to our underwriting gains. Net investment income in excess of \$11 million again made an important contribution to our net income. Strong underwriting and investment results produced a pre-tax gain of \$15.6 million. Our 2007 after-tax net gain of \$11,179,717 is 69% greater than our \$6,621,919 gain of 2006.

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 17th consecutive year is an important trend to note. The fund balance increased 8.6% in 2007 to a record high of \$126,985,717. 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.

Our business model is focused on customer-centricity and ease-of-doing-business. Two indicators of the success of this focus are the number of new customers attracted and the level of satisfaction of current customers. In 2007 we attracted a significant number of new customers as evidenced by the 12,248 additional policies written by Indiana Farmers Mutual, an 8.7% increase over the prior year. We also had the opportunity to deliver on our promise to you, our policyholders, on 16,530 reported claims. We are pleased to report that the Policyholder Claims Service Survey indicated a 93.75% "complete satisfaction" rating achievement.

A few years back we initiated an aggressive campaign to achieve \$200 million Gross Premiums Written. We have made substantial progress towards that goal in a short period of time. This success will be sustained primarily by three strategies. The first is the ongoing commitment to invest in the training, education, and career development of our associates. The second is the implementation of technology that maximizes the value of all transactions, as measured by the customer. The third and final strategy is to hold true to our values and remain a stable, financially sound company operated by effective management. Indiana Farmers Mutual... Integrity, Security, Stability and Service!

Assets	2007	2006
Cash in banks and offices	\$ 2,628,867	\$ 1,863,593
U.S. Government Bonds	22,928,697	11,707,034
Other Bonds	148,481,068	152,648,074
Stocks (at market)	49,848,213	48,678,865
Real Estate (net)	685,322	744,827
Reinsurance recoverable on paid losses	444,044	2,690,400
Premium in course of collection	6,338,094	5,934,214
Premium installments not yet due	36,517,648	34,058,534
Other admitted assets	12,095,134	9,745,359
Total Assets	\$279,967,047	\$268,070,900
Liabilities & Surplus		
Reserve for claims, etc.	\$ 59,247,179	\$ 60,952,955
Reserve for unearned premium	79,749,526	74,666,154
Reserve for expenses, taxes, etc.	9,290,664	8,433,722
Drafts payable	4,609,751	6,926,169
All other liabilities	84,207	199,570
Total Liabilities	\$152,981,327	\$151,178,570
Surplus	\$126,985,720	\$116,892,330
Total Liabilities & Surplus	\$279,967,047	\$268,070,900
Total Losses & Loss Expenses Incurred	\$ 99,787,635	\$100,459,267
Net Premium Written	\$154,265,887	\$140,868,885