

To our Policyholders,

Premium growth has been virtually nonexistent for the property and casualty insurance industry over the past two years. Continuation of soft pricing conditions and a weakened economy are often cited as reasons for suppressed premium growth. Indiana Farmers Mutual Insurance Company continued to outperform the property and casualty insurance industry by achieving positive market momentum again in 2008. Policies and direct premiums written by our Company increased in 2008 by 6.3% and 4.2% respectively. At the close of 2008, policy count totaled 161,694 and gross premiums written totaled \$168,259,995 both record highs for Indiana Farmers Mutual.

Obviously, several uncontrollable factors in 2008 had a devastating affect on business results around our globe. Indiana Farmers Mutual was not immune to the collapse of the financial markets and related stock market crash. In addition, like most Midwest insurers we experienced increased catastrophe event frequency and severity. Consequently, our 2008 underwriting results and net income were impacted. We tracked ten catastrophe events in 2008 with an aggregated loss of over \$52 million, the largest in our 131 year history. These weather generated property losses significantly contributed to our 118.0% combined ratio and a 2008 underwriting loss of \$28.8 million. The nearly \$2 million underwriting gain on the commercial business we wrote was a welcome bright spot to our otherwise poor underwriting results. Our net loss of \$16.1 million was softened by investment income and favorable tax treatment.

A strong enterprise risk management discipline, a conservative and diversified approach to investments, and sound management of operations all support our values of stability and security. This claim is best evidenced by the fact that our total assets declined only 10% in this volatile operating and financial environment. After increasing the Policyholders' Security Fund (Surplus) for seventeen consecutive years, the fund declined in 2008. Thanks to the past build-up of this fund, Indiana Farmers Mutual remains well capitalized, even more so than earlier in this decade. Simply stated, we have the required capital to provide the security we promise as well as continue our controlled growth. 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.

2008, with record reported claims, new business growth and a policy processing system implementation underway, created a unique opportunity to stress-test our operations. Our associates performed admirably. Not only did they maintain stability in our operations, but also seized upon the opportunity to prove our commitment to customer-centricity. Consequently, our policy retention and claims satisfaction performance measurements soared to all-time highs. Also in 2008, we expanded our business hours and improved our ease-of-doing-business with our valued agency partners. Indiana Farmers Mutual Insurance Company was named "2008 Company of the Year" by the Independent Insurance Agents of Indiana.

Although 2008 proved to be a difficult year for most companies, in the end it just further differentiated Indiana Farmers Mutual from its competitors. We are a company with a simple, singular focus on serving you, our policyholders. The rarity in today's world is the manner in which we do so ... with Integrity, Security, Stability and Service!

	2008	2007
Assets		
Cash in banks and offices	\$2,674,445	\$2,628,867
U.S. Government Bonds	5,274,429	22,928,697
Other Bonds	140,330,894	148,481,068
Stocks (at market)	38,351,054	49,848,213
Real Estate (net)	626,364	685,322
Reinsurance recoverable on paid losses	2,357,665	444,044
Premium in course of collection	7,364,972	6,338,094
Premium installments not yet due	37,177,458	36,517,648
Other admitted assets	23,294,411	12,095,134
Total Assets	\$257,451,692	\$279,967,047
Liabilities & Surplus		
Reserve for claims, etc.	\$65,394,783	\$59,247,179
Reserve for unearned premium	83,420,985	79,749,526
Reserve for expenses, taxes, etc.	10,061,141	9,290,664
Drafts payable	7,010,023	4,609,751
All other liabilities	760,124	84,207
Total Liabilities	\$166,647,056	\$152,981,327
Surplus	\$90,804,636	\$126,985,720
Total Liabilities & Surplus	\$257,451,692	\$279,967,047
Total Losses & Loss Expenses Incurred		
	\$138,690,192	\$99,787,635
Net Premium Written	\$157,776,866	\$154,265,887