

To our Policyholders:

The U.S. property and casualty insurance industry posted solid operating results for 2009. Net Income After Taxes improved tenfold, Surplus rebounded by 9.4% and the Combined Ratio improved 4.5 points to 100.6%. The 2009 operating results for Indiana Farmers Mutual Insurance Company experienced similar improvement. Our Net Income After Taxes improved 132%, Surplus increased by 21.7% and our Combined Ratio improved 17.1 points to 100.9%.

While this improvement is certainly welcome relief from the results of 2008, experts believe it does not stem from fundamental market change. Rather, underwriting results have benefited from milder catastrophe losses and balance sheets have benefited from the strong recovery of the financial markets. Direly needed is a return to hard-market pricing and sound underwriting practices. Unfortunately, the expected rate hardening did not occur in 2009 due to the economic realities of reduced sales and payrolls, changes in the habits of the buying public, and competitive market conditions.

Consequently, the U.S. property and casualty insurance industry's Net Premiums Written declined 4.2% in 2009. This is the first time in recorded history that Net Premiums Written have declined in three consecutive years. It is of great importance to note how Indiana Farmers Mutual Insurance Company differs from this trend. Our Net Premiums Written for 2009 increased by 2.0%. At the same time, we reduced our exposure base by 1.3% (policy count). This phenomenon results from our discipline to take appropriate rate action and maintain sound underwriting practices.

In 2009 our Total Assets and Policyholders' Security Fund (Surplus) increased \$24.5 million and \$19.7 million, respectively. Indiana Farmers Mutual Insurance Company remains well capitalized. 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. Our strong enterprise risk management discipline, conservative and diversified approach to investments, and sound management of operations support our values of Stability and Security.

As we begin this new decade of opportunity, it is appropriate to pause and reflect upon the one just completed. Thanks to our valued agency partners and our talented associates, it was indeed a decade of success. Indiana Farmers Mutual Insurance Company increased its written premiums in each of the past 10 years. More specifically, our written premium volume doubled over this period. Perhaps the most rewarding success of the past decade was the fulfillment of our promise to policyholders on over 182,000 claims, the handling of which resulted in high consumer satisfaction marks and low regulatory complaint ratios. We are also proud to have been honored over this past decade by a variety of industry trade organizations with ten "Company of the Year" awards as well as several national "Top 50" rankings by The National Underwriter.

We are truly excited about the opportunity represented by this new decade. As we continue to serve you, rest assured that we will continue this course of success and strive to be the best and most reliable insurance company in the state of Indiana.

	2009	2008
Assets		
Cash in banks and offices	\$2,551,894	\$2,674,445
U.S. Government Bonds	3,976,862	5,274,429
Other Bonds	153,466,893	140,330,894
Stocks (at market)	50,184,543	38,351,054
Real Estate (net)	568,205	626,364
Reinsurance recoverable on paid losses	178,019	2,357,665
Premium in course of collection	7,487,819	7,364,972
Premium installments not yet due	39,055,611	37,177,458
Other admitted assets	17,838,515	23,294,411
Total Assets	\$275,308,361	\$257,451,692
Liabilities & Surplus		
Reserve for claims, etc.	\$63,330,866	\$65,394,783
Reserve for unearned premium	85,701,126	83,420,985
Reserve for expenses, taxes, etc.	9,388,270	10,061,141
Drafts payable	5,645,179	7,010,023
All other liabilities	708,853	760,124
Total Liabilities	\$164,774,294	\$166,647,056
Surplus	\$110,534,067	\$90,804,636
Total Liabilities & Surplus	\$275,308,361	\$257,451,692
Total Losses & Loss Expenses Incurred		
	\$113,976,818	\$138,690,192
Net Premium Written	\$160,998,682	\$157,776,866