

To our Policyholders:

For 134 years Indiana Farmers Mutual Insurance Company has been providing security to policyholders. Our primary fiduciary responsibility is to our policyholders and it guides our every action. We view each decision we make as an opportunity to invest in the future and better fulfill our purpose of providing security to policyholders. We have no other motive.

Financial stability and strength have always been hallmarks of our company's operation. This has never been more evident than in 2010. We concluded 2010 with Total Assets and Policyholders' Security Fund at record levels, \$293.9 million and \$128.7 million, respectively. The Policyholders' Security Fund increased 16.4 percent over the prior year. We are capitalized at a level unsurpassed in nearly two decades with our net premiums written to surplus ratio at 1.15/1.0. Simply stated, we have the required capital to provide the security we promise.

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.

Our primary focus for 2010 was to achieve an underwriting gain on operations. We developed a plan that forecasted underwriting gain at \$7.13 million and a combined ratio of 95.5 percent. The forecast was exceeded, as actual 2010 underwriting gain achieved was \$7.40 million with each of our major business lines posting an underwriting gain. Our combined ratio for 2010 was a very respectable 96.6 percent.

A secondary focus for 2010 was to further our progress of the implementation of our new, policy administration system. The five objectives for implementation of this new system include:

- Support our policyholder-centric focus
- Maximize operational efficiency and effectiveness
- Increase data acquisition and utilization
- Improve infrastructure stability
- Facilitate strategic flexibility

We are pleased to report that as the year concluded, 85.5 percent of all policies had been converted to the new system.

While we are proud of the accomplishments of 2010, we are cognizant that security to policyholders is not provided by one year performance. Just around the corner may be another Hurricane Ike or financial sector collapse. We measure success by our sustained ability to provide security in times of adversity.

We are poised for growth and a bright future. Our fundamentals have strengthened, technologies advanced, talent enhanced, and capitalization improved. We are a company with a simple, singular focus on serving you, our policyholders, through our valued agency partners and our talented associates.

Indiana Farmers Mutual - We're ready. Let's go!

	2010	2009
Assets		
Cash in banks and offices	\$ 2,848,528	\$ 2,551,894
U.S. Government Bonds	2,443,260	3,976,862
Other Bonds	177,133,609	153,466,893
Stocks (at market)	52,843,333	50,184,543
Real Estate (net)	510,843	568,205
Reinsurance recoverable on paid losses	379,493	178,019
Premium in course of collection	4,958,418	7,487,819
Premium installments not yet due	36,609,227	39,055,611
Other admitted assets	16,149,552	17,838,515
Total Assets	\$ 293,876,263	\$ 275,308,361
Liabilities & Surplus		
Reserve for claims, etc.	\$ 69,616,755	\$ 63,330,866
Reserve for unearned premium	78,550,403	85,701,126
Reserve for expenses, taxes, etc.	11,272,959	9,388,270
Drafts payable	5,414,032	5,645,179
All other liabilities	335,281	708,853
Total Liabilities	\$ 165,189,430	\$ 164,774,294
Surplus	\$ 128,686,833	\$ 110,534,067
Total Liabilities & Surplus	\$ 293,876,263	\$ 275,308,361
Total Losses & Loss Expenses Incurred	\$ 102,575,318	\$ 113,976,818
Net Premium Written	\$ 148,222,342	\$ 160,998,682