



2005 MRB Assuming Companies and Directors

Company	Latest A.M. Best's Rating	MRB Board of Directors	CONSOLIDATED GROUP NUMBERS (as of September 30, 2004)	
			Assets	Policyholders' Surplus
			<i>(in thousands)</i>	
AUTO-OWNERS INSURANCE CO. Lansing, Michigan	A++ XV	Kenneth R. Schroeder VP-Commercial Lines U/W	\$ 9,259,488	\$ 3,316,414
EMPLOYERS MUTUAL CASUALTY CO. Des Moines, Iowa	A- X	Ron D. Hallenbeck, CPCU, ARe President of EMC Reinsurance	2,649,937	589,375
MOTORISTS MUTUAL INSURANCE CO. Columbus, Ohio	A X	Michael L. Wiseman, FCAS Treasurer/CFO	1,291,155	512,140
Combined Totals			\$ 13,200,580	\$ 4,417,929

Note: MRB Assuming Companies share equally and jointly the business produced by MRB.
The combined policyholders' surplus of our Assuming Companies stands behind our reinsurance commitments.

MRB Officers

John W. Duncan
President, CEO, Attorney-in-Fact

Marguerite D. Scherer
Senior Vice President, Underwriting

Melvin H. Krieger, CPA
Senior Vice President, CFO

Thomas L. Crossett, Sr., JD, CPCU, ARe, ASLI
Vice President, Sales & Service

Robert J. Monaghan
Senior Vice President, Sales & Service

Steven J. South
Vice President, Data Processing

Peter L. Barr, CPCU, ARM
Senior Vice President, Sales & Service

Richard W. Hall
Assistant Vice President, Research & Development

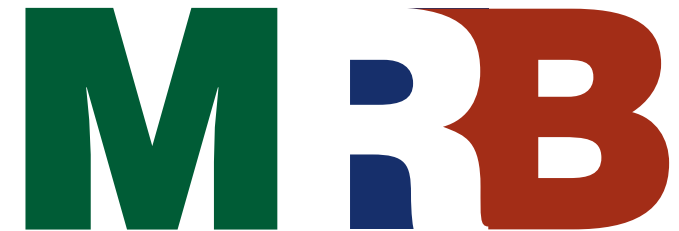
**Mutual
Reinsurance
Bureau**



1780 South Bell School Road
P.O. Box 398
Cherry Valley, IL 61016
Phone 815/332-3155
Toll Free 866/672-1921
Fax 815/332-3265

P.O. Box 10840
Portland, ME 04104
Phone 207/772-0700
Fax 207/772-4004

17 West Kansas Street
Liberty, MO 64068
Phone 816/781-9166
Fax 816/781-1953



4th Quarter Report

2004

Mutual Reinsurance Bureau

To our clients and friends...

We enjoyed a terrific 4th quarter, one of our best quarters ever. Our 86.3% quarterly trade ratio helped us to recover from the Florida Hurricane-dominated 3rd quarter and post a 97.9% trade ratio for the year. 2004 was a good year to have an unprecedented series of hurricanes, I guess. Without the Florida Hurricane activity we would have come in comfortably below 90%.

Property pro rata and risk excess continued to be our big winners, at 96% and 78% trade ratios for the year. Primary rate increases taken by our clients over the past couple of years increasingly showed up in the earned premium column. The hurricanes accounted for approximately 9 points of our PPR trade ratio, but their impact on our PXL was negligible.

Our gross catastrophe results were well in the black, but just like last year we gave most of our loss-free business away (a good chunk to our RRCP and Cat Pool participants, fortunately). Almost all our Florida cat losses were net - around \$9 million after reinstatement premiums.

We didn't do so well on our casualty business in the 4th quarter (113.2% trade ratio), due in part to some more reserve strengthening, but we are not too unhappy about our 107% full-year casualty result. We are still getting the odd blast-from-the-past shock loss, and we have had some reporting and handling issues on our run-off broker account. Our core book underwriting results are quite respectable.

Our 2004 net written premiums reduced slightly from the prior year, pretty much in line with our original expectations. We expect a further reduction in our volume for 2005 of maybe 5%. One large pro rata account is running off (into an excess agreement), and we don't expect to see much premium growth due to primary rate increases. Retention increases on several accounts will contribute to the decline in premium as well.

Our renewal season went well, with one account added and none lost. Reinsurance rate and term changes, plus and minus, were driven by experience. Most of our clients had their best year (at least on the property side) in memory in 2004, and the table is set for another good year in 2005. There was not a lot of serious reinsurance shopping at January 1, as far as we could tell. If 2005 shapes up like 2004 (forgetting about Florida), we will see increasing "competition" at both the primary and reinsurance levels throughout the year.

The Winter Storm season has not started off as we would have liked. Where's that Global Warming they have been promising? It's too soon to tell what kind of impact the weather will have on the 1st quarter, but I don't think we can be too optimistic about our Northeast book, other than to remind ourselves (and our ACOs) that it has tremendous recovery power over the course of a full year.

.....

Every year I hope (plead) for some progress on Tort Reform. Is this the year? If we can't get it done now at the Federal level, all our efforts are going to have to be at the state level, where we did enjoy some real successes in 2004 (Ohio comes first to mind). Rational Federal class action reform is a real possibility, but the latest proposed A&E plan is DOA as far as the industry is concerned. The only solution is to compensate only those who are demonstrably sick, and any plan that doesn't have that as the number one priority is fatally flawed.

The regulatory climate is getting chillier to be sure. Let's hope we are successful in keeping the worst of Sarbanes Oxley off the backs of mutual companies and their customers. You don't want to know what the SOX industry will want to extract, not just in terms of expense dollars - the company personnel time wasted will be enormous, from what I have seen and heard.

The ultimate impact of the Spitzer inquisitions is still unclear to me. I have a hard time reconciling any potential benefits of any subsequent "reforms" that might result to the \$10 or \$15 billion of market value that has been taken from the stockholders of just a couple of brokers and insurance companies and the loss of thousands of jobs. There is no way consumers are going to see any benefits - increased regulation and other likely b.s. are going to cost, not save.

TRIA renewal looks like a toss-up. The fact that it is in doubt indicates the complete lack of understanding in Washington of how insurance works and how the economy and insurance interrelate. My guess is that it will be renewed for a short period, assuming, as before, that the "private sector" will take the full risk thereafter. Right.

.....

We are going into 2005 with the same three-ACO lineup. We made some progress in adding a company or two, but for various reasons, decisions just couldn't be reached in time to participate in our 2005 business. There is still a possibility of a new partner being added during the 1st quarter, however.

We have underwritten and are managing our book of business to accommodate our existing ACOs' risk and premium appetites. We have the capacity for reasonable growth without a new ACO, but we know that we need to add a company or two to show the market we are moving in the right direction.

Good Luck to All

Production

Net Written Premiums	Fourth Quarter (in thousands)			Year Ended December 31 (in thousands)		
	2004	2003	CHANGE	2004	2003	CHANGE
Property						
Pro Rata	\$ 16,599	\$ 16,752	(0.9%)	\$ 65,351	\$ 74,415	(12.2%)
Excess	6,654	5,730	16.1%	21,719	16,598	30.9%
Catastrophe	3,167	3,732	(15.1%)	11,681	11,374	2.7%
	\$ 26,420	\$ 26,214	0.8%	\$ 98,751	\$ 102,387	(3.6%)
Casualty						
Pro Rata	\$ 152	\$ 914	(83.4%)	\$ 636	\$ 3,936	(83.8%)
Excess	8,034	6,137	30.9%	24,586	19,754	24.5%
	\$ 8,186	\$ 7,051	16.1%	\$ 25,222	\$ 23,690	6.5%
Total	\$ 34,606	\$ 33,265	4.0%	\$ 123,973	\$ 126,077	(1.7%)

Underwriting Results

Statutory Profit (Loss)	Fourth Quarter (in thousands)			Year Ended December 31 (in thousands)		
	2004	2003	CHANGE	2004	2003	CHANGE
Property						
Pro Rata	\$ 539	\$ 2,989	\$ (2,450)	\$ 4,187	\$ 8,407	\$ (4,220)
Excess	2,890	1,006	1,884	5,036	2,922	2,114
Catastrophe	2,392	(917)	3,309	(4,151)	(2,000)	(2,151)
	\$ 5,821	\$ 3,078	\$ 2,743	\$ 5,072	\$ 9,329	\$ (4,257)
Trade Ratio	77.9%	94.1%	16.2%	95.9%	93.8%	(2.1%)
Casualty						
Pro Rata	\$ 497	\$ 398	\$ 99	\$ 1,234	\$ (245)	\$ 1,479
Excess	(1,581)	(391)	(1,190)	(2,993)	(1,821)	(1,172)
	\$ (1,084)	\$ 7	\$ (1,091)	\$ (1,759)	\$ (2,066)	\$ 307
Trade Ratio	113.2%	100.1%	(13.1%)	107.0%	108.8%	1.8%
Totals						
Profit (Loss)	\$ 4,737	\$ 3,085	\$ 1,652	\$ 3,313	\$ 7,263	\$ (3,950)
Trade Ratio	86.3%	94.8%	8.5%	97.9%	96.3%	(1.6%)

MRB Reserves for:

	(as of December 31)		
	2004	2003	CHANGE
Case Losses/LAE	\$ 81,353	\$ 88,965	(8.6%)
IBNR	83,840	76,547	9.5%
Premiums and Commissions	42,818	51,294	(16.5%)
Total	\$208,011	\$216,806	(4.1%)

Prior Years' Underwriting Results:

	(as of December 31)	
	Profit (Loss)	Trade Ratio
2002	\$ (9,204)	104.3%
2001	(12,463)	108.3%
2000	(10,157)	110.3%
1999	(6,110)	107.7%
1998	(3,949)	104.9%