2006 MRB Assuming Companies and Directors

Company	Latest A.M. Best's Rating	MRB Board of Directors	CONSOLIDATED GROUP NUMBERS (as of September 30, 2005) Assets *(in thousands)*	Policyholders' Surplus *(in thousands)*
AUTO-OWNERS INSURANCE CO. Lansing, Michigan	A++ XV	Kenneth R. Schroeder Sr. VP-Commercial Lines U/W	$ 10,078,782	$ 3,962,533
COUNTRY MUTUAL INSURANCE CO. Bloomington, Illinois	A+ XIII	Richard A. Bill, FCAS Vice President	3,074,366	1,269,456
EMPLOYERS MUTUAL CASUALTY CO. Des Moines, Iowa	A- X	Ron D. Hallenbeck, CPCU, ARe President of EMC Reinsurance	2,846,803	699,193
KENTUCKY FARM BUREAU MUTUAL IC Louisville, Kentucky	A+ XI	Patrick J. Crowe, FCAS, MAAA VP, Market Research & Actuary	1,480,997	827,575
MOTORISTS MUTUAL INSURANCE CO. Columbus, Ohio	A X	Michael L. Wiseman, FCAS Treasurer/CFO	1,394,652	574,751
Combined Totals			**$ 18,875,600**	**$ 7,333,508**

Note: MRB Assuming Companies jointly assume business written 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

Melvin H. Krieger, CPA
Senior Vice President, CFO

Robert J. Monaghan
Senior Vice President, Sales & Service

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

Marguerite D. Scherer
Senior Vice President, Underwriting

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

Steven J. South
Vice President, Data Processing

Richard W. Hall
Assistant Vice President, Underwriting Services

Mutual
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4th Quarter Report

2005

Mutual Reinsurance Bureau

To our clients and friends...

Like other reinsurers, we booked additional hurricane loss in the last quarter of 2005, an additional $8 million, including what we hope is an adequate provision for further development. Our total net incurred loss from Katrina, Rita, and Wilma is $18 million. After reinstatement premiums and other credits, the three ladies added about 23% and 16% to our 4th quarter and full year trade ratios. Unlike last year, the excellent performance of our non-hurricane exposed book was not enough to keep us in the black.

Our net property trade ratio was 101.7%; pro rata at 103.6%, excess 101.3%, and catastrophe at 94.3%. We expect those ratios to improve dramatically in 2006, as our hurricane exposures have been reduced considerably compared to 2004 and 2005.

For casualty overall, we were at 111.7%; pro rata 102.1% and excess 112.0%. Our core casualty book is doing very well, but adverse development on our run-off, non-core book has hurt. We have been aggressive in putting up IBNR on our recent accident years - and cautious in taking it down on the run-off accounts. The underwriting prognosis going forward is much more favorable.

Our overall 103.2% 2005 trade ratio will probably compare quite favorably with our peer group's results.

Production fell off more than we projected at the beginning of the year, 11% versus an expected 5%. A couple of property quota share agreements were trimmed back with return of unearned premiums at the end of the year, but most of the 7% property shortfall was due to our clients' own projections being too optimistic. On the casualty side, increased retentions on mid-year accounts and less-than-expected primary volume accounted for the 24% decrease from the 2004 levels.

Our in force book at January 1, 2006 will produce less premium in 2006 than 2005. This is due to the quota share premium reductions mentioned above, the complete conversion of one large property pro rata agreement to excess of loss, and increased retentions on most accounts (with appropriate premium relief). We lost one account we didn't want to as well. We expect to make up ground going forward, however, given our additional prospective capacity from our two new ACOs.

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We were obviously very pleased to announce in late 2005 the addition of Kentucky Farm Bureau Mutual Insurance Company and Country Mutual Insurance Company to our line up.

Our combined ACO policyholders' surplus will be on the good side of $7 billion as of January 1, 2006, the start of our 85th year as a reinsurer of regional mutual companies.

It is hard to emphasize enough how important both our financial security and our longevity are to clients and prospects in a reinsurance environment that for many years has been anything but rock solid or stable. A couple of reinsurance markets may have more PHS support, but none is less leveraged than MRB. Think about that in your 1 in 250 return period scenarios (when you will be carrying recoverables for many years following).

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The market at 2006 January renewals was "tiered" according to capacity needs. Larger national and super regional programs were hit with bigger increases than smaller regional programs. The market should get tighter for mid-year renewals in most all sectors. The impact of Katrina, et al on model recalibrations, rating agency reactions, and insurer and reinsurer peak risk appetites and capital allocations was not fully reflected in 2006 renewal terms. Not all of the new post-Katrina money raised was in play at January 1, and this will help somewhat mitigate the hardening, but the new guys are using the same models as the rest of us, and they will have the same or higher margin expectations. The new capacity is welcome and will ensure continued availability at the very least.

Further on the subject of modeling, reinsurers, rating agencies, and regulators are going to be looking for more transparency and a higher comfort level with primary companies' modeling input/output. Actual and expected modeled losses were in most cases wildly divergent in the storms of 2004 and 2005. By no means can most of the blame be placed on the models. Commercial insured values used in the models are particularly suspect (a study by AIR found individual values were 20% to 80% of what they should be, based on "engineering-based cost" estimates). I would guess that the same is true with higher value HO risks. Fully accurate Unicede data is going to be the minimum requirement this year or next, but that is not going to be sufficient for much longer than that.

The real value in more detailed (and accurate!) modeling for primary companies is at the front end. Underwriting, pricing, and cat risk management ultimately are going to have to be done with much more sophistication - think Progressive and their auto rating variables and price points (and get a headache). Regulators in all states (even NY) are going to be forced to open their markets sooner rather than later in order to attract new players/capital, and we need to be ready. Smaller mutuals have always competed with "class underwriters" based on "risk underwriting" - with higher underwriting expenses more than offset by lower loss costs. We can't afford to be out-underwritten ("out-teched") in the future.

John W Duncan

Production

Net Written Premiums	Fourth Quarter *(in thousands)* 2005	2004	CHANGE	Year Ended December 31 *(in thousands)* 2005	2004	CHANGE
Property						
Pro Rata	$ 14,511	$ 16,599	(12.6%)	$ 59,151	$ 65,351	(9.5%)
Excess	6,892	6,654	3.6%	22,220	21,719	2.3%
Catastrophe	3,059	3,167	(3.4%)	10,333	11,681	(11.5%)
	$ 24,462	**$ 26,420**	**(7.4%)**	**$ 91,704**	**$ 98,751**	**(7.1%)**
Casualty						
Pro Rata	$ 160	$ 152	5.3%	$ 669	$ 636	5.2%
Excess	6,048	8,034	(24.7%)	20,573	24,586	(16.3%)
	$ 6,208	**$ 8,186**	**(24.2%)**	**$ 21,242**	**$ 25,222**	**(15.8%)**
Total	**$ 30,670**	**$ 34,606**	**(11.4%)**	**$ 112,946**	**$ 123,973**	**(8.9%)**

Underwriting Results

Statutory Profit *(Loss)*	Fourth Quarter *(in thousands)* 2005	2004	CHANGE	Year Ended December 31 *(in thousands)* 2005	2004	CHANGE
Property						
Pro Rata	$ (750)	$ 539	$ (1,289)	$ (562)	$ 4,187	$ (4,749)
Excess	(1,490)	2,890	(4,380)	(291)	5,036	(5,327)
Catastrophe	1,700	2,392	(692)	587	(4,151)	4,738
	$ (540)	**$ 5,821**	**$ (6,361)**	**$ (266)**	**$ 5,072**	**$ (5,338)**
Trade Ratio	**105.2%**	**77.9%**	**(27.3%)**	**101.7%**	**95.9%**	**(5.8%)**
Casualty						
Pro Rata	$ 19	$ 497	$ (478)	$ (19)	$ 1,234	$ (1,253)
Excess	75	(1,581)	1,656	(2,471)	(2,993)	522
	$ 94	**$ (1,084)**	**$ 1,178**	**$ (2,490)**	**$ (1,759)**	**$ (731)**
Trade Ratio	**98.7%**	**113.2%**	**14.5%**	**111.7%**	**107.0%**	**(4.7%)**
Totals						
Profit (Loss)	**$ (446)**	**$ 4,737**	**$ (5,183)**	**$ (2,756)**	**$ 3,313**	**$ (6,069)**
Trade Ratio	**103.7%**	**86.3%**	**(17.4%)**	**103.2%**	**97.9%**	**(5.3%)**

MRB Reserves for:

	(as of December 31) 2005	2004	CHANGE
Case Losses/LAE	$ 89,014	$ 81,353	9.4%
IBNR	91,605	83,840	9.3%
Premiums and Commissions	36,254	42,818	(15.3%)
Total	**$216,874**	**$208,011**	**4.3%**

Prior Years' Underwriting Results:

(as of December 31)	Profit (Loss)	Trade Ratio
2003	$ 7,263	96.3%
2002	(9,024)	104.3%
2001	(12,463)	108.3%
2000	(10,157)	110.3%
1999	(6,110)	107.7%