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To our Clients and Friends...

Our 4th quarter came in at an 89% trade ratio, and our full-year result was a gratifying 86.6%. This is probably as good as it gets for a book like ours on a calendar year basis. The 2009 accident year ratio was closer to 93%, however, and the 2006 and 2007 accident years are a little better than that as of the end of 2009.

Profit commission expense provisions skewed property Pro Rata results for the 4th quarter. We had been inadvertently under reserving PPR commissions due our clients and had to catch up with a big increase in December. Our quarterly and year-to-date PPR trade ratios were 110% and 94%.

The big story results-wise for 2009 was the terrific improvement in our Property Excess line. We had 87% and 74% PXL trade ratios for the quarter and year-to-date. The improvement from last year was \$8.5 million on a statutory basis. We really can't pinpoint a single cause. Increased retentions and rates helped somewhat, but they were relatively modest. The real improvement was a dramatic drop in large loss activity. Unfortunately, we have had a couple of very large fire losses so far in January of this year.

Our Catastrophe results were in line with our expectations. Some sizable reserve take downs in the 4th quarter led to a negative trade ratio, and for the full year we had a 60% CAT trade ratio. We had some modest 2009 Midwest activity and more than expected development from several 2008 storms.

Our Casualty results deteriorated a bit compared to 2008 (our best year ever) to 86% and 99% for the quarter and year-to-date.

Premiums were down across the board for the quarter, compared to last year. A reduction in CAT reinstatement premiums, the non-renewal of a large PPR Crop Hail treaty that was historically booked in the final quarter, general weakness in primary pricing, and CXL contract retention increases/premium decreases all contributed. For the year, we were down slightly for Property. We were off 24% on our Casualty book, due to several significant retention increases taken by our clients.

We expect our net premiums to increase for 2010, due to a couple of new initiatives we took during 2009.

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By all accounts, the reinsurance renewal season was orderly and rational. No question, the supply/demand curve now favors buyers. Reinsurance pricing is, and always has been, driven by available capacity first, and underwriting/profit considerations second—albeit a much closer second today than in previous cycles. Absent any big capacity-

reducing event (fiscal or physical) buyers will generally have the upper hand for the foreseeable future.

Primary pricing is also dependent on supply and demand (isn't everything, except in the minds of politicians?), but by all measures, rates really need some juicing up. The industry, with quite a bit of prior year reserve releases and relatively modest catastrophe loss activity (except in parts of the Midwest) will maybe come in around 100% for 2009. Given the investment environment we are in right now, 100% just doesn't cut it. 2009 will be, I believe, the 4th consecutive year of year-on-year premium decreases. One year of above average cats, and a couple of years of reserve catching up, and ... you do the math.

There is arguably excess capital in both the primary and reinsurance markets, but since reinsurers have much more volatility risk and less capital in absolute dollars they are less likely to voluntarily give too much of their excess capital back via inadequate pricing. Primary writers seem to be more willing to do so.

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What to make of the current political/economic scene? As this is written, the Massachusetts Miracle is still being digested by both the Right (um, tasty, can't wait for the next course) and Left (a double dose of Nexium, stat!). To ignore the ramifications of the election and the polls and double down on Health Care Reform, Cap and Trade, Card Check, and keep increasing the out of control debt would seem to be political suicide. The "anger" exemplified by the Tea Party movement and the recent elections in Virginia, New Jersey, and Massachusetts is about the unimaginable and unmanageable deficits being created and "government" wanting to control too much of our daily lives. Cooler heads may prevail, but there is still an influential element that drank the Kool-Aid and is unhinged about losing the chance to implement universal health care for another generation or more and saving the earth from whatever.

The overwhelming majority of folks just want smaller, vastly more competent, less intrusive government at all levels. "Fiscal conservatism" is a theme politicians of all stripes best consider adopting if they want to hold any kind of elected office.

Finally, it is interesting to note that, based on immediate past precedent, in only 5 months or so Scott Brown will be qualified to become President of the United States.



Production

Net Written Premiums	Fourth Quarter (in thousands)			Year Ended December 31 (in thousands)		
	2009	2008	CHANGE	2009	2008	CHANGE
Property						
Pro Rata	\$ 9,787	\$ 12,277	(20.3%)	\$ 39,118	\$ 41,372	(5.4%)
Excess	4,882	5,094	(4.2%)	19,951	19,831	0.6%
Catastrophe	1,413	1,675	(15.6%)	6,368	5,377	18.4%
	\$ 16,082	\$ 19,046	(15.6%)	\$ 65,437	\$ 66,580	(1.7%)
Casualty	\$ 2,814	\$ 3,245	(13.3%)	\$ 10,900	\$ 14,427	(24.4%)
Total	\$ 18,896	\$ 22,291	(15.2%)	\$ 76,337	\$ 81,007	(5.8%)

Underwriting Results

Statutory Profit (Loss)	Fourth Quarter (in thousands)			Year Ended December 31 (in thousands)		
	2009	2008	CHANGE	2009	2008	CHANGE
Property						
Pro Rata	\$ (1,208)	\$ (454)	\$ (754)	\$ 2,552	\$ 2,068	\$ 484
Excess	618	556	62	5,200	(3,358)	8,558
Catastrophe	2,077	1,107	970	2,567	2,950	(383)
	\$ 1,487	\$ 1,209	\$ 278	\$ 10,319	\$ 1,660	\$ 8,659
Trade Ratio	89.5%	92.2%	2.7%	84.5%	97.5%	13.0%
Casualty	\$ 435	\$ 742	\$ (307)	\$ 125	\$ 1,420	\$ (1,295)
Trade Ratio	85.5%	77.6%	(7.9%)	98.9%	90.2%	(8.7%)
Totals						
Profit (Loss)	\$ 1,922	\$ 1,951	\$ (29)	\$ 10,444	\$ 3,080	\$ 7,364
Trade Ratio	89.0%	90.1%	1.1%	86.6%	96.2%	9.6%

MRB Reserves for:

Prior Years' Underwriting Results:

	(as of December 31)			(as of December 31)	
	2009	2008	CHANGE	Profit (Loss)	Trade Ratio
Case Losses/LAE	\$61,849	\$ 69,692	(11.3%)	2007 \$ 8,924	91.4%
IBNR	95,450	91,915	3.8%	2006 8,712	92.4%
Premiums and Commissions	18,827	21,897	(14.0%)	2005 (2,756)	103.3%
Total	\$176,126	\$183,504	(4.0%)	2004 3,314	97.9%
				2003 7,263	96.4%

2009 MRB Assuming Companies and Directors

Company	Latest A.M. Best's Rating	MRB Board of Directors	CONSOLIDATED GROUP NUMBERS (as of September 30, 2009)	
			Assets	Policyholders' Surplus
			(in thousands)	
COUNTRY MUTUAL INSURANCE CO. Bloomington, Illinois	A+ XIV	Ronald D. Pridgeon VP-Corp. Prop./Cas Actuary	3,519,201	1,462,924
EMPLOYERS MUTUAL CASUALTY CO. Des Moines, Iowa	A- XI	Ron D. Hallenbeck, CPCU, AR President of EMC Reinsurance	3,132,306	938,621
FARM BUREAU MUTUAL IC OF MICHIGAN Lansing, Michigan	A- IX	Steven R. Rock, CPA, CPCU, FLMI Vice President, Corp. Controller	890,924	366,143
KENTUCKY FARM BUREAU MUTUAL IC Louisville, Kentucky	A+ XI	Bill Reddington III Director Actuarial Services	1,600,305	845,898
MOTORISTS MUTUAL INSURANCE CO. Columbus, Ohio	A X	Michael L. Wiseman, FCAS Treasurer/CFO	1,558,889	608,825
Combined Totals			\$ 10,701,625	\$ 4,222,411

Note: MRB Assuming Companies jointly assume business written by MRB. The combined policyholders' surplus of our Assuming Companies stands behind our reinsurance commitments.