

To our Clients and Friends...

We enjoyed a remarkable 1st quarter, booking a trade ratio of 82.8%. 75% of our underwriting gains came from 2008 and prior accident years, however. Even so, anytime we are under 100% on an accident year basis in the 1st quarter, we are pleased.

Property Pro Rata results, at 85%, were heavily influenced by IBNR and profit commission reductions for prior periods. Our "normalized" PPR trade ratio was closer to 100%. Our Property Risk Excess results improved nicely to an 82% trade ratio. PXL results accounted for most of the difference between our results from last year to this year. Catastrophe Excess results were influenced by December 2008 Winter Storm losses reported in 2009, substantially offset by additional premiums attributable to 2008. We did have a couple of minor cat losses in West Virginia and some Ike development. Our CAT trade ratio was 66%.

Property business, in total, came in at an 80% trade ratio.

Casualty results were not so favorable, at a 101.7% trade ratio. We had some large losses for the current accident year that did not influence our normal current-year IBNR provision. Still, the 1st quarter casualty results this year are significantly better than in almost all prior years at the same point.

Property production was up, compared to the prior year, with half the dollar increase coming from additional '08 CAT premiums booked in '09. Casualty production was down considerably, due to large retention increases taken by several clients during mid-year '08 and at January 1, 2009.

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The early '09 weather in much of the middle of the country has been downright nasty, and Midwest primary companies will report some of the highest 1st quarter trade ratios in my memory. Not a good start following the worst year for tornados on record and significant capital losses – not to mention the 2nd consecutive year of declining premium for the industry (not seen since 1933). It is going to take some luck and a lot more premium to recover to pre-2008 levels.

Retention increases have allowed MRB and other reinsurers to avoid a good deal of the pain, it is clear from the reported reinsurance results. Even so, there will be more upward pressure on reinsurance pricing this year and next, not due to experience (yet) as

much as to the problems and uncertainties in the capital markets, and supply and demand factors. The reinsurance market in total, lost an uncomfortable percentage of its capital last year, and its ability to "reload," should a big loss occur, is no longer a given, as it has been since 1992 or so. I can't imagine where we would be today had we had a Katrina-size event last year, much less Ritas and Wilmas following on as well. Reinsurers are looking for more dollars for less exposure, particularly in peak zones, and higher overall margins in general.

Reinsurance price increases will be tough to pass on as they are implemented – it will take some time, even a couple of years – so it looks like the proverbial rock and hard place for many primary companies.

Add to that an economic situation none of us has ever personally experienced and the (keep-me-awake-at-night) concerns about the direction Federal and State governments have taken us in response to the recession and credit-related problems – the next year or so is going to be "interesting."

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Three clippings off the Internet:

"The 44th president is proposing to add more to the national debt than the first 43 presidents combined, doubling it in the next six years, and tripling it within the decade."

"The Global Warming Hoax requires one to accept three things;

1. The earth is warming.
2. Higher temperatures are bad for man.
3. The rising temperatures are a result of man.

It is far more likely the opposite of all three is closer to the truth."

Finally, to connect the first two; "In John LeCarre's 'Tinker, Tailor, Soldier, Spy' master spy George Smiley points out that 'the more one has paid for a forgery, the more one defends it in the face of all the evidence to the contrary.'"

All the best,

John W Duncan

MRB

Production

Net Written Premiums	First Quarter (in thousands)			Year Ended December 31 (in thousands)		
	2009	2008	CHANGE	2008	2007	CHANGE
Property						
Pro Rata	\$ 7,935	\$ 7,779	2.0%	\$ 41,371	\$ 44,251	(6.5%)
Excess	5,174	4,422	17.0%	19,831	21,075	(5.9%)
Catastrophe	2,166	1,276	69.7%	5,377	6,129	(12.3%)
	\$ 15,274	\$ 13,477	13.3%	\$ 66,579	\$ 71,455	(6.8%)
Casualty						
Pro Rata	\$ 99	\$ 110	(10.0%)	\$ 596	\$ 788	(24.4%)
Excess	2,513	4,521	(44.4%)	13,831	18,955	(27.0%)
	\$ 2,612	\$ 4,631	(43.6%)	\$ 14,427	\$ 19,743	(26.9%)
Total	\$ 17,886	\$ 18,107	(1.2%)	\$ 81,006	\$ 91,198	(11.2%)

Underwriting Results

Statutory Profit (Loss)	First Quarter (in thousands)			Year Ended December 31 (in thousands)		
	2009	2008	CHANGE	2008	2007	CHANGE
Property						
Pro Rata	\$ 2,165	\$ 1,947	\$ 218	\$ 2,068	\$ 4,280	\$ (2,212)
Excess	922	(1,975)	2,897	(3,358)	1,926	(5,284)
Catastrophe	722	1,073	(351)	2,950	3,571	(621)
	\$ 3,809	\$ 1,046	\$ 2,763	\$ 1,660	\$ 9,777	\$ (8,117)
Trade Ratio	79.8%	95.7%	15.9%	97.5%	88.1%	(9.4%)
Casualty						
Pro Rata	\$ 196	\$ 68	\$ 128	\$ 318	\$ (539)	\$ 857
Excess	(231)	(948)	717	1,102	(314)	1,416
	\$ (35)	\$ (880)	\$ 845	\$ 1,420	\$ (853)	\$ 2,273
Trade Ratio	101.7%	119.0%	17.3%	90.2%	104.3%	14.1%
Totals						
Profit (Loss)	\$ 3,774	\$ 165	\$ 3,609	\$ 3,080	\$ 8,924	\$ (5,844)
Trade Ratio	82.8%	100.8%	18.0%	96.2%	91.3%	(4.9%)

MRB Reserves for:

	(as of March 31)		
	2009	2008	CHANGE
Case Losses/LAE	\$ 72,726	\$ 85,928	(15.4%)
IBNR	90,370	90,165	0.2%
Premiums and Commissions	23,490	25,190	(6.7%)
Total	\$186,586	\$201,283	(7.3%)

Prior Years' Underwriting Results:

	(as of March 31)	
	Profit (Loss)	Trade Ratio
2007	\$ 1,766	93.2%
2006	(468)	103.4%
2005	234	99.1%
2004	1,483	96.1%
2003	1,455	95.3%

2009 MRB Assuming Companies and Directors

Company	Latest A.M. Best's Rating	MRB Board of Directors	CONSOLIDATED GROUP NUMBERS (as of December 31, 2008)	
			Assets	Policyholders' Surplus
COUNTRY MUTUAL INSURANCE CO. Bloomington, Illinois	A+ XIV	Ronald D. Pridgeon Chief Prop/Cas Actuary	\$3,378,367	\$1,416,227
EMPLOYERS MUTUAL CASUALTY CO. Des Moines, Iowa	A- XI	Ron D. Hallenbeck, CPCU, ARe President of EMC Reinsurance	2,956,756	848,575
FARM BUREAU MUTUAL IC OF MICHIGAN Lansing, Michigan	A- IX	Steven R. Rock, CPA, CPCU, FLMI Vice President/Corp. Controller	873,597	347,479
KENTUCKY FARM BUREAU MUTUAL IC Louisville, Kentucky	A+ XI	Bill Reddington III Director Actuarial Services	1,617,780	890,474
MOTORISTS MUTUAL INSURANCE CO. Columbus, Ohio	A X	Michael L. Wiseman, FCAS Treasurer/CFO	1,484,421	541,270
Combined Totals			\$ 10,310,921	\$ 4,044,025

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

Timothy M. Dorr, CPCU
Senior Vice President

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

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Vice President, Data Processing

Richard W. Hall
Vice President, Underwriting Services

Kenneth L. Hense, CPCU, ARe, SCLA, AIC
Assistant Vice President, Claims

Clifford A. Fister, CPCU
Assistant Vice President, Underwriting Services

Lisa K. Ebberts
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