



# **MUTUAL REINSURANCE BUREAU**

Current Financial Package  
On Behalf Of The

**2011 ASSUMING COMPANIES**

Financial Information  
As Of December 31, 2010

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LISTING OF  
2011 ASSUMING COMPANIES INCLUDING  
REGULATORY REFERENCE NUMBERS  
AND A.M. BEST RATINGS

EXHIBIT I



<b>MUTUAL REINSURANCE BUREAU 2011 ASSUMING COMPANIES</b>
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LISTING OF 2011 ASSUMING COMPANIES  
 INCLUDING REGULATORY REFERENCE NUMBERS  
 AND A.M. BEST RATINGS

COMPANY	FEIN	NAIC	BEST RATINGS	
Employers Mutual Casualty Company Des Moines, Iowa	42-0234980	21415	A-	XII
Farm Bureau Mutual Insurance Company of Michigan Lansing, Michigan	38-1316179	21555	A-	IX
Kentucky Farm Bureau Mutual Insurance Company Louisville, Kentucky	61-0392792	22993	A+	XI
Motorists Mutual Insurance Company Columbus, Ohio	31-4259550	14621	A	X
Mutual Reinsurance Bureau Cherry Valley, Illinois	36-1516650	AA-9995035		

As of August 8, 2011

MUTUAL REINSURANCE BUREAU  
ARTICLES OF ASSOCIATION, BYLAWS  
AND ASSUMING CONTRACT

EXHIBIT II



MUTUAL REINSURANCE BUREAU  
ARTICLES OF ASSOCIATION, BYLAWS  
AND ASSUMING CONTRACT

EFFECTIVE: JANUARY 1, 2011

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Whereas, the Assuming Member Companies of the Mutual Reinsurance Bureau desire to revise and perfect their working agreement, the Articles of Association, Bylaws and Assuming Contract dated January 1, 2008 are revoked, and these Articles of Association (hereinafter called "Articles of Association") are substituted therefore, effective January 1, 2011. The Assuming Member Companies,

EMPLOYERS MUTUAL CASUALTY COMPANY,  
FARM BUREAU MUTUAL INSURANCE COMPANY OF MICHIGAN,  
KENTUCKY FARM BUREAU MUTUAL INSURANCE COMPANY, and  
MOTORISTS MUTUAL INSURANCE COMPANY

are hereinafter collectively called "Member Companies."

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## ARTICLE 1 - NAME AND LOCATION

This organization is an unincorporated joint reinsurance association known as the Mutual Reinsurance Bureau (hereinafter called "MRB"). The principal place of business will be Cherry Valley, Illinois.

## ARTICLE 2 - PURPOSE

The purpose of MRB will be to facilitate the making of reinsurance agreements between the Member Companies and other insurance companies through the establishment of an office and the Member Companies' appointment of an attorney-in-fact to arrange and effectuate reinsurance agreements on their behalf.

## ARTICLE 3 - MEMBERSHIP STANDARDS

Member Companies are expected to maintain an A.M. Best rating of "A-" or better. However, when a Member Company's rating falls below "A-," that Member Company will be permitted to remain in MRB for the maximum probationary period indicated for ratings as follows:

<u>Rating</u>	<u>Probationary Period</u>
B++	Three (3) years

Should a Member Company receive a rating of B+ or less, it will be terminated as soon as possible after notification to the Member Company of such a rating.

Ratings that are below the minimum levels previously specified will be forgiven and membership termination avoided if the rating is improved to "A-" or better within the probationary period.

A Member Company is expected to maintain a statutory policyholders' surplus of at least \$100,000,000. However, if A. M. Best determines a Member Company's "net leverage ratio" (the sum of the net written premium to statutory policyholders' surplus ratio and net liabilities to policyholders' surplus ratio) is 4.0 to 1.0 or less, a policyholders' surplus of less than \$100,000,000 will be permissible. Any Member Company with statutory surplus of less than \$100,000,000 and a net leverage ratio of greater than 4.0 to 1.0 at the end of any calendar year will be terminated as of the end of the subsequent calendar year if these requirements are not met as of the end of the subsequent calendar year.

Member Companies are expected to maintain a net written premium to statutory policyholders' surplus ratio of 2.5 to 1.0 or less, and to be within normal ranges for all key "IRIS early warning" and A. M. Best "profitability" tests.

Any time a Member Company has its Best's rating reduced, fails more than two (2) key "IRIS" tests or two (2) key Best's tests (as determined by the Board of Directors), or exceeds the expected net written premium to statutory policyholders' surplus ratio of 2.5 to 1.0, such Member Company will be required to provide a narrative to the other Member Companies explaining the reasons for the changes and the actions taken or to be taken to satisfy the expected standards.

Consolidated (Group) Member Company financial data is to be provided on a quarterly basis to MRB, and MRB will then provide summary information to all current Member Companies.

It will be the responsibility of MRB senior management to monitor and review member compliance with the standards contained in this Article 3 and to report noncompliance and related issues, if any, at the next scheduled regular meeting of the Board.

#### ARTICLE 4 - EXERCISING ASSOCIATION POWERS

Board: The Board of Directors of MRB, (hereinafter called the "Board") will consist of one person from each Member Company or Member Company group, who will be that Member Company's chief executive officer or his designee; designees are to be declared as such in writing to the President.

Each Member Company will have one (1) vote on all issues relating to the reinsurance agreements on which they are listed on the applicable Schedule of Reinsurers. If two or more Member Companies merge, their total vote will be one (1).

The Board will manage and direct the affairs of MRB and will take such action as it may deem necessary to carry out the purpose of MRB. The Board will fix the compensation of all officers and will determine the manner of fixing the compensation of all employees. The Board may delegate such powers and assign such duties as it may deem advisable. The Board will act by unanimous vote.

Meetings: The annual Board meeting will be held during the month of May. The Board will determine the place and date of the meeting. When, in the opinion of the Board, conditions of emergency exist which make it impossible or impractical to hold the annual meeting, the Board may prescribe a procedure for the election of officers and for the determination of other issues.

Regular meetings of the Board will be held each calendar quarter. The Board will determine the place and date of each meeting. The Chairman or the President may call special meetings at any time or at the request of a majority of the Board. Notice of meetings stating the place, date, hour, and purpose will be sent to all Board members at least fifteen (15) days in advance of all regular and special meetings.

Special teleconference meetings of the Board may also be called provided that there is at least 24 hours notice and that the Board unanimously consents to such a meeting.

The Board will keep full and accurate minutes of all its meetings, which will be submitted to the Board for acceptance at the next Board meeting. A copy of the minutes of each meeting will be filed in the MRB office.

Proxies: At any meeting of MRB, a member of the Board may vote by proxy executed in writing, or by his duly constituted and appointed designee and proxy named in writing.

Election of Board Officers: The Board will elect a Chairman, a Vice Chairman, and a Vice Chairman-Elect. These officers will serve on a rotating basis in that at each annual meeting the officer currently serving as Vice Chairman will be elected Chairman; and the officer currently serving as Vice Chairman-Elect will be elected Vice Chairman. The Board will elect a Vice Chairman-Elect annually in accordance with the following schedule of succession as existing at January 1, 2011.

Chairman: Employers Mutual Casualty Company  
Des Moines, Iowa

Vice Chairman: Farm Bureau Mutual Insurance Company of Michigan  
Lansing, Michigan

Vice Chairman-Elect: Motorists Mutual Insurance Company  
Columbus, Ohio

Kentucky Farm Bureau Mutual Insurance Company  
Louisville, Kentucky

The Member Companies will hold the actual offices and will be represented by their chief executive officer or designee.

MRB Officers: At each annual meeting the Board will also elect the following officers of MRB: President, one or more Vice Presidents, Secretary, Treasurer, and such other officers as the Board may deem necessary. MRB officers will be employees of MRB and one person may hold two or more offices, except that the offices of President and Secretary will never be combined.

The President of MRB will be an ex-officio member of the Board and serve as attorney-in-fact for each Member Company

The Chairman will preside at all meetings of the Board. The Vice Chairman will act in place of the Chairman in the absence of the said Chairman or in the event of his inability to act.

The officers of the Board and of MRB will have the usual and customary powers and duties pertaining to their respective offices, as well as such powers and duties as the Board may, from time to time, confer upon them.

All Member Companies must participate at any meeting of the Board or committee appointed by the Board. In the absence of any Member Company, the Member Companies present, including those represented by proxy, will adjourn the meeting.

Vacancies: The Board will have the power to fill any vacancy occurring on any committee or in any office until the next MRB annual meeting.

Parliamentary Procedure: Robert's Rules of Order will govern all parliamentary matters not covered by these Articles of Association.

Access to Records: Any Member Company will have access to all the books and records of MRB.

Annual Audit: The Board will approve a certified public accountant to audit the books and accounts of MRB as soon as practicable after the close of each calendar year, and a copy of the report of such audit will be mailed to each Member Company.

Attorney-in-Fact and President: Each Member Company subscribing to these Articles of Association hereby grants authority to the Board to name, constitute, and elect an attorney-in-fact for the Member Company. The attorney-in-fact will also be elected as President of MRB and hereinafter will be referred to as "President."

The President will be the chief executive officer of MRB, will have general charge of its business and affairs, will enforce and carry out the orders and instructions of the Board and will discharge all other duties imposed upon him by these Articles of Association.

The President will have the power to make contracts of reinsurance and assume reinsurance liability on behalf of each Member Company, subject to the provisions and conditions of these Articles of Association and in accordance with the Underwriting Guidelines approved by the Board.

The President may be removed at any time by a unanimous vote of the Board. At the time the Board removes a President, it will fix the date of termination of his powers. Upon the removal, resignation, or death of a President, the Board will elect another.

Choice of Law and Forum: Any dispute arising from these Articles of Association will be resolved in the State of Illinois and laws from the State of Illinois will govern the interpretation and application of these Articles of Association.

#### ARTICLE 5 - BONDS

The Board will require from the President and other officers and employees of MRB, surety or fidelity bonds in such amounts as it deems advisable, these bonds to be paid for by MRB.

#### ARTICLE 6 - PERSONAL INDEMNIFICATION

Any person made or threatened to be made a party to any action, suit, or proceeding, because such person served on a committee or was a director, officer, or employee of the Board or an employee of MRB, will be fully indemnified against all judgments, fines, amounts paid in settlement, reasonable costs and expenses, including attorney's fees and any other liabilities that may be incurred as a result of such action, suit, or proceeding, or threatened action, suit, or proceeding, except in relation to matters as to which such person will be adjudged in such action, suit, or proceeding to be liable by reason of willful misconduct in the performance of his or her duties or obligations to the Board and with respect to any criminal actions or proceedings, except when such person had reasonable cause to believe that his or her conduct was unlawful. Such indemnification will be provided whether or not such person is holding office or is employed at the time of such action, suit, or proceeding, and whether or not any such liability is incurred prior to the adoption of this article. Such indemnification will not be exclusive of other rights such person may have and will pass to the heirs, executors, or administrators of each such person. The termination of any such civil or criminal action, suit, or proceedings by judgment, settlement, conviction, or upon a plea of nolo contendere, or its equivalent, will not in itself create a presumption that any person was liable by reason of willful misconduct or that he or she had reasonable cause to believe that his or her conduct was unlawful.

Nothing herein will be deemed to bind a person or to preclude such person from asserting the right to such indemnification by legal proceedings. Such indemnification as is herein provided will be apportioned among all Member Companies pursuant to Article 12 (Expenses) of the Articles of Association.

## ARTICLE 7 - ADDITIONAL MEMBER COMPANIES

Additional Member Companies may be admitted to MRB by a unanimous vote of the Member Companies. The Chairman of the Board will give notice to all Member Companies that a proposed additional Member Company will be voted on at an MRB meeting, at least fifteen (15) days in advance of such meeting.

In order to be eligible for membership in MRB, a company must be rated "A-" or better by A. M. Best, have a statutory policyholders' surplus of \$100,000,000 or more, and not exceed a 2.0 to 1.0 ratio of net written premiums to statutory policyholders' surplus. All key IRIS and A. M. Best tests (as determined by the Board of Directors) will be within accepted ranges.

Additional Member Companies share only in the:

- 1) Reinsurance assumed effective with the date admitted to membership on agreements in force, written or renewed on or after the effective date of membership which list the Member Company on the Schedule of Reinsurers attached to and forming part of each reinsurance agreement; and
- 2) Obligations and liabilities of MRB that occur on or after the effective date of membership unless such obligation or liability arises out of an agreement for which such Member Company was not listed on the Schedule of Reinsurers attached to and forming part of such reinsurance agreement.

The names of additional Member Companies will be added to the bottom of the schedule of succession in Article 4, which is in effect at the date of their admission.

## ARTICLE 8 - TERMINATION OF OR WITHDRAWAL FROM MEMBERSHIP

Termination: The membership of any Member Company may be terminated at a meeting by a unanimous vote of the other Member Companies. At least fifteen (15) days' prior written notice will be given to all Member Companies by the Chairman of the Board that the question of termination of membership will be placed before the meeting. The effective date of the termination will be at the sole discretion of the Board and will be communicated to the terminating Member Company with at least fifteen (15) days' prior written notice sent by registered mail.

Withdrawal: A Member Company may withdraw voluntarily from MRB as of midnight Central Standard Time on the last day of December in any year by giving written notice by registered letter to MRB at least nine (9) months prior to the date of withdrawal. The nine (9) month notice period may be waived at a meeting of MRB by a unanimous vote of the other Member Companies. Until such withdrawal date, the withdrawing Member Company will continue to be bound as a Member Company, and

the reinsurance liability which it may have will be carried by it until the expiration of such reinsurance; however the withdrawing Member Company will not participate in any reinsurance liability or any other liability or obligation incurred prior to the date membership commenced and subsequent to the date of withdrawal. All matters relating to unexpired reinsurance liability will be determined and carried out under these Articles of Association.

A Member Company terminating or withdrawing for any reason whatsoever, will, at the request of the Board, cede all or part of the unexpired reinsurance assumed through MRB to the remaining Member Companies listed on the Schedule of Reinsurers attached to and forming part of each reinsurance agreement in force as of the date of termination.

Expense of Termination or Withdrawal: Upon terminating or withdrawing, the retiring Member Company will pay to MRB the actual cost of handling the retrocession of its unexpired reinsurance assumed through MRB, but in no case more than ten percent (10%) of MRB's gross unearned premiums at termination date.

A terminating or withdrawing Member Company will pay its share of MRB claims handling expenses associated with the run off of its MRB liabilities until such time as all of its MRB liabilities are satisfied. Such claims handling expenses will include salaries and related overhead expenses for claims department personnel and will be apportioned monthly according to losses outstanding after termination or withdrawal.

Commutation of Losses Upon Termination or Withdrawal: At the option of the remaining Member Companies, a terminating or withdrawing Member Company will make a full and complete commutation or settlement of all unpaid losses including incurred-but-not-reported losses. This commutation or settlement option, if exercised, will prevail over any other language dealing with the liability of the terminating or withdrawing Member Company. Commutation will normally take place as of twelve (12) months following the date of withdrawal or termination, but this period may be shortened or extended at the option of the remaining Member Companies. Remaining Member Companies will assume responsibility for unpaid losses occurring prior to the termination date that would otherwise be the responsibility of a terminating or withdrawing Member Company, in return for consideration to be agreed by a majority of three (3) parties: a party chosen by the MRB Board, a party chosen by the terminating or withdrawing Member Company, and a third party to be chosen by the other two (2) parties. If the terminating or withdrawing Member Company refuses or neglects to appoint a party to represent it within thirty (30) days after receipt of written notice from the other Member Companies requesting commutation, the other Member Companies may nominate two (2) parties, who will choose the third party. The three (3) parties will agree on commutation consideration within 180 days of their appointment. The decision of a majority of the parties will be final and binding on MRB and the terminating or withdrawing Member Company, except that the other Member Companies may at any time choose to allow the liabilities of the terminating or withdrawing Member Company to run off to extinction.

Exceptions to the requirements of the preceding paragraph may be made only on unanimous agreement among the remaining Member Companies documented in the minutes of an MRB meeting.

#### ARTICLE 9 - DISSOLUTION OF MRB

If at any time MRB will be dissolved or cease to transact the business of reinsurance, then whatever remains in the way of operating reserve funds (other than the Deposit Fund of each Member Company), equipment or otherwise, after the full payment of losses and expenses, will be divided and distributed to the Member Companies in the proportion that each Member Company's reinsurance premiums in force bear to the total reinsurance premiums in force in all Member Companies at the time of dissolution.

#### ARTICLE 10 - INSOLVENCY

Ceding Company Insolvency: In the event of the insolvency of a company which has ceded reinsurance to the Member Companies through MRB, any claim for reinsurance will be payable to the ceding company or to its liquidator, receiver, or statutory successor on the basis of the liability of the ceding company under the contract or contracts reinsured without diminution because of the insolvency of the ceding company. The reinsurance will be payable as provided above except as otherwise provided by Section 4118(a) (relating to Fidelity and Surety Risks) of the Insurance Law of New York, or except (a) where the contract specifically provides another payee of such reinsurance in the event of the insolvency of the ceding company and (b) where the reinsurer with the consent of the direct insured or insureds has assumed such policy obligations of the ceding company as direct obligations of the reinsurer to the payees under such policies and in substitution for the obligations of the ceding company to such payees.

Member Company Insolvency: In the event any Member Company will be adjudged to be insolvent, or in the event of the appointment of a receiver or conservator for a Member Company, its membership will terminate on the day such action occurs. Such former Member Company will be deemed to have made a voluntary withdrawal under the provisions of Article 8 as of that day. All of the reinsurance of the former Member Company written through MRB will be assumed by the remaining member companies listed on the Schedule of Reinsurers attached to each reinsurance agreement in the same proportion that each remaining Member Company's participation bears to the total reinsurance as of the close of the last year preceding the date of withdrawal.

As of the date of termination of membership under this Article, the remaining Member Companies listed on the Schedule of Reinsurers attached to each reinsurance agreement will assume all the obligations of the former Member Company to the ceding companies with respect to reinsurance assumed through MRB, including obligations for losses incurred but unpaid and unearned premiums; provided, that in the case of each payment to or on account of a ceding company the payee will execute agreements, assignments, and subrogation papers satisfactory to the remaining Member Companies for the enforcement of their claims against the former Member Company or its legal representative.

#### ARTICLE 11 - DEPOSIT FUND

Each Member Company will deposit with MRB an amount agreed upon by the Board (hereinafter called the "Deposit Fund"). MRB will not credit any part of the Deposit Fund against any losses, return premiums, balances, or any amounts due MRB. This Deposit Fund will be returned to a Member Company that withdraws or terminates when all of the reinsurance on which it has assumed liability under these Articles of Association will have terminated. However, in the event that a former Member Company has not paid all its obligations, MRB may apply the former Member Company's Deposit Fund to its account and return the balance, if any.

#### ARTICLE 12 - EXPENSES

The expenses incidental to the operation of MRB for any period will be borne by the Member Companies in the proportion that the reinsurance premiums received by each Member Company through MRB based on the Schedule of Reinsurers attached to each reinsurance agreement bear to the total reinsurance premiums received by all Member Companies or as otherwise agreed to by the Board.

#### ARTICLE 13 - PREMIUMS AND ACCOUNTS

Each Member Company will share in the reinsurance premiums received through MRB in proportion to the liability each Member Company assumes through MRB as listed in the Schedule of Reinsurers attached to each reinsurance agreement. MRB will keep account of all reinsurance written and cancellations thereof. MRB will furnish each Member Company a monthly report, itemizing premium by line of business. Each Member Company agrees to comply with all rules adopted by the Board in the matter of accounts and payments.

The reinsurance liability each Member Company assumes through MRB as listed in the Schedule of Reinsurers attached to each reinsurance agreement will be retained by the Member Company at its own risk and not retroceded, except when such retrocession is to an affiliate of the Member Company, unless notice of such retrocession is given to MRB and approved by the Board.

#### ARTICLE 14 - LOSSES

Member Companies will bear their proportionate share of losses and loss adjustment expenses incurred on reinsurance assumed through MRB as listed in the Schedule of Reinsurers attached to each reinsurance agreement and will participate in all salvage. MRB will furnish each Member Company a monthly report of all paid and outstanding loss and loss adjustment expense reserves (including incurred-but-not-reported losses) by line of business. The payment of losses will be under rules approved by the Board.

#### ARTICLE 15 - COLLATERALIZATION

A Member Company is required to collateralize one hundred percent (100%) of its MRB liabilities, including, but not limited to, its share of the unearned premium reserve, outstanding loss reserve (including incurred-but-not-reported reserve), and contingent commission reserve on all contracts on which the Member Company is listed in the Schedule of Reinsurers attached to each reinsurance agreement under the following circumstances:

- Immediately upon receiving a rating from A. M. Best of less than "B++."
- As of the end of any calendar quarter if statutory policyholders' surplus is less than \$100,000,000, and if the "net leverage ratio" as calculated by A.M. Best is greater than 4.0 to 1.0.
- As of the end of any calendar year if the net written premium to statutory policyholders' surplus ratio is greater than 3.0 to 1.0.

The following will constitute satisfactory collateral in any proportion:

- An approved letter of credit per New York State Insurance Department regulations.
- An actual cash deposit.

Any cash deposits will be invested separately and interest thereon credited to the Member Company.

## ARTICLE 16 - ARBITRATION

Should any difference of opinion arise between any Member Company and MRB, which cannot be resolved in the normal course of business with respect to the interpretation of these Articles of Association or the performance of the respective obligations of the parties under these Articles of Association, the difference will be referred to three (3) arbiters. The arbiters will be executive officers of insurance or reinsurance companies authorized to transact business in one or more of the States of the United States of America and writing the kind of business about which the difference has arisen.

One arbiter will be chosen by the Board of MRB, one by the Member Company, and the third by the two arbiters so chosen, within thirty (30) days of their appointment. If either party refuses or neglects to appoint an arbiter within thirty (30) days after receipt of written notice from the other party requesting it to do so, the requesting party may nominate two (2) arbiters, who will choose the third. Each party will submit its case to the arbiters within sixty (60) days of the appointment of the arbiters. The arbiters will consider this agreement an honorable engagement rather than merely a legal obligation; they are relieved of all judicial formalities and may abstain from following the strict rules of law.

The arbiters will give their decision in writing at the earliest convenient date, but not later than sixty (60) days after having received the case from the parties. The decision of a majority of the arbiters will be final and binding on both parties.

The expense of the arbiters and the arbitration will be divided equally between the parties. The arbitration will take place in Chicago, Illinois, unless some other location is mutually agreed upon.

## ARTICLE 17 - AMENDMENTS AND EXCEPTIONS

These Articles of Association and the Underwriting Guidelines may be amended at any annual meeting of the Board or at any special meeting called for this purpose. It will require the affirmative unanimous vote of the Board to amend these Articles of Association, provided, however, that no amendment will be considered at any meeting unless the same will be reduced to writing, and submitted to each member of the Board at least sixty (60) days prior to the meeting at which the proposed amendment is to be voted upon.

Exceptions to these Articles of Association, other than those already expressly provided for within these Articles of Association, will be made only upon unanimous agreement at any meeting of the Board.

## ARTICLE 18 - SUBSCRIPTION AND ACCEPTANCE

The above and foregoing Articles of Association will take effect according to their terms and will be binding upon each Member Company, which subscribes to a copy of the Articles of Association.

In witness whereof, the parties hereto have signed these Articles of Association on the dates as shown on the following Signature Pages and each Member Company agrees to be bound thereby as a Member Company of MRB effective as of the 1st day of January, 2011.

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MUTUAL REINSURANCE BUREAU  
ANCILLARY AGREEMENT TO THE  
ARTICLES OF ASSOCIATION, BYLAWS AND  
ASSUMING CONTRACT

EXHIBIT III



**MUTUAL REINSURANCE BUREAU**  
**CONFIDENTIAL**  
**ANCILLARY AGREEMENT**  
**TO THE**  
**ARTICLES OF ASSOCIATION, BYLAWS AND**  
**ASSUMING CONTRACT**

EFFECTIVE: JANUARY 1, 2011

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The Assuming Member Companies of the Mutual Reinsurance Bureau

EMPLOYERS MUTUAL CASUALTY COMPANY,  
FARM BUREAU MUTUAL INSURANCE COMPANY OF MICHIGAN,  
KENTUCKY FARM BUREAU MUTUAL INSURANCE COMPANY,  
and  
MOTORISTS MUTUAL INSURANCE COMPANY

desire to enhance and clarify the provisions of the Articles of Association, Bylaws and Assuming Contract Effective January 1, 2011 (hereinafter called "Articles of Association") and agree to this Confidential Ancillary Agreement (hereinafter called "Ancillary Agreement") effective January 1, 2011.

All assuming member companies of Mutual Reinsurance Bureau (hereinafter called "MRB") hereby agree that:

- 1) EMPLOYERS MUTUAL CASUALTY COMPANY, FARM BUREAU MUTUAL INSURANCE COMPANY OF MICHIGAN, KENTUCKY FARM BUREAU MUTUAL INSURANCE COMPANY and MOTORISTS MUTUAL INSURANCE COMPANY will participate on all reinsurance agreements written by MRB.
- 2) EMPLOYERS MUTUAL CASUALTY COMPANY and MOTORISTS MUTUAL INSURANCE COMPANY will be shown on the Interests and Liabilities Agreements for business assumed through the RTSF (Regional Treaty Services Facility, underwritten by the Regional Treaty Services Corporation), the Guy Carpenter RAP (Regional Accounts Program), and the Guy Carpenter PFP (Property Facultative Program) Agreements in those states where both are licensed or accredited to assume reinsurance;

- 3) EMPLOYERS MUTUAL CASUALTY COMPANY will be shown on the Interests and Liabilities Agreements for RTSF, RAP, and PFP Agreements in those states where MOTORISTS MUTUAL INSURANCE COMPANY is not licensed or accredited to assume reinsurance;
- 4) MRB will attach a Schedule of Reinsurers to each and every reinsurance agreement written identifying the specific member companies assuming liability under each agreement.

This Ancillary Agreement may be amended in compliance with any amendment to the Articles of Association only by a signed, written agreement of all Assuming Member Companies. In accordance with the MRB Articles of Association and its status as a joint reinsurance association, all RTSF, RAP and PFP business will continue to be allocated among the Assuming Member Companies of MRB in the normal manner.

In witness whereof, the parties hereto have signed this Ancillary Agreement on the dates as shown below and each Assuming Member Company agrees to be bound thereby as a Member Company of MRB effective as of the 1st day of January, 2011.

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**EMPLOYERS MUTUAL CASUALTY COMPANY**  
Des Moines, Iowa

Carmen Helcomb

Attest

Ron Hullenbeck

Name

V.P. - REINSURANCE

Title

June 23, 2011

Date

**FARM BUREAU MUTUAL INSURANCE  
COMPANY OF MICHIGAN**

Lansing, Michigan

Paul J. O'Brien

Attest

R. Paul

Name

V.P. & Corporate Controller

Title

June 16<sup>th</sup> 2011

Date

**KENTUCKY FARM BUREAU MUTUAL  
INSURANCE COMPANY**

Louisville, Kentucky

William L. Feltz Jr

Attest

Bill Myer

Name

Director, Actuarial Svcs

Title

June 20 2011

Date

**MOTORISTS MUTUAL INSURANCE COMPANY**

Columbus, Ohio

Kay M. Powell

Attest

Michael L. Wiseman

Name

Treasurer & CFO

Title

June 16, 2011

Date

COMBINED ANNUAL STATEMENTS OF THE  
2011 ASSUMING COMPANIES

EXHIBIT IV



**MUTUAL REINSURANCE BUREAU  
2011 ASSUMING COMPANIES**

COMBINED ANNUAL STATEMENTS

As of December 31,  
**2010**                      **2009**

**PAGE 2 - ASSETS**

1	Bonds	\$ 4,856,608,004	4,557,110,343
2	Stocks:		
	2.1 Preferred Stocks	81,302,913	71,871,508
	2.2 Common Stocks	1,026,193,994	1,047,833,409
3	Mortgage loans on real estate		
	3.1 First liens	7,362,720	6,229,934
4	Real estate:		
	4.1 Properties occupied by the company	122,655,411	111,820,741
	4.2 Properties held for the production of income	7,998,800	751,592
	4.3 Properties held for sale	239,400	479,721
5	Cash, cash equivalents, and short-term investments	109,084,261	176,829,256
8	Other invested assets	191,229,764	137,976,817
9	Receivable for securities	2,277,782	7,602,264
10	Securities lending reinvested collateral assets	1,926,102	0
11	Aggregate write-ins for invested assets	0	0
<b>12</b>	<b>Subtotals, cash and invested assets</b>	<b>6,406,879,151</b>	<b>6,118,505,585</b>
13	Title plants less \$ _____ 0 charged off (for Title insurers only)	0	0
14	Investment income due and accrued	57,543,959	60,327,379
15	Premiums and considerations:		
	15.1 Uncollected premiums and agents' balances in course of collection.	317,116,851	297,407,127
	15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.	401,848,339	383,932,343
	15.3 Accrued retrospective premiums	0	0
16	Reinsurance:		
	16.1 Amounts recoverable from reinsurers	15,886,879	21,846,589
	16.2 Funds held by or deposited with reinsured	2,762,982	4,020,348
17	Amounts receivable relating to uninsured plans	2,449,418	2,159,909
18.1	Current federal and foreign income tax recoverable and interest	16,531,453	75,242,161
18.2	Net deferred tax asset	168,505,933	147,576,109
19	Guaranty funds receivable or on deposit	5,159,777	5,521,568
20	Electronic data processing equipment and software	17,858,424	20,287,872
21	Furniture and equipment, including health care delivery assets	0	0
22	Net adj. in assets and liabilities due to foreign exchange rates	303,642	0
23	Receivable from parent, subsidiaries and affiliates	3,147,241	2,902,987
25	Aggregate write-ins for other than invested assets	87,268,293	53,158,474
<b>28</b>	<b>TOTALS</b>	<b>\$ 7,503,262,342</b>	<b>7,192,888,451</b>

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**MUTUAL REINSURANCE BUREAU  
2011 ASSUMING COMPANIES**

COMBINED ANNUAL STATEMENTS

As of December 31,  
**2010**                      **2009**

**PAGE 3 - LIABILITIES, SURPLUS AND OTHER FUNDS**

1	Losses	\$ 2,131,594,682	2,082,695,106
2	Reinsurance payable on paid losses	15,328,993	20,622,168
3	Loss adjustment expenses	520,133,711	501,055,919
4	Commissions payable, contingent commissions and other similar charges	194,676,704	172,481,848
5	Other expenses (excluding taxes, licenses and fees)	84,397,674	79,929,597
6	Taxes, licenses & fees (excluding federal & foreign inc. tax)	23,296,722	26,986,064
7.1	Current federal and foreign income taxes	629,309	18,674
7.2	Net deferred tax liability	627,936	560,872
8	Borrowed money	474,257	958
9	Unearned premiums	1,290,009,205	1,238,727,224
10	Advance Premiums	25,655,535	30,424,216
11	Dividends declared and unpaid:		
	11.1 Stockholders	0	0
	11.2 Policyholders	7,169,558	5,104,173
12	Ceded reinsurance premiums payable	17,405,874	22,254,863
13	Funds held by company under reinsurance treaties	13,772,881	15,109,895
14	Amounts withheld or retained by company for account of others	57,401,675	47,305,519
15	Remittances and items not allocated	2,237,747	1,974,334
16	Provision for reinsurance	1,540,737	3,879,305
17	Net adjustments in assets and liabilities due to foreign exchange rates	0	213,084
18	Drafts outstanding	17,760,987	17,579,575
19	Payable to parent, subsidiaries and affiliates	3,045,832	3,636,998
21-22	Payable for securities	2,644,814	7,231,267
25	Aggregate write-ins for liabilities	50,081,494	40,081,585
28	Total liabilities (Items 1 through 27)	4,459,886,327	4,317,873,244
29	Aggregate write-ins for special surplus funds	166,456,243	163,085,901
30	Common capital stock	1,650,000	1,650,000
31	Preferred capital stock	0	0
32	Aggregate write-ins for other than special purpose funds	10,647,909	5,942,125
33	Surplus notes	0	0
34	Gross paid in and contributed surplus	37,777,969	36,777,969
35	Unassigned funds (surplus)	2,826,843,894	2,667,559,212
<b>37</b>	<b>Surplus as regards policyholders</b>	<b>3,043,376,015</b>	<b>2,875,015,207</b>
<b>38</b>	<b>TOTALS</b>	<b>\$ 7,503,262,342</b>	<b>7,192,888,451</b>

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**MUTUAL REINSURANCE BUREAU  
2011 ASSUMING COMPANIES**

COMBINED ANNUAL STATEMENTS

Year Ended December 31,  
**2010**                      **2009**

**PAGE 4 - STATEMENT OF INCOME**

**UNDERWRITING INCOME**

1	Premiums earned	\$	3,024,826,083	2,918,580,755
	DEDUCTIONS			
2	Losses incurred		1,914,616,188	1,919,176,894
3	Loss adjustment expenses incurred		325,580,041	348,885,137
4	Other underwriting expenses incurred		951,719,620	941,045,663
5	Aggregate write-ins for underwriting deductions		(244,637)	237,637
6	Total underwriting deductions		3,191,671,212	3,209,345,331
<b>8</b>	<b>Net underwriting gain or (loss)</b>		<b>(166,845,129)</b>	<b>(290,764,576)</b>

**INVESTMENT INCOME**

9	Net investment income earned		241,766,583	248,197,303
10	Net realized capital gains or (losses)		140,029,780	25,508,871
<b>11</b>	<b>Net investment gain or (loss)</b>		<b>381,796,363</b>	<b>273,706,174</b>

**OTHER INCOME**

12	Net gain/(loss) agents' or prem balances charged off		(5,164,748)	(5,571,323)
13	Finance and service charges not included in premiums		20,404,371	18,954,063
14	Aggregate write-ins for miscellaneous income		3,322,940	2,846,526
15	Total other income		18,562,563	16,229,267
16	Net income before dividends to policyholders		233,513,797	(829,136)
17	Dividends to policyholders		34,558,838	30,936,531
<b>18</b>	<b>Net income, after dividends to policyholders</b>		<b>198,954,959</b>	<b>(31,765,667)</b>
19	Federal and foreign income taxes incurred		(2,561,461)	(47,356,004)

<b>20</b>	<b>Net income</b>		<b>201,516,420</b>	<b>15,590,337</b>
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**CAPITAL AND SURPLUS ACCOUNT**

21	Surplus as regards policyholders, December 31 prior year		2,875,015,207	2,647,156,310
	GAINS AND (LOSSES) IN SURPLUS			
22	Net income		201,516,420	15,590,337
24	Change in net unrealized capital gains or (losses)		639,062	143,388,487
25	Change in net unrealized foreign exchange capital gain (loss)		97,954	179,041
26	Change in net deferred income tax		6,394,139	(2,609,203)
27	Change in nonadmitted assets		(47,047,045)	(14,504,852)
28	Change in provision for reinsurance		2,338,568	2,444,862
31	Cumulative effect of changes in accounting principles		0	464,901
33	Surplus adjustments		1,000,000	0
35	Dividends to stockholders		(11,271,132)	(6,849,578)
37	Aggregate write-ins for gains and losses in surplus		14,692,842	89,754,902
<b>38</b>	<b>Change in surplus as regards policyholders for the year</b>		<b>168,360,808</b>	<b>227,858,897</b>

<b>39</b>	<b>Surplus as regards policyholders, December 31 current year</b>	<b>\$</b>	<b>3,043,376,015</b>	<b>2,875,015,207</b>
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**MUTUAL REINSURANCE BUREAU  
2011 ASSUMING COMPANIES**

COMBINED ANNUAL STATEMENTS

Year Ended December 31,  
2010                      2009

**PAGE 5 - CASH FLOW**

1 Premiums collected net of reinsurance	\$	3,032,516,918	2,907,147,057
2 Net investment income		251,675,098	250,001,943
3 Miscellaneous income		23,304,427	17,728,147
4 Total (Lines 1 to 3)		3,307,496,443	3,174,877,147
5 Benefits and loss related payments		1,864,144,072	1,927,681,484
7 Commissions, expenses paid and aggregate write-ins for deductions		1,227,426,981	1,249,041,449
8 Dividends paid to policyholders		32,391,036	28,836,496
9 Federal and foreign income taxes paid (recovered)		(11,808,987)	(68,220,137)
10 Total (Lines 5 through 9)		3,112,153,102	3,137,339,292
<b>11 Net cash from operations (Line 4 minus line 10)</b>		<b>195,343,341</b>	<b>37,537,855</b>
<b>15 Net cash from investments</b>		<b>(195,619,179)</b>	<b>(2,053,995)</b>
<b>17 Net cash from financing and miscellaneous sources</b>		<b>(67,469,157)</b>	<b>(27,775,762)</b>
<b>18 Net change in cash and short term investments</b>	<b>\$</b>	<b>(67,744,995)</b>	<b>7,708,098</b>

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NAIC INSURANCE REGULATORY  
INFORMATION SYSTEM  
IRIS RATIO RESULTS

EXHIBIT V



**MUTUAL REINSURANCE BUREAU  
2011 ASSUMING COMPANIES**

NAIC INSURANCE REGULATORY INFORMATION SYSTEM  
IRIS RATIO RESULTS

FOR THE PERIOD ENDED DECEMBER 31, 2010

FINANCIAL RATIO	Employers Mut. Cas. (Combined)	Farm Bureau Michigan (Combined)	Kentucky Farm Bureau (Combined)	Motorists Insurance (Combined)	Unusual Values Equal to or	
					Over	Under
1 Gross Written Premium to PHS	114.0	148.0	94.0	105.0	900	
2 Net Written Premiums to PHS	104.0	126.0	88.0	101.0	300	
3 Change in Net Written Premiums	0.0	5.0	11.0	2.0	33	(33)
4 Surplus Aid to PHS	0.0	0.0	0.0	0.0	15	
5 Two Year Overall Operating Ratio	92.0	<u>105.0</u>	<u>104.0</u>	<u>103.0</u>	100	
6 Investment Yield	4.4	3.8	4.2	<u>2.7</u>	6.5	3.0
7 Gross Change in PHS	8.0	(2.0)	9.0	4.0	50	(10)
8 Change in Adjusted PHS	8.0	(3.0)	9.0	4.0	25	(10)
9 Adjusted Liabilities to Liquid Assets	78.0	60.0	49.0	66.0	100	
10 Gross Agents' Balances to PHS	26.0	5.0	0.0	2.0	40	
11 One Year Reserve Development to PHS	(11.0)	(4.0)	(1.0)	(2.0)	20	
12 Two Year Reserve Development to PHS	(19.0)	(3.0)	(1.0)	(4.0)	20	
13 Est. Current Reserve Deficiency to PHS	(11.0)	(8.0)	(3.0)	(4.0)	25	

**Note: Underlined Item Indicates an Unusual Value**

**FINANCIAL INFORMATION**  
(\$ in thousands)

	\$	\$	\$	\$
Net Written Premium	1,125,279	449,261	816,559	690,808
PHS	1,079,590	355,804	927,149	680,833

**Combined  
MRB Totals  
\$**

**3,081,907  
3,043,376**

A.M. BEST TESTS:  
PROFITABILITY, LEVERAGE, LIQUIDITY  
AND LOSS RESERVE TESTS

EXHIBIT VI



<b>MUTUAL REINSURANCE BUREAU</b>
<b>2011 ASSUMING COMPANIES</b>

A.M. BEST TESTS:  
PROFITABILITY, LEVERAGE, LIQUIDITY, AND LOSS RESERVE TESTS

FOR THE PERIOD(S) ENDED DECEMBER 31, 2010

	<u>Employers Mut. Cas. (Combined)</u>	<u>Farm Bureau Michigan (Combined)</u>	<u>Kentucky Farm Bureau (Combined)</u>	<u>Motorists Insurance (Combined)</u>	<u>A.M. Best Normal Ranges (Annual)</u>	
<b>Best's Rating</b>	A-	A-	A+	A	<u>Low</u>	<u>High</u>
<b>Profitability Tests:</b>	<b><i>Five Year Period 2006 through 2010:</i></b>					
Loss & LAE Ratio	65.5	77.8	83.2	70.3	n/a	n/a
Expense Ratio	33.5	28.2	24.8	34.0	n/a	n/a
Policyholder Dividend Ratio	2.1	0.0	0.0	0.7	n/a	n/a
Combined Ratio	101.1	106.0	108.0	105.0	95.0	110.0
Operating Ratio	90.9	99.6	99.1	98.0	85.0	95.0
Pre-Tax ROR (Return on Revenue)	9.0	1.1	2.0	2.1	3.0	10.0
Net Income / Net Premium Earned	8.6	2.1	2.6	2.5	n/a	n/a
Yield on Invested Assets	4.5	4.1	4.5	3.5	4.0	6.0
Change in PHS	40.2	11.6	12.4	10.6	n/a	n/a
Return on PHS (ROE)	8.6	2.2	2.0	2.6	5.0	15.0
<b>Leverage Tests:</b>	<b><i>For Calendar Year 2010:</i></b>					
Change in NPW	0.2	5.4	10.6	2.4	3.0	10.0
DPW to PHS	1.0	1.4	0.9	1.0	n/a	n/a
NPW to PHS	1.0	1.3	0.9	1.0	n/a	2.0
Net Leverage	3.0	2.9	1.8	2.6	n/a	6.0
Gross Leverage	3.2	5.3	1.9	2.7	n/a	7.0
Reinsurance Recoverable to PHS	10.3	221.2	1.5	8.2	50.0	150.0
Best's Capital Adequacy Ratio	302.4	230.5	375.4	297.6	100.0	n/a
<b>Liquidity Tests:</b>	<b><i>For Calendar Year 2010:</i></b>					
Quick Liquidity	40.0	21.0	31.3	37.3	20.0	50.0
Current Liquidity	120.3	141.4	185.1	126.8	100.0	140.0
Agents' Balances to PHS	28.3	18.4	0.3	7.2	n/a	n/a
Investment Leverage (Non-affil.)	38.5	33.0	31.1	50.2	n/a	n/a
Non-Inv Grade Bonds to PHS	1.6	1.3	0.2	0.0	n/a	n/a
<b>Loss Reserve Tests:</b>	<b><i>For Calendar Year 2010:</i></b>					
Loss Reserves to PHS	1.3	0.8	0.4	0.9	0.5	3.0
<b>Policyholders Surplus (\$ in millions)</b>						
<b>Assuming Group Basis:</b>	<b><i>For Calendar Year 2010:</i></b>					
December 31, 2010	\$ 1,079.6	355.8	927.1	680.8	<b>MRB PHS Combined 3,043.4</b>	

MUTUAL REINSURANCE BUREAU  
CONSOLIDATED FINANCIAL STATEMENTS

EXHIBIT VII



**MUTUAL REINSURANCE BUREAU  
AND SUBSIDIARIES**

Consolidated Financial Statements  
December 31, 2010 and 2009

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Mutual Reinsurance Bureau  
Cherry Valley, Illinois

We have audited the accompanying consolidated balance sheets of Mutual Reinsurance Bureau and Subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of revenue, expenses and other comprehensive income (loss) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 4 to the accompanying consolidated financial statements, the Company has not recorded in the December 31, 2010 consolidated balance sheet, accumulated other comprehensive loss associated with the Company's qualified noncontributory defined benefit pension plan ("the qualified plan") and nonqualified noncontributory defined benefit supplemental pension plan ("the nonqualified plan") which, in our opinion, should be recognized in order to conform with accounting principles generally accepted in the United States of America. Accounting principles generally accepted in the United States of America require the Company to recognize an asset or liability in the statement of financial position for the funded status of the defined benefit postretirement plans, defined as the excess or deficiency of the fair value of the plan assets compared to the plan's projected benefit obligation. As of December 31, 2010, the Company has recorded the funded status of the plans based upon the excess of plan contributions over accumulated net periodic pension costs. Consequently, the qualified plan's overfunded status of \$51,350 is combined with the qualified plan's unrecognized accumulated other comprehensive loss of \$1,163,695 for a total of \$1,215,045 and is reported as a receivable from assuming companies-pension asset in the accompanying consolidated balance sheet as of December 31, 2010. If the Company complied with accounting principles generally accepted in the United States of America, receivable from assuming companies - pension asset would be reduced by \$1,163,695, pension liability would be reduced by \$33,750, and accumulated other comprehensive loss would be reduced by \$1,129,945.

As also described in Note 4 to the consolidated financial statements, the Company has not determined in the December 31, 2009 consolidated balance sheet the cost of its supplemental postretirement health insurance program in accordance with accounting principles generally accepted in the United States of America, which require the recognition of the overfunded or underfunded status of a defined benefit postretirement plan, as defined by the fair value of plan assets compared to the projected benefit obligation, as an asset or liability in its statement of financial position. We did not substantiate the financial statement impact of the supplemental postretirement health insurance program because the Company did not obtain an actuarial calculation of the benefit obligation as of December 31, 2009. We were unable to satisfy ourselves about the valuation of the benefit obligation by means of our auditing procedures.

Board of Directors  
Mutual Reinsurance Bureau

Page 2

In our opinion, except for the effects of the matters discussed in the preceding paragraphs, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mutual Reinsurance Bureau and Subsidiaries as of December 31, 2010 and 2009, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
April 21, 2011

MUTUAL REINSURANCE BUREAU AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 2,577,032	\$ 3,467,934
Premium receivable from ceding companies	7,332,927	6,374,248
Receivable from assuming companies	1,155,119	3,287,998
Other current assets	59,585	280,483
<b>Total current assets</b>	<u>11,124,663</u>	<u>13,410,663</u>
Property and Equipment		
Land	216,552	216,552
Land improvements	55,944	55,944
Buildings and building improvements	1,421,555	1,421,555
Office furniture and equipment	689,709	711,760
Vehicles	121,676	138,581
	<u>2,505,436</u>	<u>2,544,392</u>
Less: accumulated depreciation	1,713,383	1,717,363
	<u>792,053</u>	<u>827,029</u>
Other Assets		
Receivable from assuming companies - pension asset	1,215,045	-
Receivable from annuity	305,000	305,000
<b>Total other assets</b>	<u>1,520,045</u>	<u>305,000</u>
<b>Total Assets</b>	<u>\$ 13,436,761</u>	<u>\$ 14,542,692</u>
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities		
Payable to ceding companies - losses and return of premium	\$ 5,848,637	\$ 5,883,073
Payable to assuming companies	1,737,339	3,000,895
Payable to Member Companies	-	26,901
Other current liabilities	671,969	678,282
<b>Total current liabilities</b>	<u>8,257,945</u>	<u>9,589,151</u>
Other Liabilities		
Pension liability	369,112	1,528,307
Other liabilities	403,504	595,753
Member Company deposits	3,526,000	3,526,000
<b>Total other liabilities</b>	<u>4,298,616</u>	<u>5,650,060</u>
Equity		
Noncontrolling interest in consolidated subsidiaries	880,200	880,200
Accumulated other comprehensive loss	-	(1,576,719)
<b>Total equity</b>	<u>880,200</u>	<u>(696,519)</u>
<b>Total Liabilities and Equity</b>	<u>\$ 13,436,761</u>	<u>\$ 14,542,692</u>

See Notes to Consolidated Financial Statements

MUTUAL REINSURANCE BUREAU AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF REVENUE, EXPENSES AND OTHER COMPREHENSIVE INCOME (LOSS)  
 Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating Revenue		
Member Companies' operating subsidy:		
Current companies	\$ 2,656,899	\$ 2,451,035
Former companies	92,860	155,162
Commissions	1,576,551	1,861,895
<b>Operating revenue</b>	<u>4,326,310</u>	<u>4,468,092</u>
Operating Expenses		
Salaries and employee benefits	3,321,196	3,564,583
Occupancy and supplies	215,305	256,217
Travel	232,495	218,474
Other	616,035	437,434
<b>Operating expenses</b>	<u>4,385,031</u>	<u>4,476,708</u>
<b>Operating expenses, net</b>	(58,721)	(8,616)
Other Revenue		
Interest	24,714	1,014
Other	34,007	7,602
<b>Other revenue</b>	<u>58,721</u>	<u>8,616</u>
<b>Net revenue</b>	-	-
Other Comprehensive Income (Loss)	1,576,719	(450,519)
Accumulated Other Comprehensive Loss - Beginning of Year	<u>(1,576,719)</u>	<u>(1,126,200)</u>
Accumulated Other Comprehensive Loss - End of Year	<u>\$ -</u>	<u>\$ (1,576,719)</u>

MUTUAL REINSURANCE BUREAU AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Flows From Operating Activities		
Net revenue	\$ -	\$ -
Adjustments to reconcile net revenue to net cash (used in) provided by operating activities:		
Depreciation	82,062	72,653
(Gain) loss on disposal of equipment	(3,796)	110
Change in operating assets and liabilities:		
(Increase) decrease in:		
Premium receivable from ceding companies	(958,679)	(926,201)
Receivable from assuming companies	2,132,879	2,097,769
Other assets	220,898	(164,325)
Receivable from assuming companies - pension asset	(1,215,045)	-
(Decrease) increase in:		
Payable to ceding companies	(34,436)	(1,331,820)
Payable to assuming companies	(1,263,556)	1,105,374
Payable to Member Companies	(26,901)	(30,872)
Other liabilities	218,963	548,881
<b>Net cash (used in) provided by operating activities</b>	<u>(847,611)</u>	<u>1,371,569</u>
Cash Flows From Investing Activities		
Purchase of equipment	(47,191)	(80,418)
Proceeds from sale of equipment	3,900	-
<b>Net cash (used in) investing activities</b>	<u>(43,291)</u>	<u>(80,418)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	(890,902)	1,291,151
Cash and Cash Equivalents:		
Beginning	<u>3,467,934</u>	<u>2,176,783</u>
Ending	<u>\$ 2,577,032</u>	<u>\$ 3,467,934</u>

## MUTUAL REINSURANCE BUREAU AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Note 1. Nature of Business and Significant Accounting Policies

Nature of business: Mutual Reinsurance Bureau (Company) is an unincorporated association which is comprised of various insurance companies (Member Companies). The Company facilitates the making of reinsurance contracts between the Member Companies and other insurance companies through the establishment of an office and the appointment by the Member Companies of an "attorney-in-fact" to arrange and effectuate reinsurance contracts on their behalf.

MRB Brokerage, Ltd. (Brokerage) is a dormant variable interest entity owned by the Member Companies.

Reinsurance Building Corporation (RBC) is a variable interest entity owned by the Member Companies. Its operations consist of leasing land and a building to the Company.

A summary of the Company's significant accounting policies follows:

Accounting estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Plan contributions and the actuarial present value of accumulated plan benefits for the pension plans are prepared based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these estimates and assumptions in the near-term would be material to the financial statements.

Principles of consolidation: The consolidated financial statements include the accounts of the Company and the following variable interest entities, Reinsurance Building Corporation and MRB Brokerage, Ltd. All material intercompany accounts and transactions have been eliminated in consolidation.

Cash and cash equivalents: The Company considers all short-term investments purchased with a maturity date of three months or less to be cash equivalents.

Premium receivable from ceding companies and payable to assuming companies: The Company records premium receivable from ceding companies and corresponding premium payable to assuming companies at the estimated amounts to be received and paid under the reinsurance contracts. The amounts reported approximate the fair value of the identified receivables and payables. Receivables are written-off when deemed uncollectible. Interest is not charged on past due accounts. No allowance for doubtful accounts is considered necessary at December 31, 2010 and 2009.

Property and equipment: Property and equipment is recorded at cost net of accumulated depreciation. Depreciation is determined primarily on a straight-line basis over the estimated useful lives of the assets. The useful life for land improvements is generally 15 to 35 years while the useful life for building improvements is generally 7 to 12 years. The useful life for buildings is generally 35 to 39 years. The useful life for furniture and vehicles is generally 3 to 7 years.

## MUTUAL REINSURANCE BUREAU AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Note 1. Nature of Business and Significant Accounting Policies (Continued)

Receivable from assuming companies - pension asset and pension liability: As of and for the year ended December 31, 2010, pension asset and pension liability represent amounts related to the excess of plan contributions over the accumulation of net periodic pension expenses for the Company's qualified noncontributory defined benefit pension plan (qualified plan) and nonqualified noncontributory defined benefit supplemental pension plan (nonqualified plan). The pension asset relates to its qualified pension plan and the pension liability relates to its nonqualified pension plan. As of and for the year ended December 31, 2009, pension liability represents the underfunded status of the qualified and nonqualified pension plans from the fair market value of the plans' assets in relation to the projected benefit obligation.

Losses payable to ceding companies and receivable from assuming companies: The Company records losses payable to ceding companies and corresponding losses receivable from assuming companies when losses are reported to the Company by the ceding companies.

Receivable from or payable to Member Companies: Premium and loss activity assumed is allocated to the Member Companies based upon their respective participation percentages. Accordingly, amounts receivable from or payable to the Member Companies represent the net distributions of premium and loss activity outstanding and unpaid at the end of a respective year.

Loss exposure: In the normal course of business operations, the Company is involved with dispute resolution and potential litigation with claims involving cedants and retrocessionaires. At any given time, there can be a number of matters requiring dispute resolution efforts. Legal and related expenses incurred for negotiating the unpaid claims are not reflected in the accompanying financial statements as they are passed through to the assuming companies as loss and loss adjusting expenses. Loss and loss adjusting expense reserves for estimated claims exposure under the treaties are the responsibility of the Member Companies. It is the Company's policy to report to Member Companies all estimated claims exposure related to the Company's reinsurance operations.

Income taxes: The excess or deficiency of revenue over expenses is distributed or charged to the Member Companies in accordance with their underlying participation percentages for the respective calendar years. Consequently, the Company reports revenue, including Member Company operating subsidy, equal to expenses. Accordingly, no provision for federal or state income taxes has been reflected in the accompanying consolidated financial statements.

RBC is charged a management fee by the Company for administrative services equal to the amount of net earnings calculated prior to the management fee. Accordingly, RBC reports no net earnings and no provision for federal or state income taxes has been reflected in the accompanying consolidated financial statements.

The Company accounts for uncertain tax positions in accordance with accounting principles generally accepted in the United States of America. Under accounting principles generally accepted in the United States of America, the Company would establish a liability for the impact of additional taxes that it could be assessed in an examination. The tax provision would include any interest and penalties assessed by the taxing authority. Management believes that any exposure for uncertain tax positions is not material to the consolidated financial statements, and no adjustment is needed to prior year balances. The Company is no longer subject to examination by the Internal Revenue Service for years prior to 2007.

Reclassifications: Certain reclassifications have been made to the prior year's financial statements to conform to the current year's presentation. The reclassifications have no effect on the net results of the Company.

## MUTUAL REINSURANCE BUREAU AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Note 2. Cash and Cash Equivalents

The Company has on deposit in financial institutions balances in excess of amounts insured by the Federal Deposit Insurance Corporation. Substantially all bank deposits are secured by a repurchase agreement collateralized by marketable securities. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents, maintained in the bank deposit account.

#### Note 3. Member Company Deposits

Member Company deposits in the accompanying consolidated balance sheets include deposits from both current and former members. As of both December 31, 2010 and 2009, deposits from current members and former members total \$1,330,000 and \$2,196,000, respectively. Deposits of former members will be returned when the reinsurance for which the liability was assumed has terminated.

#### Note 4. Employee Benefits

The Company sponsors a qualified and a nonqualified plan, both of which provide benefits to employees after retirement.

Accounting principles generally accepted in the United States of America require the Company to recognize an asset or liability in the statement of financial position for the funded status of the defined benefit postretirement plans, defined as the excess or deficiency of the fair value of the plan assets compared to the plan's projected benefit obligation. As of December 31, 2010, the Company has recorded the funded status of the plans based upon the excess of plan contributions over the accumulated net periodic pension costs. Consequently, the accumulated other comprehensive loss, amounting to \$1,163,695, required by generally accepted accounting principles, is not reflected in the accompanying consolidated balance sheet as of December 31, 2010. The unrecognized accumulated other comprehensive loss of \$1,163,695 is combined with the qualified plan's overfunded status of \$51,350 for a total of \$1,215,045 and is reflected as a receivable from assuming companies-pension asset in the accompanying consolidated balance sheet as of December 31, 2010.

The Company also sponsors an informal supplemental health care program that provides postretirement health insurance benefits. The postretirement health insurance benefits are available to full-time employees who meet certain service and other requirements. The program is predominantly noncontributory; contributing retirees have their contributions adjusted annually. The future participation of employees and future cost sharing provisions are discretionary based upon the approval and discretion of executive management as approved annually by the Board of Directors.

Management has approved the cost of the postretirement health insurance benefits for current retiree participants effective through December 31, 2011. The accompanying consolidated financial statements include a postretirement health insurance liability based upon an estimate of the projected payouts through the approved date.

Additional details related to the postretirement pension plans and health insurance benefits are provided below.

MUTUAL REINSURANCE BUREAU AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Employee Benefits (Continued)

Pension plans: As of December 31, 2010 and 2009, the benefit obligations, fair value of assets and the funded status for the qualified plan are measured and reported as follows:

	<u>2010</u>	<u>2009</u>
Change in projected benefit obligation:		
Projected benefit obligation at January 1	\$ 6,540,200	\$ 5,552,904
Service cost	231,199	203,470
Interest cost	372,037	347,385
Actuarial loss	2,198	523,262
Benefits paid	(131,165)	(86,821)
Projected benefit obligation at December 31	<u>7,014,469</u>	<u>6,540,200</u>
Change in plan assets		
Fair value of plan assets at January 1	5,307,058	5,063,879
Actual gain (loss) on plan assets	739,926	330,000
Employer contributions	1,150,000	-
Benefits paid	(131,165)	(86,821)
Fair value of plan assets at December 31	<u>7,065,819</u>	<u>5,307,058</u>
Amounts reflected in the consolidated balance sheet consist of:		
Funded status, net	51,350	(1,233,142)
Unrecognized accumulated other comprehensive loss	1,163,695	-
Unrecognized actuarial loss	-	-
Unrecognized prior service cost	-	-
Total	<u>\$ 1,215,045</u>	<u>\$ (1,233,142)</u>
Amounts related to accumulated other comprehensive loss consist of:		
Total net actuarial loss	\$ 1,142,708	\$ 1,594,068
Prior service cost	20,987	25,822
Total	<u>\$ 1,163,695</u>	<u>\$ 1,619,890</u>

As of December 31, 2010 and 2009, the Company's qualified plan had an accumulated benefit obligation of \$6,289,081 and \$5,707,056, respectively.

MUTUAL REINSURANCE BUREAU AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Note 4. Employee Benefits (Continued)

Pension plans (Continued): As of December 31, 2010 and 2009, the benefit obligations, fair value of assets and the funded status for the nonqualified plan are measured and reported as follows:

	<u>2010</u>	<u>2009</u>
Change in projected benefit obligation		
Projected benefit obligation at January 1	\$ 295,165	\$ 293,554
Service cost	10,919	11,315
Interest cost	16,972	18,582
Actuarial loss	12,306	(28,286)
Benefits paid	-	-
Projected benefit obligation at December 31	<u>335,362</u>	<u>295,165</u>
Change in plan assets		
Fair value of plan assets at January 1	-	-
Employer contributions	-	-
Benefits paid	-	-
Fair value of plan assets at December 31	<u>-</u>	<u>-</u>
Amounts reflected in the consolidated balance sheet consist of:		
Funded status, net	(335,362)	(295,165)
Unrecognized actuarial loss	-	-
Unrecognized prior service cost	-	-
Total	<u>\$ (335,362)</u>	<u>\$ (295,165)</u>
Amounts related to accumulated other comprehensive loss consist of:		
Total net actuarial gain	\$ (20,728)	\$ (58,391)
Prior service cost	11,162	15,220
Total	<u>\$ (9,566)</u>	<u>\$ (43,171)</u>

As of December 31, 2010 and 2009, the Company's nonqualified plan had an accumulated benefit obligation of \$335,362 and \$270,284, respectively.

MUTUAL REINSURANCE BUREAU AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Note 4. Employee Benefits (Continued)

For the years ended December 31, 2010 and 2009, components of net periodic pension expense for the qualified plan are as follows:

	<u>2010</u>	<u>2009</u>
Pension expense for the qualified plan was comprised of the following:		
Service cost	\$ 231,199	\$ 203,470
Interest cost	372,037	347,385
Expected return on assets	(372,929)	(345,500)
Amortization of net loss (gain)	86,561	47,261
Amortization of prior service cost	4,835	8,638
Net periodic pension cost	<u>\$ 321,703</u>	<u>\$ 261,254</u>

For the years ended December 31, 2010 and 2009, components of net periodic pension expense for the nonqualified plan are as follows:

	<u>2010</u>	<u>2009</u>
Pension expense for the nonqualified plan was comprised of the following:		
Service cost	\$ 10,919	\$ 11,315
Interest cost	16,972	18,582
Amortization of net loss (gain)	(1,173)	-
Amortization of prior service cost	4,058	4,058
Net periodic pension cost	<u>\$ 30,776</u>	<u>\$ 33,955</u>

Assumptions used in the measurement of the Company's postretirement pension benefit obligations are as follows:

	<u>2010</u>	<u>2009</u>
Discount Rate	5.75 %	5.75 %
Rate of compensation increase:		
Qualified plan	3.25	3.25
Nonqualified plan	3.25	3.25

MUTUAL REINSURANCE BUREAU AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Note 4. Employee Benefits (Continued)

Assumptions used to determine the Company's postretirement net periodic pension costs are as follows:

	<u>2010</u>	<u>2009</u>
Discount rate	5.75 %	6.33 %
Expected return on plan assets	7.25	7.00
Rate of compensation increase:		
Qualified plan	3.25	3.25
Nonqualified plan	3.25	3.25

The Company's qualified pension plan asset allocation at the end of the years by asset category is as follows:

<u>Asset Category</u>	<u>2010</u>	<u>2009</u>
Equity securities	31 %	30 %
Debt securities	69	70
	<u>100 %</u>	<u>100 %</u>

The Company invests in the general fund and separate accounts of a large and nationally-recognized insurance company, both of which are considered level 2 inputs within the fair value hierarchy, for the purpose of diversifying its equity and debt security investments over a large number of issues within each category. It is the goal to invest approximately 30% of the plan's assets in equity-based accounts and 70% in debt-based or other accounts.

The Company does not currently anticipate a contribution to its qualified plan in 2011. An analysis will be done after the May 2011 plan year end to determine if a contribution is necessary.

Future benefit payments for the qualified and nonqualified pension plans that are expected to be paid are as follows:

<u>Year Ending</u>	<u>Amount</u>
2011	\$ 140,000
2012	170,000
2013	418,000
2014	418,000
2015	458,000
2016 -2020	\$ 3,448,000

## MUTUAL REINSURANCE BUREAU AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Note 4. Employee Benefits (Continued)

Postretirement health insurance benefits: As of December 31, 2010 and 2009, the Company recorded a postretirement health insurance liability in the amount of \$23,814 and \$231,939, respectively. The estimated liability represents the projected payouts for eligible participants that are anticipated to be paid. The total payments for postretirement health insurance benefits were \$8,925 and \$8,417 for 2010 and 2009, respectively. The expenses associated with establishing the postretirement health insurance liability and current postretirement health insurance payments have been included in salaries and employee benefits expense in the accompanying consolidated statements of revenue, expenses and other comprehensive income (loss).

Effective May 2010, management decided that the postretirement health insurance benefits must be approved on an annual basis. Management has approved postretirement health insurance benefits for current retiree participants through December 31, 2011. The decision to approve postretirement health insurance benefits only through December 31, 2011 resulted in a reduction of \$206,000 in the postretirement health insurance liability as of December 31, 2010. The reduction is also reflected in the accompanying consolidated statement of revenue, expenses, and other comprehensive income (loss) as a reduction in salary and employee benefits expense for the year ended December 31, 2010. Because of the discretionary nature of the Company's supplemental health care program, there is no accrual beyond the estimated liability of \$23,814 at December 31, 2010.

Under accounting principles generally accepted in the United States of America, the Company is required to recognize the overfunded or underfunded status of a defined benefit postretirement plan, as defined by the fair value of plan assets compared to the projected benefit obligation, as an asset or liability in its statement of financial position. Accounting principles generally accepted in the United States of America also prescribe additional disclosure requirements for defined benefit postretirement plans. The postretirement liability and total payments discussed in the preceding paragraph do not comply with the aforementioned requirements and prescribed disclosures for the year ended December 31, 2009, as the benefits were not approved on an annual basis until May 2010. The effect of the difference between the Company's recorded amounts and that which would be recorded under accounting principles generally accepted in the United States of America has not been determined as of December 31, 2009. The Company does not believe the difference has a material effect on the financial statements.

Other benefit plans: The Company also has a defined contribution plan known as the Mutual Reinsurance Bureau Extra Compensation Plan. This plan incorporates employer contributions, which are discretionary and determined by the Board of Directors, as well as deferred savings contributions subject to participants' deferred wage agreements. Deferred savings contributions for this plan amounted to \$117,259 and \$112,329 for 2010 and 2009, respectively. There were no additional discretionary contributions.

#### Note 5. Member Company Withdrawal

As of January 1, 2011, Country Mutual Insurance Company (Country) has withdrawn as a current Member Company of MRB. Country will be obligated for its share of the future runoff of all losses dated through December 31, 2010. As with other former Member Companies, Country will be reimbursed for their \$266,000 Member Company deposit when all of its obligations have been paid. MRB management is pursuing the addition of another Member Company effective in 2012.

#### Note 6. Major Reinsurance Clients

Reported ceding company premiums include premiums from five major clients (including pools) accounting for 70% and 66% of total written premiums for the years ended December 31, 2010 and 2009, respectively. Premium receivable from the five major clients totaled \$7,107,380 and \$5,441,263 of premium receivable from all ceding companies as of December 31, 2010 and 2009, respectively.

MUTUAL REINSURANCE BUREAU AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**Note 7. Subsequent Events**

The Company has evaluated subsequent events through April 21, 2011, which is the date that the consolidated financial statements were approved and available to be issued for events requiring disclosure or recording in the Company's consolidated financial statements.

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors  
Mutual Reinsurance Bureau  
Cherry Valley, Illinois

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating financial statements and reported transactions, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The supplemental schedule of reported transactions are reported on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis, expenses are generally recognized when paid rather than when incurred. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, with the exception of the departures identified in our accompanying audit report, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
April 21, 2011

MUTUAL REINSURANCE BUREAU AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET

December 31, 2010

	Mutual Reinsurance Bureau	MRB Brokerage, Ltd.	Reinsurance Building Corporation	Eliminations	Total
<b>ASSETS</b>					
Current Assets					
Cash and cash equivalents	\$ 2,389,790	\$ 200	\$ 187,042	\$ -	\$ 2,577,032
Premium receivable from ceding companies	7,332,927	-	-	-	7,332,927
Receivable from assuming companies	1,155,119	-	-	-	1,155,119
Other current assets	59,585	-	-	-	59,585
<b>Total current assets</b>	<b>10,937,421</b>	<b>200</b>	<b>187,042</b>	<b>-</b>	<b>11,124,663</b>
Property and Equipment					
Land	-	-	216,552	-	216,552
Land improvements	-	-	55,944	-	55,944
Buildings and building improvements	361,547	-	1,060,008	-	1,421,555
Office furniture and equipment	689,709	-	-	-	689,709
Vehicles	121,676	-	-	-	121,676
	1,172,932	-	1,332,504	-	2,505,436
Less: accumulated depreciation	1,073,837	-	639,546	-	1,713,383
	99,095	-	692,958	-	792,053
Other Assets					
Receivable from assuming companies - pension asset	1,215,045	-	-	-	1,215,045
Receivable from annuity	305,000	-	-	-	305,000
<b>Total other assets</b>	<b>1,520,045</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,520,045</b>
<b>Total Assets</b>	<b>\$ 12,556,561</b>	<b>\$ 200</b>	<b>\$ 880,000</b>	<b>\$ -</b>	<b>\$ 13,436,761</b>
<b>LIABILITIES AND EQUITY</b>					
Current Liabilities					
Payable to ceding companies - losses and return of premium	\$ 5,848,637	\$ -	\$ -	\$ -	\$ 5,848,637
Payable to assuming companies	1,737,339	-	-	-	1,737,339
Other current liabilities	671,969	-	-	-	671,969
<b>Total current liabilities</b>	<b>8,257,945</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,257,945</b>
Other Liabilities					
Pension liability	369,112	-	-	-	369,112
Other liabilities	403,504	-	-	-	403,504
Member Company deposits	3,526,000	-	-	-	3,526,000
<b>Total other liabilities</b>	<b>4,298,616</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,298,616</b>
Equity					
Common stock	-	200	880,000	(880,200)	-
Noncontrolling interest in consolidated subsidiaries	-	-	-	880,200	880,200
<b>Total equity</b>	<b>-</b>	<b>200</b>	<b>880,000</b>	<b>-</b>	<b>880,200</b>
<b>Total Liabilities and Equity</b>	<b>\$ 12,556,561</b>	<b>\$ 200</b>	<b>\$ 880,000</b>	<b>\$ -</b>	<b>\$ 13,436,761</b>

See Independent Auditors' Report

MUTUAL REINSURANCE BUREAU AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF REVENUE, EXPENSES AND OTHER COMPREHENSIVE INCOME (LOSS)

Year Ended December 31, 2010

	Mutual Reinsurance Bureau	MRB Brokerage, Ltd.	Reinsurance Building Corporation	Eliminations	Total
Operating Revenue					
Member Companies' operating subsidy:					
Current companies	\$ 2,656,899	\$ -	\$ -	\$ -	\$ 2,656,899
Former companies	92,860	-	-	-	92,860
Commissions	1,576,551	-	-	-	1,576,551
Rental Income	-	-	60,000	(60,000)	-
<b>Operating revenue</b>	<u>4,326,310</u>	<u>-</u>	<u>60,000</u>	<u>(60,000)</u>	<u>4,326,310</u>
Operating Expenses					
Salaries and employee benefits	3,321,196	-	-	-	3,321,196
Occupancy and supplies	240,710	-	34,595	(60,000)	215,305
Travel	232,495	-	-	-	232,495
Other	616,035	-	25,405	(25,405)	616,035
<b>Operating expenses</b>	<u>4,410,436</u>	<u>-</u>	<u>60,000</u>	<u>(85,405)</u>	<u>4,385,031</u>
<b>Operating revenue (expenses), net</b>	(84,126)	-	-	25,405	(58,721)
Other Revenue (Expense)					
Interest	24,714	-	-	-	24,714
Management service fees, net	25,405	-	-	(25,405)	-
Other	34,007	-	-	-	34,007
<b>Other revenue (expense), net</b>	<u>84,126</u>	<u>-</u>	<u>-</u>	<u>(25,405)</u>	<u>58,721</u>
<b>Net revenue</b>	-	-	-	-	-
Other Comprehensive Income	1,576,719	-	-	-	1,576,719
Accumulated Other Comprehensive Loss - Beginning of Year	(1,576,719)	-	-	-	(1,576,719)
Accumulated Other Comprehensive Loss - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditors' Report

MUTUAL REINSURANCE BUREAU AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF CASH FLOWS

Year Ended December 31, 2010

	Mutual Reinsurance Bureau	MRB Brokerage, Ltd.	Reinsurance Building Corporation	Eliminations	Total
<b>Cash Flows From Operating Activities</b>					
Net revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Adjustments to reconcile net revenue to net cash (used in) provided by operating activities:					
Depreciation	47,467	-	34,595	-	82,062
Gain on disposal of equipment	(3,796)	-	-	-	(3,796)
Change in operating assets and liabilities:					
(Increase) decrease in:					
Premium receivable from ceding companies	(958,679)	-	-	-	(958,679)
Receivable from assuming companies	2,132,879	-	-	-	2,132,879
Management fee receivable from affiliates	26,139	-	-	(26,139)	-
Other assets	220,898	-	-	-	220,898
Receivable from assuming companies - pension asset	(1,215,045)	-	-	-	(1,215,045)
(Decrease) increase in:					
Payable to ceding companies	(34,436)	-	-	-	(34,436)
Payable to assuming companies	(1,263,556)	-	-	-	(1,263,556)
Payable to Member Companies	(26,901)	-	-	-	(26,901)
Other liabilities	224,606	-	(31,782)	26,139	218,963
<b>Net cash (used in) provided by operating activities</b>	<b>(850,424)</b>	<b>-</b>	<b>2,813</b>	<b>-</b>	<b>(847,611)</b>
<b>Cash Flows From Investing Activities</b>					
Purchase of equipment	(47,191)	-	-	-	(47,191)
Proceeds from sale of equipment	3,900	-	-	-	3,900
<b>Net cash (used in) investing activities</b>	<b>(43,291)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(43,291)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(893,715)</b>	<b>-</b>	<b>2,813</b>	<b>-</b>	<b>(890,902)</b>
<b>Cash and Cash Equivalents:</b>					
Beginning	3,283,505	200	184,229	-	3,467,934
Ending	<u>\$ 2,389,790</u>	<u>\$ 200</u>	<u>\$ 187,042</u>	<u>\$ -</u>	<u>\$ 2,577,032</u>

See Independent Auditors' Report

MUTUAL REINSURANCE BUREAU AND SUBSIDIARIES

REPORTED TRANSACTIONS

Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>Ceding Company Reported Transactions</b>		
Premiums	\$ 112,077,867	\$ 94,931,517
Contingent commissions to Mutual Reinsurance Bureau	1,403,799	3,316,286
Provisional commissions from Mutual Reinsurance Bureau	(21,011,107)	(16,224,774)
Contingent commissions from Mutual Reinsurance Bureau	(7,554,382)	(9,475,427)
Loss and loss adjustment expenses paid	(53,611,893)	(52,617,268)
Net operating expenses incurred	(2,656,899)	(2,451,035)
<b>Ceding company transactions, net</b>	<b><u>\$ 28,647,385</u></b>	<b><u>\$ 17,479,298</u></b>
<b>Assuming Company Reported Transactions</b>		
Current Assuming Member Company Reported Transactions		
Country Mutual Insurance Co.		
Premiums	\$ (11,561,468)	\$ (11,490,285)
Provisional commissions to Mutual Reinsurance Bureau	2,757,498	2,709,614
Contingent commissions to Mutual Reinsurance Bureau	1,057,477	694,086
Loss and loss adjustment expenses to Mutual Reinsurance Bureau	6,302,172	5,744,091
Net operating expenses reimbursed to Mutual Reinsurance Bureau	288,112	316,201
	<u>\$ (1,156,209)</u>	<u>\$ (2,026,294)</u>
Employers Mutual Casualty Co.		
Premiums	\$ (20,396,151)	\$ (16,212,067)
Provisional commissions to Mutual Reinsurance Bureau	4,555,320	3,377,278
Contingent commissions to Mutual Reinsurance Bureau	1,362,114	1,450,279
Loss and loss adjustment expenses to Mutual Reinsurance Bureau	10,396,998	10,837,888
Net operating expenses reimbursed to Mutual Reinsurance Bureau	608,911	541,432
	<u>\$ (3,472,808)</u>	<u>\$ (5,190)</u>
Farm Bureau Mutual Ins. Co. of Michigan		
Premiums	\$ (20,394,979)	\$ (16,162,192)
Provisional commissions to Mutual Reinsurance Bureau	4,555,933	3,377,286
Contingent commissions to Mutual Reinsurance Bureau	978,936	1,270,818
Loss and loss adjustment expenses to Mutual Reinsurance Bureau	8,765,858	7,081,773
Net operating expenses reimbursed to Mutual Reinsurance Bureau	639,599	543,895
	<u>\$ (5,454,653)</u>	<u>\$ (3,888,420)</u>

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## MUTUAL REINSURANCE BUREAU AND SUBSIDIARIES

### REPORTED TRANSACTIONS

Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>Assuming Company Reported Transactions (Continued)</b>		
Current Assuming Member Company Reported Transactions (Continued)		
Kentucky Farm Bureau Mutual Ins. Co.		
Premiums	\$ (20,396,111)	\$ (16,211,575)
Provisional commissions to Mutual Reinsurance Bureau	4,555,933	3,377,286
Contingent commissions to Mutual Reinsurance Bureau	1,112,843	1,497,641
Loss and loss adjustment expenses to Mutual Reinsurance Bureau	9,436,110	8,516,566
Net operating expenses reimbursed to Mutual Reinsurance Bureau	637,453	540,814
	<u>\$ (4,653,772)</u>	<u>\$ (2,279,268)</u>
Motorists Mutual Insurance Co.		
Premiums	\$ (20,396,111)	\$ (16,212,067)
Provisional commissions to Mutual Reinsurance Bureau	4,555,320	3,377,278
Contingent commissions to Mutual Reinsurance Bureau	1,362,114	1,450,279
Loss and loss adjustment expenses to Mutual Reinsurance Bureau	10,396,982	10,837,881
Net operating expenses reimbursed to Mutual Reinsurance Bureau	608,913	541,432
	<u>\$ (3,472,782)</u>	<u>\$ (5,196)</u>
Former Assuming Companies (members and others) Reported Transactions		
All Other Companies Combined		
Premiums	\$ (18,933,047)	\$ (18,643,331)
Provisional commissions to Mutual Reinsurance Bureau	31,103	6,032
Contingent commissions from Mutual Reinsurance Bureau	277,099	(203,962)
Loss and loss adjustment expenses to Mutual Reinsurance Bureau	8,313,773	9,599,070
Net operating expenses reimbursed to Mutual Reinsurance Bureau	(126,089)	(32,739)
	<u>\$ (10,437,161)</u>	<u>\$ (9,274,930)</u>
<b>Assuming company transactions, net</b>	<u><u>\$ (28,647,385)</u></u>	<u><u>\$ (17,479,298)</u></u>

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