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 ⚠ There are certain things that we need to prepare for regardless of specific changes that we can't predict.

— Jeff Menary, President and CEO

INNOVATION IN ACTION

From entirely new business platforms to ecofriendly water stations, Grinnell Mutual recognizes the importance of changing with the times and keeping up with our customers' and employees' needs.

"Our industry is on the cusp of major changes, and these changes will be devastating to some," said Jeff Menary, president and CEO. "But they'll create opportunities for others who are prepared to take advantage of them. We aim to be one of the latter."

Here are just a few of the things the company invested in during 2018 to ensure we're leading instead of following.

FarrPro — Startup that creates a safe, energyefficient environment for optimal piglet growth and improved sow comfort

Drones — Average inspection time for property claims reduced by about 90 minutes

Guidewire Cloud — Frees up on-premise resources for the multi-year CONNECT project to remake business platforms from end to end

Unprecedented changes and improvements —

Technology and cybersecurity



- ▲ The insurance industry is being disrupted and customer expectations are evolving.
- Ken Klug, Vice President of Direct Claims and co-executive sponsor of CONNECT
- ▲ Not only is FarrPro a strategic investment for Grinnell Mutual, it also supports our commitment to innovation in the agricultural space.
 - Kurt Eaves, Vice President of Underwriting, Sales, and Service



Water-bottle filling stations —

Installed in 11 locations; more than 27,000 disposable bottles saved in under eight months

Dedicated IT team for Reinsurance — Allows faster and more effective division development

Accelerated electronic data transfer — 40 members programmed for use in 2018

Data scrubber — Reduces time to prepare mutual pricing renewal book by as much as two months



Top: Planning for CONNECT. Above: IT team members self-select their assignments.

INNOVATIVE

- - **f** It is imperative that we continue to develop our current staff and attract new talent. Failing to do that fails our mutual members, our agents, our policyholders, and our employees.
 - Jeff Menary, President and CEO

- the value of their business and protect the legacy they've worked so hard to build.
 - Mike Shepardson, Assistant Vice President of Agency Sales, Services, and Specialty

FindBob/Grinnell Mutual **SUCCESSion** — Provides agency owners access to succession-planning resources and business management tools

InsuranceSocial.Media —

Offers social media content to agencies and mutuals; expanded its offerings to include email campaigns and automated posts to LinkedIn as well as Twitter and Facebook

New bonus structure —

Creates incentive to keep costs under control and focus on revenue-creating projects

Recruitment fine-tuning

- Focuses on four college campuses to become an employer of choice

Mental health services —

Places a renewed emphasis on keeping the workforce healthy both at work and at home





Grinnell Mutual's User Experience (UX) team worked closely with agencies in 2018 to help determine what their specific needs were.

- All the data points to an evertightening labor market, and it's more important than ever to be progressive and to stay competitive, so we can draw the best and brightest talent.
- Jeff Vogts, Vice President of Talent Development

- We need to stay relevant and think innovatively about what we'll need not just now, but down the road.
- Kurt Eaves, Vice President of Underwriting, Sales, and Service



Above: the UX Summer Tour culminated in an event that showcased the UX team's findings.

Right: FarrPro co-founder Amos Petersen presents information about his company.



Leave and vacation policy updates — Ensures
market competitiveness
and adherence to industry
best practices

Salary grades — Assessed and monitored by a third party to ensure fair pay practices





FindBob founder Roland Chan talks about his company. Grinnell Mutual has invested in FindBob, which provides current and future agency owners access to resources like successionplanning documents and professionals who can help with legal and accounting.

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Connie, Claims





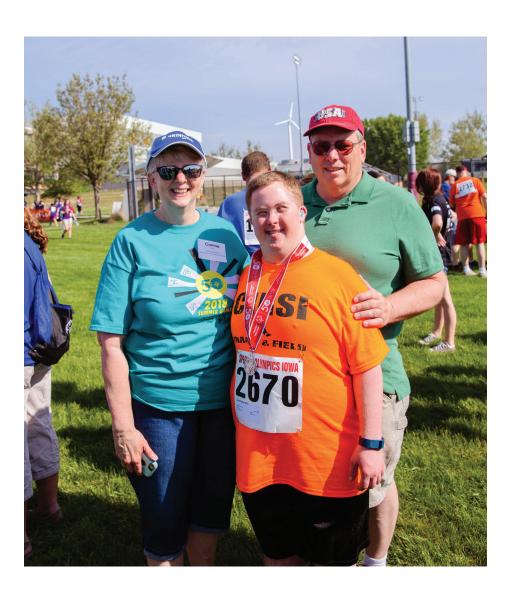
GIVING BACK

Volunteerism is an important part of who we are as a company.



Grinnell Mutual has sponsored events at the Special Olympics Iowa Summer Games since 2016.

Right: Connie Weir and her husband, Craig, volunteer while cheering on their son, Christopher.



Corporate donations \$271,170 Community donations \$57,239 **GMG** Foundation donations \$263,453

\$591,862 **Total**

105 scholarships awarded totaling:

\$105,000

Employee and GMG Foundation combined donation to United Ways:

\$124,478







As part of Grinnell Mutual's Day of Caring, employees helped at the Bidwell Riverside Center (top), packaged food for Meals from the Heartland (above left), and cleaned up at Rock Creek State Park (above right).

Volunteer hours used:

1,962

GMG Foundation donation highlights:

MDA Summer Camp, Hammond Assisted Living Center, Grinnell Community Daycare & Preschool, Lynnville-Sully Community Education Foundation, Grinnell-Newburg School District business program, U of I Holden Comprehensive Cancer Center

Special Olympics/ Day of Caring volunteers:

336







Top: Decorating for the Youth Emergency Services and Shelter's talent show in Des Moines. Above: Employees and Grinnell Middle School volunteers team up for a highway cleanup day.

Partners in Education — Partnering with Grinnell Middle School

Funded: District-wide keynote speaker for staff kickoff, Courage and Kindness retreats for GMS students, track ribbons for GMS track meet, fifth-grade movie outing, health fair lunch

Offered experiences: Highway cleanup day, Bring Your Child to Work Day, holiday concert for Grinnell Mutual staff, academic testing celebration, fifth-grade picnic

Donated: Proceeds from company book fair, sports and music certificates, school supplies for seven area schools







Top: Grinnell Middle School students perform for employees. Left: Donated supplies for area schools. Above: Christmas Share donations for local families.





John, IT Service



Michael, Reinsurance



Andrea, Strategic Experience



Dana, Underwriting



Tea, Underwriting



Kris, Enterprise Solutions



Cassie, IT Audit



Adam, Claims





April, Underwriting



Tom, Support Services



Ryan, Talent Development



Jacob, Underwriting

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Underwriting





DIVISION REPORTS: CLAIMS



Our Claims team did it again in 2018. The year was filled with opportunities to improve how we take care of our customers in their time of need. We are a customer-centric, metrics-driven team and we're positioned for great things in the future. The insurance landscape will continue to be disrupted, but come what may, Grinnell Mutual is committed to offering an outstanding experience that meets the needs of our customers.

Our main objective as a Claims team is to reduce the time from claim to settlement. At every point in the claims process, we want our customers to know we care and to plan to fulfill our promises as quickly as possible. The ongoing work at Grinnell Mutual is focused around the launch of our new core business platforms, which will help us provide the service options our customers demand better and faster.

Initiatives like our new total loss team and photo estimating have decreased the amount of time it takes for us to settle a total loss and write repair estimates. We continue to hear from our customers and team members that these changes are making a difference.

In 2019 and beyond, the Claims team will continue to evolve by providing a digital claims experience with a personal touch. Our top priorities include continuous improvement, agile project management, speed, people development, metrics, team engagement, and implementation of a new claims system.

It is not our goal to automate every step of the claims process with recorded messages and chatbots — because we know that when it comes to putting people's lives back together, a personal touch can make all the difference. Our decisions are driven by what our customers want: a quick and easy claims experience.





Marshalltown, Iowa, following the 2018 tornado. Photo credit: Hans Madsen/Times Republican

CLOSE TO HOME

HOW GRINNELL MUTUAL HELPED A COUPLE AFTER THE MARSHALLTOWN TORNADO

When the tornado sirens went off July 19, 2018, Greg and Mindy Van Dyke initially shrugged it off, as born-and-raised Iowans tend to do.

"We're typical lowa people. We looked outside, and it didn't look all that bad, so we thought it would be OK," said Greg.

Greg is a commercial corn and soybean farmer and runs the family farm in Searsboro, Iowa, near Grinnell. Mindy owns and runs Stepping Stones Christian Bookstores, with locations in Grinnell and nearby Marshalltown.



Greg and Mindy Van Dyke





A curtain and some other miscellaneous items were stuck under the Van Dyke's vehicle, leading them to think it might have been airborne at some point.

That day, Greg was working in Searsboro and Mindy was running the store in Marshalltown. She was just about to head home but decided to wait out the storm. She moved their new car to the front of the store, so she could get home faster after the weather settled, and then went to the basement with a coworker. The lights went out (it would be another 48 hours before they returned), and they waited.

After a deafening couple of minutes, Mindy and her coworker went up to the main level of the store, unsure what to expect.

They were shocked by what they found, as were many people in the path of the July 19 storm.

"There was not one inch of street or sidewalk

that wasn't completely covered with broken glass or debris," Mindy said.

CATASTROPHE ACROSS CENTRAL IOWA

What Mindy and Greg could not have known while hunkered in the basement was that 19 tornadoes had ripped through central Iowa. The largest ones hit Marshalltown and Pella, reaching EF-3 status with peak winds of 144 mph.

Dan Sondag, a senior physical damage specialist at Grinnell Mutual, was part of the responding CAT team. He arrived in Marshalltown the following day and spent the next couple of weeks assessing vehicles for damages — about 40 in total. "I went to a parking

make it worse. And that's exactly what Nicole did.

— Mindy Van Dyke

lot in Marshalltown and it was chaos. Just terrible. Cars were upside down, on their sides, windows busted out," he said. "I just cannot believe no one was killed."

All in all, more than 800 buildings in Marshalltown were damaged, undoing over 15 years of hard work and millions of dollars of renovations in the downtown area and destroying many livelihoods and homes.

AS LUCK WOULD HAVE IT

The Van Dykes took two hits: one to their store and one to their car.

Fortuitously, Mindy had not locked the storefront doors before heading to the basement. When the storm hit, the doors apparently had flung open for a moment, letting in a cloud of gritty dust that covered the store, top to bottom, front to back. Miraculously, her 14-foot, floor-to-ceiling storefront windows were intact and none of the inventory was damaged.

"We actually ended up being better off than most, and we were right in the middle of the worst of it. I feel like God had a protective hand over it," Mindy said.

The damage to the car, which they had purchased only 10 months before, was extensive. And at some point, the vehicle must have been airborne, as a curtain and some other miscellaneous items were stuck under the front wheels.

After the storm, when Greg got to Marshalltown to see the damage first-hand, he felt overwhelmed at the sight of the top of the courthouse blown off, but mostly he felt relieved.

"We were all safe. The rest of it — that's what we have insurance for," Greg said.

CLOSE TO HOME

The next day, Greg submitted his auto claim to Grinnell Mutual. The claim came to telephone claims adjuster Nicole Meldrem.

For Meldrem, the situation hit close to home. She grew up only five minutes from Marshalltown's downtown. Her mother and stepfather work at Lennox, which employs 1,400 people in the area. The facility was hit hard and it was nearly nine weeks before Meldrem's stepfather was able to return to work.

"Anytime something touches close to home, it makes it a little more near and dear. I wanted to do what I

Tornado intensity scale (Fujita Scale)

EF-5 Wind speeds > 200 mph. Massive damage occurs. Well constructed homes are swept away, steel-reinforced concrete structures are critically damaged, trees are completely debarked

EF-4 Wind speeds 166-200 mph. Extreme damage occurs. Well constructed homes are leveled, cars are thrown significant distances, top story exterior walls of masonry buildings collapse

EF-3 Wind speeds 136-165 mph. Severe damage occurs. Entire stories of homes destroyed, damage to large buildings

EF-2 Wind speeds 111-135 mph. Considerable damage occurs. Roofs torn off, homes shift on foundations, cars tossed

EF-1 Wind speeds 86-110 mph. Moderate damage occurs. Roofs damaged, windows broken, exterior doors damaged

EF-1 Wind speeds 65-85 mph. Minor damages



could to be on top of everything," Meldrem said.

Greg was impressed by Meldrem's kindness and above-and-beyond work ethic. "She was great," Greg said. "Emphasize that." When Meldrem went on vacation that week, Greg opted to wait for her return instead of switching to another adjuster. As it turned out, the car was a total loss and the Van Dykes decided to purchase a new car.

In an unusual but efficient move, Greg drove to Grinnell Mutual to exchange the vehicle and title. When he arrived. Nicole handed him the check.

The couple was impressed with the service. "Insurance needs to help you through the process, not make it worse," Mindy said. "And that's exactly what Nicole did."

Almost a year later, Marshalltown continues to rebuild and the Van Dykes are doing well.

"I'm still not that worried when the severe weather warning goes off," Greg said, laughing. "But my wife is very concerned about it now."



DIVISION REPORTS: UNDERWRITING, SALES, AND SERVICE



We continued on a path of profitable growth toward our objective of becoming a top 100 property-casualty company. Since 2012, direct written premium has grown 58 percent to nearly \$475 million, significantly outpacing the industry average year over year. In 2019, our goal is to surpass \$500 million in direct written premium.

Over this same period, the division carried a cumulative combined ratio under 94 percent and nearly \$110 million of operating profit was booked.

Personal and farm lines business grew nearly 13.8 percent and ended the year with a 100.4 percent combined ratio. The overall personal lines combined ratio improved five points from the previous year due to actions taken to improve auto profitability. Personal lines also continued to build Grinnell Mutual's new technology platform for an early 2019 product launch in Pennsylvania, where we are expanding our business. This first release (known internally as CONNECT) includes the rollout of our new multivariate auto product from a new underwriting company, Grinnell Compass.



We also introduced our homeowners product on the new platform.

Our commercial lines operation had another exceptional year, producing an underwriting profit of almost \$20 million, a growth of 6.9 percent, led by our Commercial Package Policy, which finished 2018 with 10 percent growth and a 37 percent loss ratio.

Workers' Compensation has continued to perform very well and had an annual loss ratio of 38.4 percent and a five-year average loss ratio of 44.3 percent.

We continue to focus on ease-of-doing-business initiatives to build and

maintain trusted relationships with our independent agents. The **CONNECT** program will continue to improve the agency experience as we develop additional lines of business, and eventually phase out our legacy systems.

We have also recognized a trend



toward agency consolidation in the industry and partnered with FindBob to offer an online "matchmaking" platform to help agents who want to grow find agents who are looking to sell their book of business or partner with another agency.

Based on our history of profitable growth and operational excellence, we were named a Ward's Top 50 property-casualty insurer for the third straight year. This recognition identifies the top financial performers in the property-casualty market over a five-year period, among a field of nearly 3,000 companies based in the United States. We are committed to continue performing at that level.

We also will continue to explore products and ways of doing business — both high-tech and face-to-face — that strengthen ties with our independent agency network, the backbone of our direct lines' success, and to keep pace with a rapidly changing industry.





'YES, IT CAN BE DONE!'

FOR BOTH AGENT AND MUTUAL, INSURANCE MEANS MAKING A DIFFERENCE

"¿Quienes somos?" Who are we?

That's the question independent agent Jacque Arreola asks — and answers — on jarreolallc.com, her insurance agency's website.

It's also a question she had asked herself. And the answer was Jacqueline Arreola, LLC, an independent insurance agency she and her husband, Temo, opened in Washington, Iowa, in 2018.

For Arreola, insurance is more than risk management and financial independence. It's a way to make a difference in her community, to be true to who she is.

Before she opened the agency, she worked for nearly two decades in the financial sector, where she made connections with agents and learned about the insurance needs of people living in the small southeastern lowa community.

She saw an opportunity. "I realized there was a need not just for someone bilingual, but someone who wanted to make a difference," said Arreola. "These people want to be served."

Arreola knew that to realize her dream she would have to do her homework. For more than a year, she researched and prepared for her opening day.

One of the first contracts she landed was with Farm & Home Mutual Insurance Association, a 145-year-old company also headquartered in Washington, managed by Suzanne Wood.

"We hit it off," Arreola said. "They understood that I wanted to be on my own and that I wanted to help the community."

PROTECTING EACH OTHER

"Our demographics are changing, but the needs are the same," said Wood. "It's the same now as it's always been in one way — people are working together to protect each other. It's just different people. We have to adapt to survive."

U.S. Census Bureau data supports Wood's on-theground observations. In Iowa, the number of people who are from, or whose ancestors were from, Spanishspeaking countries has grown 20.6 percent to more than 182,000 people since 2010. And according to the 2018 State of Hispanic Homeownership Report, home

ownership among this group — 50.8 percent — in lowa is higher than the national average.

"Jacque is continuing what we were already doing. Agents and policyholders both just want to know that we're doing what's best for them," said Wood.

Arreola's agency has helped Farm & Home Mutual carry that message, growing its book of business and diversifying its policyholder base by bringing in Spanish-speaking customers that the mutual previously struggled to serve, in part because of the language barrier.

PARTNERS IN SERVICE

Arreola's relationship with Wood is another key to the agency's success.

"Suzanne and Farm & Home Mutual have been my biggest supporters since day one." Arreola said.

"They are always available to answer my questions and our relationship is growing. I know that I can go

there any time and find out what's going on or just get a cup of coffee."

Wood values all her agency relationships, but she's particularly excited about the partnership with Arreola's agency.

"We are very supportive of Jacque because we know she will continue this relationship-building," Wood said. "It's just very exciting that we can help her serve this underserved population. It's something we've thought about for a long time and the partnership is just perfect for us. It fits everything the mutual system is about."

In turn, Arreola appreciates that Wood supports her and her focus on delivering customer service.

"When your focus is on integrity — helping your clients and being passionate about your why — everything else falls into place," said Arreola. "If I did it, anyone can do it."

Which fits her mantra nicely: "¡Sí se puede!" Yes, it can be done!





DIVISION REPORTS: REINSURANCE



In 2018, Grinnell Re benefited from favorable weather throughout the Midwest and performance was strong. Our net combined ratio was 71.7 percent, we grew gross written premium by 0.5 percent, and reduced our expense ratio by over 2 points. We added one company and over \$3 million in new business revenue, driven primarily by growth in our national accounts.

It was a continuation of the work we've been doing over the last five years to price our portfolio responsibly, deliver long-term underwriting profit, grow our membership, deliver services that support our members' success, and reduce expenses.

On the whole, our portfolio is priced adequately, and over the past five years, we have produced an 80.6 percent net combined ratio. During the same time period, gross written premium grew 11 percent, while our expense ratio decreased over 4 points. We added 19 companies to our membership and grew market share in the farm mutual industry to over 52 percent in our operating territory.

We also committed to adding talented staff in the division over the long-term, building up resources to provide vital support functions for our members and grow with our members' needs.

The future is bright. We will stay the course with pricing, focusing on longer-term profit and stability while reducing expenses and continuing to grow modestly by adding quality mutual companies to our membership.

In 2019 and beyond, we plan to continue growing our national reinsurance business and diversifying our portfolio geographically. We have also started an exciting project to build a new reinsurance IT platform, which will offer efficiencies and easy access to the forms and services our members need.

Our goal and promise is to channel our time, energy, and investments into supporting our members, offering new services and tools to address new market challenges, and aiding long-term success.



■ The value you get for the money and the time you save is well worth the cost.

— Karla Bauer, on Mutual Claims Services

A VALUABLE PARTNERSHIP

Relationships define Grinnell Re, and perhaps nothing illustrates that more than Mutual Claims Services.

Grinnell Mutual members who use the service have access to claims experts, catastrophe assistance, and 24-hour claims reporting service.

Karla Bauer, mutual manager from Kenyon Holden Warsaw Mutual in Wanamingo, Minn., says the service has been invaluable.

"The value you get for the money and the time you save is well worth the cost," she said. "Especially when claim volumes get heavy."

Kevin Kies, assistant vice president for Grinnell Re, recognizes that there are many demands on mutual staff.

"Managers need to be proficient in so many areas when running their companies. They have to split their time between underwriting, pricing, marketing, investments, claims, and more. Mutual Claims Services is able to take claims out of the equation to free up more time for them to focus efforts on other areas."

A GREAT ADJUSTER

Bauer credits her Grinnell Re claims adjuster, Ryan Nelson, with providing that value.

"He's so efficient, patient, thorough, and









Karla Bauer, left, joins other mutual staff at Grinnell Mutual's home office during Mutual Summit.

good with customers," said Bauer. "If you had to receive bad news, you'd want to receive it from Rvan."

She recalls a recent incident when a policyholder called to report a claim on a Friday around 5 p.m.

"Before I could even contact her, Ryan had already called. It was only about a 15-minute time frame!"

Nelson says that sort of timeliness is essential.

"As adjusters, we know that claims can come at any time, and if it's busy, they can keep coming. It's important to jump on new claims right away so we don't get behind."

A TWO-WAY STREET

Nelson says working with Bauer is a pleasure.

"Karla has a great sense of humor and always makes handling a claim for her mutual interesting."

Nelson also appreciates the focus Bauer puts on preventing losses before they happen.

"She and her agents encourage insureds to take a proactive approach in reducing losses."

Bauer sums up her partnership with Nelson with a wink and a smile.

"If I ever lose Ryan, I quit!" And, she says, she's only half-joking.

MUTUAL MEMBER BENEFITS

Among the services Grinnell Mutual and Grinnell Re offer its members are:

- · Auditing and reserving
- · CAT management
- · Claims education
- Reinsurance Adjusting Program (RAP)
- Free large-loss claims handling

REINSURANCE ADJUSTING PROGRAM (RAP)

Grinnell Mutual offers RAP in all the states in which it has traditional reinsurance business. Grinnell Mutual pays adjusters' salaries, benefits, and transportation and equipment costs. Key benefits include:

- Mutuals retain control of claim settlement authority criteria.
- Adjusters' files are reviewed monthly and audited annually to ensure quality service.
- The RAP has experienced staff, so claims are handled using best practices.
- Losses over \$50,000 handled at no charge.

Jonna, Underwriting



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Total calls serviced:

183,344

Agencies 8 1 added:

Special Special investigations completed:

Mutual members:

240

National Re accounts:



Named a Ward's 50 property-casualty company three years in a row



largest propertycasualty company

'A' rated by A.M. Best since

1991



Total gross written premium:

\$700,853,000

Underwriting gain:

\$71.9 million

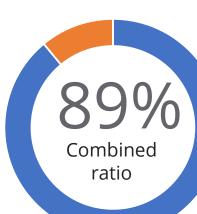
8%

Gross written premium increase over 2017 Total assets:

\$1.3 billion

Total surplus:

\$677 million



Surplus gain:

\$64

million



Employees:

821

New hires:

89

2018 retirees:

16

Number of personal auto policies in force:

176,650



Direct lines claims:

53,314

FINANCIAL OVERVIEW

Grinnell Mutual Reinsurance Company and subsidiaries ("Grinnell Mutual") had a strong operating year in 2018. The positive results were due in part to less storm activity in 2018 compared to 2017. These lower catastrophic losses, plus improved expense management, led to an increase to surplus, setting the stage for a combined ratio of 89 percent, down from 100 percent in 2017.

\$700,000

The results for 2014 through 2018 have been consistently strong. Net earned premium has grown each year at a steady pace, while expenses have decreased as a percentage of premium each of the last three years, staying under 29



PREMIUM

2018 RESULTS

Earned premium increased 8 percent in 2018, primarily from more personal automobile property and liability business and more direct commercial lines business. Premiums ceded to reinsurers reduced earned premiums by \$61.5 million in 2018 compared to \$57.2 million in 2017.

There were no recoveries under our ceded property mainframe program from 2012 through 2018, stabilizing costs associated with that coverage.

The loss and loss adjustment expense ratio decreased to 62 percent in 2018 from 73 percent in 2017, primarily due to lower weather-related loss frequency. Strong underwriting practices and growth in earned premiums contributed to positive results over the same period.

Underwriting and general insurance expenses remained steady as controllable expenses are being carefully managed. This contributed to strong underwriting results — a gain of \$71.9 million compared to a loss of \$0.7 million in 2017.

Total net investment gain was \$40.7 million in 2018 compared to \$38.9 million in 2017, and net investment income was up \$3.7 million from increased investment holdings in the portfolio. Realized after-tax gains, which amounted to \$1.2 million in 2018 and \$3.0

million in 2017, were primarily from equity investment diversification and reallocation.

As of Dec. 31, 2018, Grinnell Mutual's surplus totaled \$677 million and total assets were \$1.3 billion.

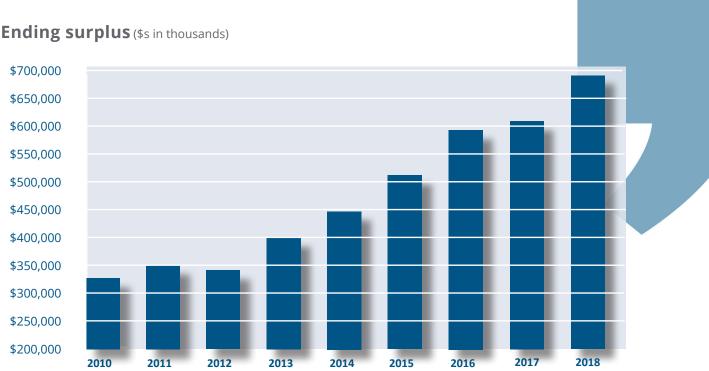
The overall increase in surplus of \$64 million in 2018 was primarily from three sources:

- Net income of \$98.2 million from operations
- After-tax unrealized investment losses of \$16.9 million from lower equity markets
- Increased non-admitted assets of \$18.1 million primarily due to software development costs and prepaid pension assets

The surplus growth of 10 percent, combined with the premium growth of 8 percent, lowered the capacity ratio to 94 percent in 2018 from 97 percent in 2017.

Grinnell Mutual has experienced a long period of solid performance. To support continued success, we will focus on disciplined pricing and underwriting processes to position Grinnell Mutual for the future. Solid capital levels are critical to maintaining our current A.M. Best rating of "A" (Excellent).

Grinnell Mutual is committed to keeping its word now and in the future, honoring its commitments and supporting our mutual members, independent agents, and policyholders.





GRINNELL MUTUAL REINSURANCE CO. • STATUTORY BALANCE SHEET (\$s in thousands)

Assets	2018	2017
Bonds	\$927,394	\$840,767
Stocks	118,097	124,941
Subsidiaries	24,968	24,966
Other investments	789	366
Real estate occupied	16,612	16,628
Cash and short-term investments	37,962	28,188
Total investments	\$1,125,822	\$1,035,856
Accrued investment income	9,914	9,005
Premiums and agents' balances receivable	103,308	99,887
Reinsurance balances	5,889	2,622
Current income taxes receivable	281	12,678
Deferred income taxes	16,072	11,628
Data processing equipment	2,076	3,204
Other	5,104	4,785
Total assets	\$1,268,466	\$1,179,665
Liabilities	2018	2017
Unpaid losses and loss adjustment expenses	\$296,899	\$300,571
Unearned premiums	205,813	194,927
Accrued expenses and accounts payable	60,537	50,637
Reinsurance balances	4,912	3,493
Drafts outstanding	7,146	136
Additional liability for pension plan	15,706	16,248
Total liabilities	\$591,013	\$566,012
Surplus	677,453	613,653
Total liabilities and surplus	\$1,268,466	\$1,179,665

COMBINED STATEMENTS OF OPERATIONS AND SURPLUS (\$s in thousands)

Underwriting	2018	2017
Premium earned	\$628,441	\$581,129
Losses incurred	(323,078)	(370,161)
Loss adjustment expenses incurred	(65,055)	(55,310)
Underwriting and general expenses incurred	(168,366)	(156,335)
Underwriting gain (loss)	\$71,942	\$(677)
Investment	2018	2017
Net investment income	39,518	35,805
Net realized gain (loss)	1,229	3,048
Total investment gain	\$40,747	\$38,853
Other	(75)	(496)
Income before tax	\$112,614	\$37,680
Federal income tax expense (benefit)	14,373	3,117
Net income	\$98,241	\$34,563
Other surplus changes	2018	2017
Net unrealized investment gain (loss)	(16,880)	10,282
Change in non-admitted assets	(18,067)	(7,787)
Change in deferred income tax	78	(14,248)
Change in liability for pension plan	428	940
Total surplus changes	\$63,800	\$23,750
Surplus at beginning of year	613,653	589,903
Surplus at end of year	\$677,453	\$613,653
Ratios (to earned premium)	2018	2017
Loss	51.4	63.7
Loss adjustment expense	10.4	9.5
Expense	26.8	26.9
Combined	88.6	100.1

EXECUTIVE OFFICERS







Senior Vice President Legal, Secretary, and General Counsel



Vice President **Enterprise Solutions and** Chief Information Officer











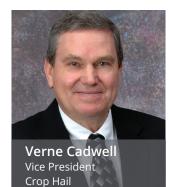


Vice President Reinsurance

















BACK ROW:

Pete Lahn, Senior Vice President, Legal, Secretary, General Counsel

Dave Wingert, Executive Vice President, Chief Operating Officer

Randy Druvenga, First Maxfield Mutual Insurance Association, Denver, Iowa

Kendall Lunsford, Iowa River Mutual, Eldora, Iowa

Mark Knouse, White Pigeon Mutual Insurance Association, Wilton, Iowa

Larry Cook, Frontier-Mt. Carroll Mutual Insurance, Lincoln, Ill.

Jim Buch, Benton Mutual Insurance Association, Keystone, Iowa — Second Vice Chair

FRONT ROW:

Jeff Menary, President and Chief Executive Officer

Paul Stueven, Fairmont Farmers Mutual Insurance Company, Fairmont, Minn. — Chair

Steve Underwood, United Mutual Insurance Company, Washington, Mo.

Susan Taggart, Mutual of Indiana Insurance Company, Lafayette, Ind.

Jim Wellman, German Farmers Mutual, New Knoxville, Ohio

Will Maas, Farmers Mutual Insurance Association, Hull, Iowa

Kim Pickett, Executive Secretary to the President

Amy Goughnour, Steele Traill County Mutual Insurance Co., Finley, N.D.

Bill Lampe, Heritage Mutual Insurance Association, Preston, Iowa — First Vice Chair

