

BACK TO THE BASICS

2ND QUARTER 2004

FARMERS MUTUAL RE-ENTERS MARKET:

- Farmers Mutual Insurance Company began writing new business in all non-homeowners lines of business effective May 17th. The company projects to write approximately \$700,000 of new business in 2004. The company has set up target allocation amounts for their agencies and the agencies have been informed of their target allocation amounts. The first new business policy issued by Farmers Mutual was submitted by Saville Insurance Agency in Romney. Saville Insurance Agency has been contracted with Farmers Mutual since 1992 and they have been one of our top performing agencies with a five year direct loss ration of less than 15%.

ENTERING OUR 99TH YEAR OF BUSINESS:

- Farmers Mutual Insurance Company will be commencing their 99th year of business on July 25, 2004. Farmers Mutual was incorporated on July 25, 1905 and commenced business on January 7, 1906. As we enter our 99th year of business we are beginning planning for the celebration of our 100th year of business. Farmers Mutual will be providing more information as the year progresses.



David L. Corsini, II

I am pleased to report continuing positive results from a profitability position for 2004. We have weathered the early spring storms with little claim activity and continue to dispose of litigation files which have resulted in manageable levels for both areas.

PRESIDENT'S CORNER

Our new business campaign is off to a solid start. We are pleased to once again be a viable market within your agency. Our recent venture to AM Best has resulted in the company achieving a C ++ rating. To re-capture a rating one level below our previous B-supports all the hard work and effort expended as well as acknowledgment of a much improved and more financially stable organization.

Again these results to date would not be possible without the joint effort of both the employees and agencies. For that we continue to thank you.



Dave Corsini
President/CEO

DOG BITES MAJOR CONCERN

Farmers Mutual Insurance Company is very concerned about the increase in the number of dog bites and its impact on insurance claims as well as premiums. Below are facts and tips that can help you and your family better understand this growing concern.

Did You Know?



- Children suffer 60% of all dog bites.
- 73% of children were bitten on the face, neck, or head.
- More than 4.7 million Americans are bitten by dogs each year.
- Dog bites cost over \$1 billion a year, with insurance companies paying out \$345.5 million in liability claims.
- Children are 900 times more likely to be bitten by dogs than mail carriers.
- Dog attacks account for one-third of all homeowner liability claims.
- Pit Bulls and Rottweilers are involved in over 50% of dog attacks.

- There is an 80% chance that a biting dog is male.
- 40% of all households own a dog.
- Dog bites occur more frequently during the summer months, on weekends and holidays.
- 65% of all bites take place while the animal is being fed, played with, teased, abused, or separated from another dog.
- 61% of all dog bites occur in or near the owner's home.
- Dog bites are the second most common cause of childhood emergency room injuries.
- The reported number of dog bites rose 36% over the last (10) years.

Dog Bite Prevention Tips

- Make sure that your dog gets basic obedience training.
- Understand the behavior of your dog breed.
- Make sure your dog is in good health. A sick dog may attack because it is not feeling well.
- Do not allow your dog to roam.
- Correct aggressive or inappropriate behavior when it

- starts.
- Spay or neuter your dog.
- Do not play aggressive games with your dog or engage in contests that you might lose.
- Make sure your dog is properly licensed and has received the necessary vaccination shots.
- Do not allow your puppy to "chew" on your arms or hands.
- Learn to read your dog's body language.
- Do not try to intervene when two dogs are fighting.
- Prevent dog-to-dog aggression by watching for behavior that precedes aggression, such as staring at each other.
- Train and socialize your dog to be comfortable around children, friends, and neighbors.

EIGHT human fatalities in the United States have been reported thus far in 2004!

All of the victims have been children and a majority of the dogs involved have been Rottweilers, Pit bulls and Chows. Annually in the United States there are about 20 fatalities.

As we begin resumption of new business, Farmers Mutual Insurance Company will emerge with a new corporate image. With this change comes new ideas and philosophies as well as a better understanding of our fit into the marketplace. Our main objective is to return as a niche company providing insurance products in a manner that was originally intended. Our fit as a niche company must and will be predicated upon our targeted segment of the market as opposed to adverse selection. That result is indicative of a company such as Farmers Mutual Insurance Company attempting to compete with the national and larger regional carriers. Such a course without the proper capacity and expertise will ultimately result in poor performance.

Through this process, we will emerge as a stronger, conservative and more stable company. We currently are working to cross train employees in order to better service our customers. Communications must improve not only within the

organization but with our agency force as well. Clearly we must establish goals, work to exceed those goals and continually look for areas of opportunity to improve our company. As we move through 2004, Farmers Mutual Insurance Company must focus on several critical areas. Implementation is good only to a point. We must learn from our mistakes in the past, make the necessary adjustments and move forward in a positive manner.

What are our goals? What should the agents and policyholders expect? Without a doubt, we need to return to our roots and concentrate on the principals that founded this company and made it profitable over the years. The policyholders and agents should and will see a company headed into a new direction, stronger and with more focus than exhibited in the past. A company built on the principal of superior service and geared towards maximizing profitability.

Farmers Mutual Insurance Company continued to make improvements in it's financial condition during the 2nd quarter. The company had approximately \$175,000 of net income thru April 2004 and a net underwriting profit of approximately \$58,000.

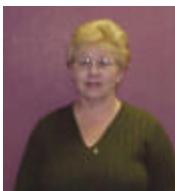
Our net written to surplus ratio has improved to 2.46:1 from 2.96:1 at year end. Policyholders Surplus has increased by \$160,000 for the current year and our open loss reserve has decrease by \$200,000 from December 31, 2003.

Despite a number of storms during the month of May, Farmers Mutual had a direct loss ratio of approximately 50% for the month which should translate into another profitable month for the company.

In May of 2004 Farmers Mutual contracted with a software developer to complete a web based policy processing system for the company. The new system should be completed and operational by year end. The new system will enable the agents to have greater access to policy, claim and agency information. The system will offer an on-line quick rater system and all the information will be real time.

Farmers Mutual has made some additional enhancements to our website. We have added an agency information center and located at this site are on-line copies of our agency manuals, a download of our current rating software and loss notice reporting forms.

MEET OUR EMPLOYEES



Sue Mathews

I am Sue Mathews. I began working for Farmers Mutual in February of 1967. The office building was located at 604 Fairmont Avenue, Fairmont, WV. In May of that same year we moved next door to

our new office building where we remained until June of 1992 when we moved to our new building and present location. My boss when I began was the Secretary-Treasurer of Farmers Mutual, Mr. R.H. Hinzman. There was usually three to four employees in the office. We had approximately 35 agents (not agencies). At that time all policies were hand typed and most usually mailed out the same day they were received. We had approximately 8000 policies and all premium billings were hand typed and mailed from our office. When I began, our minimum premium was all of \$5.00. You should have heard the complaints when we went to an \$8.00 minimum. The claims we received were typed and mailed out the same day they were received as well. Letters were dictated to us by Mr. Hinzman which we took in shorthand and transcribed on manual typewriters, a few months after I began we did get one electric typewriter. No computers.

When Mr. Hinzman retired, our new boss was Mr. Gary O. Shannon. He started

making some changes, up-dating the office. We hired additional staff and proceeded into the age of computers. I have seen many changes for Farmers Mutual in the past years and have worked with many different employees, some of whom are still here, making many lasting friendships throughout the years.

I was born and raised in Fairmont, WV. I graduated from East Fairmont High School in 1964 and attended Fairmont State College until I started working for Farmers Mutual. I am married to John D. Mathews and we live just outside of Fairmont on Ices Run. Johnny is a longwall mechanic for the Federal #2 coal mines. We are the proud parents of Mike and Molly. Mike is 32 years old and is married to Rachel. They are the parents of our beautiful grand-daughters, Nadine 5 years old and Autumn 19 months old. Our daughter, Molly, is 29 years old and is a Certified Pharmacy Tech for CVS pharmacies. We are blessed by a rather large family and in November of 2003, the Mathews family was chosen as Marion County Family of the Year. I enjoy cooking, spending time with my family and traveling. We enjoy just getting in the car and heading out to see what we can in two weeks. We have been in every state except Alaska. Hopefully, that will be a trip for next summer.

As Farmers approaches 100 years in business I look forward to more and better changes and treasured friendships.



"So, Jehovah, you say this man drove straight into you. Got any witnesses?"

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