

BACK TO THE BASICS

3RD QUARTER 2004

CONTINUED FINANCIAL IMPROVEMENT FOR 3RD QUARTER :

- Farmers Mutual Insurance Company continued to see improvement in their financial position for the 3rd quarter of 2004. With two months of the 3rd quarter behind us, the company saw their net written to surplus ratio improve to 1.58:1 as compared to 2.96:1 at 12/31/2003. FMIC's surplus increased to 2.1 million as of August 31, 2004. The company had a combined ratio of 92.3% and had an underwriting profit of approximately \$212,000. The number of open claims had decreased to approximately 40 and the number of open litigated claims was less than 15 from a high of 45 last August.
- The new business production continued to show improvement as the company has issued a total of 254 new policies with a written premium of approximately \$114,000 for 2004.

MINOR RATE INCREASES PLANNED FOR 2005:

- Farmers Mutual will be implementing minor rate increases effective January 2005. All rate increase will be less than 10% with most being in the 5% range.



David L. Corsini, II

With two-thirds of 2004 behind us, Farmers Mutual continues to post improvements in all areas of operations. A much healthier surplus position has permitted the company to expand its new business campaign into the Homeowners market for those agencies that have met the required criteria.

We continue to see an increase in new business submitted as well as

Modern home heating systems are safe when properly operated and maintained. Fire hazard increases when papers, rags or trash accumulate around stoves, furnaces or gas water heaters. Faulty chimneys and dirty or poorly functioning equipment also increase the chance of fire.

Homes may be heated in a variety of ways. When heating with wood, test and clean each chimney before the heating season begins. Check for leaks in the chimney by building a smudge: cover the top of the flue and then examine the whole length of the chimney to check for escaping smoke. Inspect wood stoves at least once a year for cracks or weakened parts. Keep all flammable objects away from all heat sources. Do not use gasoline, kerosene or outdoor grill starter fluids to start fires in heating stoves or fireplaces. Use paper or kindling to start fires in wood stoves or fireplaces.

Portable electric, kerosene or oil-burning heaters need to be protected. They should not be easily tipped over or come near flammable

PRESIDENT'S CORNER

overall improvement in risk selection. For those agencies that have yet to submit new business, we would be interested in your comments and/or concerns in this area.

From a technology standpoint we are on target for implementation of our new insurance management system scheduled to roll out late 2004. This will be just the first step in our plan to improve service through the use of technological enhancements.

Barring a significant downturn the company is headed for consecutive

years of a combined ratio of less than 100%, as well as an improved surplus position from year end 2003. As a company we remain committed to our agency force that continues to produce profitable business. As always we thank you for your support and appreciate your commitment to Farmers Mutual.



Dave Corsini
President/CEO

HOME HEATING SAFETY

materials. Also watch for carbon monoxide poisoning. Carbon monoxide detectors are available at local department and hardware stores. Dispose of electric heaters without thermostats or tip-over protection.

In our efforts to stay warm this winter, it's important to remember that **heating equipment is the number one cause of home fires** in the United States. To ensure your safety, you should follow these fire safety tips:

- If you have a fireplace, make sure you have your chimney inspected by a professional every winter and cleaned if necessary. A chemical substance called Creosote forms when wood burns and can build up in a chimney and cause a fire if not properly cleaned.
- Protect your home and family by always using a sturdy screen when burning wood.
- Remember to burn wood **only**. Never burn paper or pine

boughs because they can float out of the chimney and ignite your roof or that of a neighboring house.

- If you purchase a factory-built fireplace, select one listed by an independent testing laboratory. If you own a wood stove, be sure to inspect chimney connections and chimney flues at the beginning of each heating season. They should also be cleaned periodically.
- Follow the same safety rules for wood stoves as you would for space heaters. **Burn wood only and be sure the wood stove is placed on an approved stove board to protect your floor from heat and hot coals.** Be sure to check with your local fire department and check local codes before having your wood stove installed.

Remember: SAFETY should be your first consideration when heating your home.

INSCO.NET COMING IN 2005



Work on our new insurance processing system is proceeding very well. The company is planning on introducing the beta system to the employees during the second week of October for training and testing.

The company plans on going live with the system in January 2005. The system should be made available to the agent force on a limited use basis in mid 2005 around July.

Initially the agents will have inquiry access to policy and claim information with a quick rater function that will replace WinRater.

Eventually the agents will be able to process their own applications, policy modification and claim reporting into the system pending approval from Farmers Mutual underwriting and claims department personnel.

The system will feature many reports and provide the agents with the same information that is available to the home office personnel.

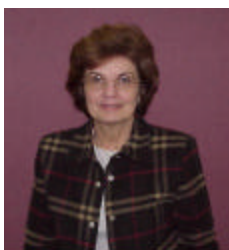
The system is totally web based and will be available via the internet 24 hours a day 7 days a week and will feature a secure logon function that will allow the agency to only see their agency information.

Farmers Mutual will be storing all printed documents in a portable document file format (pdf). The agent will be able to access this document printing history and will be able to view and generate their own printed copies upon request.

When this system is fully operational Farmers Mutual will cease mailing installment bills and renewals to the agents who desire to access the information on-line, this will be a time and expense saving for both the company and the agency by not having to deal with all the paper and expense of processing and handling the paper.

We feel that the new system's user interface (UI) is very user friendly and should not require a huge learning curve.

MEET OUR EMPLOYEES



Karen Erdie

I am Karen Erdie. I started working for Farmers Mutual in 1971. The office was located at 606 Fairmont Avenue. R.H. Hinzman was our boss and there were only three girls in the office. Things were very different at that time. We had manual typewriters, with only one electric typewriter in the office. Letters were taken in shorthand and all policies were hand typed. We had about 8,000 policyholders and 34 agents (not agencies).

In 1987 we went on line with our

first computer system, which meant working 12 hour days for several weeks. Gary Shannon was our president at that time. Soon we needed more space than our Fairmont Avenue office and building plans were made for our current office building. I have seen many positive changes in the years I have worked for Farmers Mutual Insurance Company and have made some good friends. With our 100th anniversary very near we are looking forward to a bright future.

I was originally from Fairview and graduated from Fairview High School and attended Fairmont Business College. I moved to Fairmont when I married Stephen Erdie. Steve works for WVU doing pest control along with other duties.

EMPLOYEES ENJOY COOK-OUT



Employees Enjoying Cook-Out.

On Friday September the 3rd Farmers Mutual Insurance Company hosted an afternoon cook-out for the employees and their families to show the company's appreciation for all the hard work and perseverance the employees have shown over the past eighteen months.

The cook-out was held on the back lawn of the home office and was catered by a local restaurant. The menu for the cook-out featured grilled steaks, chicken kabob, salad, corn on the cob and mashed potatoes with desert of cheese cake and

carrot cake.

Door prizes were given to each employee based upon a random drawing. Ellen Auvil drew the names from a hat and the first name selected was her husband, Gary Auvil. As you can see from the picture below Gary was one cool dude when he wore his prize.



Dave Corsini presenting Gary Auvil his "Sharpe Looking Prize".

David Joseph was the last name drawn out and he won \$100.

A closest-to-the-pin chipping contest was held and Art Meadow, husband of Carolyn Meadows won a get-away weekend for Carolyn and himself.



"There you are, you are insured against fire, theft, accident, flood, death and any attempt by me to sell you anymore insurance."

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