



EXCEED EXPECTATIONS EVERYDAY

1ST QUARTER 2009

PRESIDENT'S CORNER

IDENTIFY AND PREVENT EMBEZZLEMENT

DID YOU KNOW?

- Farmers Mutual Direct Written to Surplus ratio had improved to less than 1:1. This is a strong indicator of the financial strength of Farmers Mutual. 2008 was the sixth straight year Farmers Mutual has had underwriting profit.
- Farmers Mutual released Inco.Net Version 2.0 on March 2nd. We regret that the agency sweep and insured credit card payments were not available with the initial release. These features should be available in April. Thank for your co-operation and patience.
- Farmers Mutual has discontinued mailing the agent's copy of installment bills, final notice bills and policy renewals. These items are available to the agency on-line from the "Agency Dashboard".
- Fifty-one of seventy-one agencies received "Contingency Profit Sharing" for 2008.
- Carolyn Meadows will be retiring in 2008 and Farmers Mutual has hired William O. Leonard, Jr. as Director of Underwriting. Bill started on March 2nd and will working with Carolyn to enable a smooth transition.



David L. Corsini, II

Farmers Mutual is pleased to announce a successful launch of Inco.Net 2.0. While there are issues that we are working thru, overall we are very pleased with improved technology as well as the response from our agency force. Please be assured we are working hard to fix any outstanding issues and would certainly appreciate any feedback you have. Vineet is now safely back in India and we appreciate the two months he was here working long hours with Ron Jones to meet deadlines for releasing this new version. The underwriting department has worked very hard to insure we are meeting the service standards both you and your clients expect during this rollout.

As most everyone knows, Carolyn Meadows is set to retire in a few months. I'm sure everyone joins me in wishing Carolyn the best as well as thanking her for her many years of service. The company plans to hold a celebration in her honor at a later date. Bill Leonard has officially begun his tenure as Director of Underwriting. Bill is making plans to get out and personally meet all of our agency personnel in the near future.

Despite the wind storm of February 11th the company is off to a good start for 2009. We incurred 162 claims from the storm and I'm happy to report that 90% are resolved. I know everyone appreciates the long hours both Sam Castellana and Dave Ryan put in as a result of these claims.

As always we appreciate the opportunity to provided quality insurance at a fair price with the level of service you have come to expect from Farmers Mutual.

Intelligent. Hard working. Motivated. Dedicated. Valued. Trusted.

These are the characteristics you would like for all of your employees and volunteers to possess. Unfortunately, they are also the characteristics the FBI uses when describing the profile of an embezzler.

Embezzlement at worship centers happens at facilities of all sizes, within all denominations and at locations across the country. The sad truth is many religious organizations are easy targets for three main reasons—financial control is often given to one person, there is little oversight as the person is trusted within your organization and a large amount of cash is handled.

Create practices to remove temptation and opportunity

The majority of embezzlement can be prevented with the proper risk management steps, including planning and diligent execution of good business practices.

When hiring employees entrusted to handle funds and accounts or assigning these tasks to volunteers, always check references carefully and conduct a credit check and criminal background check.

Develop a policy that establishes high standards for conduct and clearly outlines duties. Review the policy with employees and volunteers and have them sign a copy. Keep this for your records.

At least once a year, conduct an audit of your financial systems and practices to identify areas that could invite deception. This should include tracking the flow of assets in and out of your organization to determine control points and analyzing financial data in your books and records to ensure all transactions reconcile.

In addition, at the conclusion of each fiscal year, your treasurer and a number of trustees should review a random sampling of the transactions completed during the year. If problems are discovered, a complete review is warranted.

There are numerous inexpensive computer programs on the market to make this task easy and less time consuming. If you don't have the resources to assess risk and develop a prevention program, hire an accountant with expertise in workplace theft or a fraud investigator.

Loss prevention program should be simple to understand

A loss prevention program for embezzlement requires the development of safeguards and processes to identify and strengthen weaknesses in your system. One key is to keep bookkeeping processes as simple as possible to help reduce the chance of error and confusion. Guidelines for a program are:

- Require documentation for all expenditures.
- Limit the number of bank accounts your organization maintains and the number of people who are authorized to sign checks. Two signatures should be required for checks over a predetermined amount, such as \$1,000.
- If you use a check-printing program, limit the number of people who have access to the program.
- Transfer of large sums of money into or out of different accounts should not be permitted without written consent of two persons.
- Checks should never be presigned or "signed" with a signature stamp. Blank checks or partially completed checks invite confusion and mishandling.
- The original corresponding invoice and a receipt should be provided for each cash withdrawal. Create a standardized form to document any cash handling.
- Ask members to place offerings in a sealed envelope with their name and date written on the outer envelope.
- When checks or cash arrive, a list and tally of the collections should be made and they should be deposited promptly—daily when possible. At least two people should be present when the offering is counted.
- Checks should be stamped "For Deposit Only" to discourage tampering.
- Establish division between people who collect funds, keep books, write checks and manage the bank accounts.
- Bank statements and accounting records should be balanced on a monthly basis.
- Maintain records on assets, equipment and supplies.

Finally, if you suspect fraud is being perpetrated at your organization, don't try to handle it yourself. Hire an accountant, a fraud examiner or an attorney to review your records.



MEET

“MAY INSURANCE AGENCY”



David E. May

The May Insurance Agency was founded in 1987 by David May when he began selling for Farmers Mutual Insurance Co. We have enjoyed being one of the top producers for Farmers Mutual for many years.

We specialize in Property and Causality Insurance and we enjoy getting out to meet the needs of people in Marion County and surrounding areas.

Our affiliation with Farmers Mutual has allowed us to serve the needs of our customers to the highest degree. We strive to be honest and fair to our clients and treat them with respect. In today's environment we appreciate the clients who have been with us from our beginning, and we thank those who are new and are giving us the opportunity to serve them.

AGENCY DASHBOARD

Farmers Mutual is proud to introduce the “Agency Dashboard” with the release of Insko.Net Version 2.0. The “Agency Dashboard” provides much information about the agency in a central location.

The agency's current producers licensed with Farmers Mutual is shown on the dashboard.

A graph presenting six different “Direct Loss Ratio's” is also presented on the dashboard.

The following items are presented for various time periods on the “Agency Dashboard”;

- Policies In Force
- Submitted Applications
- Written Premium

Policies that will cancel in the next 10 days and policies that have cancelled in the last 10 days is

displayed on the “Agency Dashboard”.

A “Quick View” document viewer is available on the ‘Agency Dashboard’ that displays the last 10 days of printing activity for your agency. This is where you can quickly find your policy renewals, installment bills and final notices, available to you immediately.

A Farmers Mutual employee list is also available on the dashboard. Simply by clicking on the employee's name you will be able to e-mail the selected employee.

There are various dropdown lists that will display the information only for the selected item.

We hope that you find the information presented on the “Agency Dashboard” useful.

INSKO.NET VERSION 2

Farmers Mutual hosted an agency training session for our new software on February 4, 2009. The meeting was very well attended and we appreciated the comments and questions those in attendance presented.

Vineet Arora, our contract programmer lead the training session and did an excellent job of presenting information and demonstrating the operation of the new release.

Farmers Mutual released Insko.Net Version 2.0 on March 2, 2009. The conversion and release went rather well considering the number of database, programming, and server conversion issues involved in the release.

The new software has many new features that was not available on the prior software. We also devoted a lot of time to the flow and layout of the screens. As with any change there is a learning curve in becoming familiar with the software and the operation of the software.

There were several new features that we were not able to get totally complete for the initial release, a couple of the features currently not available are:

- Agency sweep payments
- Insured credit card payments
- Insured direct pay
- Photo upload

These items should be available in April.

There have been some minor issues with the new release and we are working very hard at correcting these issues. We also will be adding new reports under the “Company Summary” that can be found under the “Reports” option from the main menu.

Our underwriters will be visiting many of the agencies offices over the next couple of months to offer any assistance and training if needed on the new release.

If you have any questions or comments please contact us. If you require any assistance please contact us and we can do on-line training or assistance to help you.

We would like to thank all of our agents for their support and patience with the new software release.

MEET

WILLIAM O. LEONARD, JR. DIRECTOR OF UNDERWRITING



William O. Leonard, Jr., ARM, AIM

Bill Leonard entered the insurance business in June, 1970, after graduation from Washington College in Chestertown, Maryland with a BA in English Literature.

He began his career as a Casualty Underwriter Trainee with USF&G Insurance in the Baltimore, Maryland Branch Office. He advanced to the positions of Underwriter, Multiple Line Special Agent and Manager of the Agency and Development Department. He then served as Assistant Branch Manager in the Richmond, Virginia Branch Office. In January, 1985, Bill then transferred to Arizona with USF&G, where he was promoted to the position of General Manager of the Phoenix Branch Office.

His career with USF&G also included experience as an Assistant Secretary, in the Company's Home Office Field Operations Department.

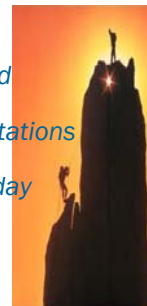
Bill then worked in the insurance agency business, in a sales capacity, for an Independent insurance agency in Aberdeen, Maryland.

Most recently, he has served as a Field Representative for Pennsylvania Lumbermens Mutual Insurance Company, working with West Virginia agents and Insureds; and with Zurich North America, as an Underwriting Manager, in their Financial Enterprises Business Unit.

Bill's family includes wife, Ellie; daughter, Anne, who works for Arcadia University in G l e n s i d e , Pennsylvania and son, John, a Law School student at Catholic University in Washington, DC.



Exceed
Expectations
Everyday



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