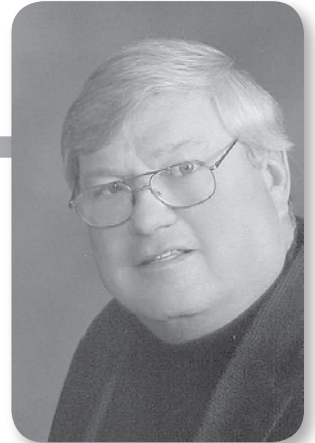


Manager's comments



**Maurice
Abens**
Secretary-
Manager

2008 Financial Results

I. Historical Review

Farmer's Mutual Fire & Lightning Company was incorporated September 25, 1886. The Association name was changed to Humboldt Mutual Insurance Association in 1892 and operates as an Insurance Association in the State of Iowa as authorized by Chapter 518 of the Code of Iowa. Humboldt Mutual Insurance Association is located in Humboldt, Iowa and is authorized to underwrite farm and residential property insurance within Humboldt and adjoining counties. A seven-member, board of directors, made up of local farm and residential policyholders, governs the Company. Farm and Residential Property Insurance are marketed through seven approved Independent Insurance Agencies. Over 60 agent producers, who have been appointed to write business for the Mutual, represent these agencies. Humboldt Mutual Insurance Association partnered with Grinnell Mutual Reinsurance Company in the mid to late 1940s for fire reinsurance and since 1963 for fire and wind reinsurance. This partnership has provided additional financial security for company policyholders and has adequately protected company assets when catastrophic losses occurred. The Association's annual policyholder meeting is the fourth Monday in January, 10:00 AM each year. The meetings are held at the company home office, for election of directors, to review year-end financial results and to discuss any other business that might come before the meeting. All active policyholders are invited to attend.

II. Results of Operation

The financial year, which ended December 31, 2008, saw policyholder surplus decrease by 11.05-percent. Total

policyholder surplus at year-end was \$2,522,928 down \$313,325. Negative financial results were primarily the result of unfavorable economic conditions. The Company's mutual fund and common stock investment portfolio valuations were reduced considerably. Total company assets were down \$344,003. The company did however, realize an \$87,000 overall operating profit before taxes. Actual underwriting losses were \$14,000 but dividend and interest income of \$110,000 helped to offset the underwriting losses. Federal Income Tax deposits, which were based on the previous year tax liability, were \$158,825. This, in addition to the decrease in stock valuations resulted in the overall adverse year-end decrease in policyholder surplus.

Humboldt Mutual gross premium increased 1.04-percent due to 3.89-percent increase of gross risks-in-force. Humboldt Mutual had projected zero premium growth for the year due to a newly implemented 5-percent claim-free credit which was applied to all policies that were claim-free for the previous three-years. Total policy count remained virtually unchanged, however Humboldt Mutual continued to increase property risks-in-force, utilizing three-year agent policy review/renewal program together with ongoing farm service building evaluation inspection program.

As a result of the 2008 adverse financial results, Humboldt Mutual received Federal tax refunds and credits totaling \$86,619 YTD 2009.

III. Prospective View

Management projected +2.00-percent 2009 gross premium increase based on +4.64-percent projected risk-in-force goal. 2009 year-end assets were pro-

jected at \$3,784,999. Humboldt Mutual board of directors again voted to continue all base rates the same for 2009. There have been no base rate increases since 2005.

Actual premium increase through June 30, 2009 was only +0.38-percent. However, company assets were valued at \$4,026,936, up \$422,175 from year-end and well above projected goal. Company underwriting profit through June 30 was \$222,720 and overall operational profit before taxes was \$316,392. These positive results have been primarily due to lower than projected year-to-date claims payments and 20-percent to 30-percent recovery in stock market valuations.

Humboldt Mutual continues to strive for controlled growth and positive financial results. Company claims experience, continues to reflect reductions in numbers of claims and reductions in severity of claims. Quota Share Home Guard dwelling reinsurance program has reduced concentration-of-risk exposure and has increased Humboldt Mutual capacity to write new business.

Actual 2008 year-end financial results are printed elsewhere in this newsletter. If you have questions, or need additional information, please feel free to contact me.

Maurice Abens
Secretary/Manager

Bob explains ...

Humboldt Mutual Introduces Policy Enhancements



Bob Abens
Underwriting and Accounting, Assistant Secretary/Treasurer

Humboldt Mutual Insurance Association has introduced two new coverage enhancements over the past year. Equipment Breakdown Coverage, RC4905, was introduced effective 01-01-2008 for FarMate policies and 01-01-2009 for HomeGuard policies. Non-Depreciation of Repairs, RC399, was introduced effective 01-01-2009.

Equipment Breakdown (RC4905):

Equipment Breakdown covers accidental mechanical or electrical breakdown to covered property listed on the policy. This endorsement fills the gap in coverage when motors, compressors, hot water boilers or other mechanical parts simply break down and fail without an underlying peril having caused the failure.

FarMate - This endorsement will apply to farm outbuildings with mechanical parts, i.e. grain bins with stirrators and dryers or hog confinement buildings with large electrical panels and well pumps. Mobile farm machinery is excluded unless the item in question is stationary when in use. For example, an auger motor while auger is being used to move grain would be covered but an auger damaged while being transported between locations is not.

Farm Dwelling/HomeGuard Packages – Air conditioning units and furnaces in the dwelling will also be covered for mechanical failure. Household appliances such as refrigerators, deep freezers or washer/dryers and electrical devices such as TV's, stereo, and computers are not covered under this endorsement.

Humboldt Mutual Insurance Association is adding this coverage to each policy automatically at the renewal date. Cost

of the endorsement varies depending on the size of the farming operation and value of your home. If you wish to keep the coverage in place no action is required. If you feel you do not want Equipment Breakdown on your policy, simply sign the rejection form included with your renewal packet, return to Humboldt Mutual and we will delete the coverage from your policy.

Non-Depreciation of Repairs (RC399):

Non-Depreciation of Repairs for FarMate policies provides replacement cost coverage for repairs of partial losses to Scheduled or Unscheduled Farm Personal Property.

Under the base policy, loss to farm machinery is adjusted on an Actual Cash Value basis that allows for depreciation of value due to the age and condition of a particular piece of equipment.

When RC399 is added to the policy, Humboldt Mutual will pay the smallest of the following amounts:

- The cost of repairs with materials of like kind and quality without a deduction for depreciation
- The limit of insurance shown on the declarations page; or
- The actual cash value of the covered equipment at the time of loss. Actual cash value includes a deduction for depreciation.

Example #1:

While harvesting, the insured damages a 10-year-old corn head with an actual cash value of \$10,000, causing damages of \$4,000 to repair with replacement parts. The corn head is insured under a farm machinery blanket with a

deductible of \$500. Humboldt Mutual will pay the repair cost of \$4,000 minus deductible of \$500 for a settlement of \$3,500.

Example #2:

Same incident as above, however the cost to repair the damaged corn head with replacement parts is \$15,000. Humboldt Mutual would pay the actual cash value of the corn head, \$10,000, minus a deductible of \$500 for a settlement of \$9,500.

In other words, much like an auto policy, Humboldt Mutual will pay for the full cost to repair the damaged equipment, without depreciation, until the total cost to repair exceeds the book value of the equipment, at which time Humboldt Mutual will pay no more than the book value.

Humboldt Mutual began adding this coverage to all farm policies with scheduled or unscheduled equipment listed on the policy. Cost of the endorsement is \$15 per year.

For additional information regarding RC4905 or RC399 please give me a call at 515-332-2953 or contact your agent. Thank you.

Bob Abens
Assistant Secretary/Treasurer

Humboldt Mutual Insurance Association

Annual Policyholder Meeting • January 26, 2009

• **CALL TO ORDER:** President G. Marvin Lindemann called the 123rd annual policyholder meeting to order at 10:00 a.m. There were 21 people present including 15 policyholders.

• **APPROVED MINUTES:** Secretary Abens read Minutes from the January 28, 2008 policyholder meeting. Motion made by Scott Curran and a second by Jim Sayers to approve the minutes. Motion carried and the minutes were approved with no additions or corrections.

• **RECORDS EXAMINATION REPORT:** Dan Volk, representing the GMRC Records Examination department, reviewed the operating statement, balance sheet, and summary of operations for 2008. Gross premiums were \$1,794,790 with gross losses of \$1,099,010. After expenses, the company realized an underwriting loss of (\$14,327). Adverse underwriting results were primarily due to a large house fire last spring and another severe wet weather event in June, resulting in large numbers of backup of sewer and drain claims. Total gross operating and investment income was \$246,000 before tax. Gross risks-in-force were \$495,156,410; total policies in force, 1,944. Mr. Volk highlighting the following: Humboldt Mutual surplus decreased (\$313,326) or (11.05%). Volk explained the large surplus reduction was primarily the result of decreased equity values. Equity fund valuations were down approximately \$300,000 from the previous year due to adverse market and economic conditions. Dan also reported the Mutual could expect an estimated \$110,000 Federal Tax credit or refund in March 2009. If this tax credit could have been netted against 2008 surplus, actual decrease in surplus would have only been (7.2%). Dan ended his report by answering questions from the membership. President Lindemann thanked Mr. Volk, for again providing a very informative report. Robert Abens moved to approve the Records Examination Report. Calvin Sorensen seconded and the report was approved.

• **ELECTION OF DIRECTORS:** Cal Sorensen presented the Nominating Committee Report.

Director terms for G. Marvin Lindemann and James Sayers expired as of this meeting. G. Marvin Lindemann and James Sayers filed nomination papers in compliance with Article VIII, Section 11 of Amended and Substituted Articles of Incorporation. Lindemann would succeed himself and has served as director since 1982 and as President of the board since 2006. Jim Sayers would also succeed himself. Sayers was appointed in 2006 to complete the unexpired term of LeRoyn Stensland. There were no other nomination papers filed. Calvin Sorensen moved that the written nominations be accepted and that the Membership elect the two nominees by unanimous ballot. Tom Hundertmark seconded and motion carried unanimously.

Vice-President Calvin Sorensen declared G. Marvin Lindemann and James Sayers elected for three-year director terms and thanked them for placing their names in nomination.

• **PRESIDENT'S REMARKS:** President Lindemann welcomed members and expressed his appreciation to agents and staff for taking time to attend the meeting. President Lindemann extended special thanks to Treasurer Larry Curran for his expertise and hard work, managing company investments during the recent adverse economic conditions. President Lindemann also extended thanks to the entire staff for their hard work and dedication during the year.

President Lindemann reviewed 2008 board activities including five regular Bi-monthly Director meetings, one special planning meeting, annual policyholder meeting and annual Director's meeting. President Lindemann and four Mutual Staff members attended Grinnell Mutual Reinsurance Company's annual meeting in June. Cindy Thompson participated in the MIAI Legislative contact program and traveled to Washington DC with several other MIAI representatives, in July. Three directors and four staff members attended the November Mutual Insurance Association of Iowa convention in Des Moines. Agent meetings were held in April and September.

• **ADJUSTER'S REMARKS:** Cindy Thompson reviewed "Losses Paid" and "Claims by Peril" reports noting there were 320 claims reported in 2008. Unfortunately, severity of 2008 losses was much greater than 2007. Unpaid loss reserves totaled \$99,168. Cindy completed 551 inspections and outbuilding estimators in 2008 and traveled 11,279 miles. Cindy is beginning her 14th year with the Mutual. Steve traveled 12,326 miles and begins his 28th year with the Mutual. Cindy extended special thanks to all Humboldt Mutual staff and agents for their assistance and cooperation. Average number of claims-per-year the last 27 years - 574; last 10 years - 413; last 5 years - 293; last 3 years - 284. Adjuster's report was accepted.

• **TREASURER'S REMARKS:** Larry Curran reported locking in early 2008 investment gains as a result of selling almost all individual, company held equities. Proceeds were to be reinvested on an income average basis into diversified mutual funds. Company asset investment ratio as of December 2008: 17% equities, 14% Corporate Bonds, 50% Government/Municipal Bonds, and 19% liquid funds. Larry discussed investment strategies and thanked the board for their continued support. Treasurer's report was accepted.

• **SECRETARY'S REMARKS:** Maury Abens recognized policyholder John Tokheim and thanked him for attending. Abens also recognized company agents Marie Haas, Eric Sime and Scott Curran,

Abens-Marty-Curran; Dennis Johnson, Anchor; Bruce Sundet, Sundet/Omdahl Agency; Marlene Thompson, Thompson Insurance; Dan Manus, Jasperson Agency and Staci Schnittjer, Town & Country Agency. Tom Powers of Powers Insurance was unable to attend. Directors Marvin Lindemann, Calvin Sorensen, Chris Wergeland, Brad Banwart, Tom Jacobson, Tom Hundertmark and Jim Sayers were recognized. Abens introduced staff personnel Cindy Thompson, Robert Abens, Amy Westberg, and Larry Curran. Abens thanked everyone for attending the meeting.

Abens reviewed 2008 board resolutions and actions as follows: *Implemented new 5% claim-free policy credit, *Completed office insulation and lighting updates in accordance with MidAmerican, Energy Audit recommendations, *Revised RC 320 "Household Personal Property Additional Coverage" endorsement to remove "collision" exclusion, *Revised RC 91 "Livestock Suffocation" endorsement to include loss by "Heat Exhaustion", *Approved new "Equipment Breakdown" endorsements to be added automatically to Farmate and Home Guard policies, *Approved new increased aggregate limit option for RC/HG 319 "Backup of Sewer or Drains" endorsement from minimum of \$2,000 to \$5,000 and from maximum of \$10,000 to \$20,000, *Approved new RC 399 "Non-Depreciation of Repairs" endorsement at \$15 flat premium per policy to be added to all eligible farmate policies, *approved increasing base 0 deductible SPP rate for cell phones from \$3.50/100 to \$5.00/100, *resolution to continue all other 2009 base rates the same for all other policy types, *approved senior adjuster company car upgrade.

Staff completed 3,739 policy transactions in addition to over 871 claim and inspection transactions. There were 201 new applications and 265 cancellations for the year. Policy and Claim file scanning projects were updated as new transactions were completed. Abens reviewed 2009 goals and thanked the membership for their support. Abens also expressed his appreciation to the Directors for their continued leadership and direction during the year.

• **RESOLUTION BY MEMBERSHIP:** Scott Curran offered a resolution to ratify and affirm all actions taken by Humboldt Mutual Insurance Association Officers and Directors, since the last policyholder meeting. Staci Schnittjer seconded and resolution passed with no objections.

• **OTHER BUSINESS:** None

• **ADJOURN:** Jim Sayers moved to adjourn. Chris Wergeland seconded. Policyholder meeting adjourned at 11:15 AM.

*Respectfully,
Maurice Abens
Secretary/Manager*

*G. Marvin Lindemann
President*

Message from Cindy



**Cindy
Thompson**
Inspector

Are You Ready for the Unexpected?

It is always a good idea to prepare for unexpected emergencies and disasters that can occur anytime and anywhere. Communications, transportation, utilities and other essential services could be disrupted by disasters, forcing you to rely initially on your own resources for food, water, first aid, transportation and shelter.

You should have a plan to protect your family and property. You can lessen the impact of an emergency or disaster by knowing what to do before, during or after an incident.

- Learn the warning systems that your area uses and what you should do when you hear them.
- Listen to local radio and television stations for forecasts and emergency announcements.
- Place emergency phone numbers by every phone.
- Be familiar with the emergency plans in your workplace and in your children's school or day care.
- Learn first aid and CPR.

Insurance for most perils is readily available through Humboldt Mutual to cover your property and personal belongings. It is a good idea to check regularly with your agent to insure you have the appropriate and adequate coverage, including any additional coverage that may be available.

Typically, your homeowners or farm dwelling policy will provide coverage for most major disasters such as fire, lightning, wind, hail and tornadoes. Flood insurance needs to be purchased separately. Most policies do not automatically include sewer back-up

coverage. If you want it, make sure that you check your policy or talk to your insurance agent.

Keep a detailed paper and/or photographic/video inventory of your personal property. Make sure that you keep the inventory in a safe place other than at your residence. If you prefer, there are professional services available locally to do this for you. Please contact our office for information about providers.

If important family papers are kept at home, store them in a portable, fireproof, and waterproof container. It is a good idea to make copies of family photos and store them off premises. But keep irreplaceable items such as family photo albums where they can quickly be accessed if you must leave home in a hurry. Make sure your insurance policies and related records are in a safe location and easily available after an emergency or disaster.

You can help reduce the risk of some potential disasters by doing a hazard audit of your home.

- Check your smoke detectors and replace batteries every six months.
- Make sure that no flammable materials are kept near electrical equipment or your furnace.
- Check for frayed electrical cords or overloaded circuits.
- Identify all potential exits.
- Learn how to turn off your water and electricity safely.
- Locate the safe areas in your home in case of a tornado.

A major emergency or disaster could isolate you in your home for several days. Gas or electricity for cooking, heating and refrigeration may not be available. Be prepared with a stock of items for emergency use.

- Battery-powered radio and flashlight in working order with extra batteries.
- First aid kit and manual.
- Fire extinguisher.
- Waterproof matches.
- Candles.
- A three-day supply of non-perishable food items and water.
- Sleeping bags or blankets in a waterproof bag.

If a disaster or catastrophe would happen, planning is the key for a safe recovery. Prepare now. If a loss does occur, report your claim to your local Humboldt Mutual agent as soon as possible. Also, do what you can to protect your property from further damage. We will do our best to settle your claim fairly and efficiently.



Larry on deductibles

Higher Deductibles— Are They Worth It?

These tough economic times have made it important to save money wherever and whenever you can. It seems that people may especially look to their insurance policies as a place to realize some savings.

In order to save premium, customers are investigating a reduction in the dwelling limits on their homeowners policy or a reduction in the policy's liability limits. Some customers are even requesting a reduction in the limits of liability on their auto insurance policies. In most cases, these types of requests are not wise ones. We cannot stress enough how much you have to lose if a liability judgment goes against you—for example, in an auto accident or if someone gets hurt at your home.

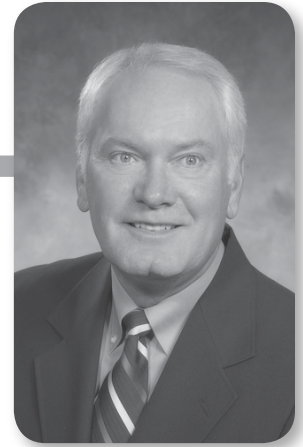
A wiser and certainly more consumer-friendly way to save money on your insurance premiums is to increase your property deductibles. On homeowners policy, going from \$250 to a \$500 deductible may result in a savings of approximately 10 percent on the premium. Of course the biggest customer concern is: "If I have a claim, I can't come up with \$500 at one time." The important thing for you to remember is this: you only have to come up with \$250 more than you would right now (the difference between your current deductible and \$500)—not a big amount. And remember, with the savings you will experience in the premium, you will probably save that \$250 in less than 2 years.

Higher deductibles on the physical damage section of your auto insurance are also a good way to save some money on the premium. A \$500 deductible on both comprehensive and collision can save you up to 30 percent on these coverage lines. A \$1,000 deductible may

result in savings of up to 40 percent.

If you cannot take the big leap from a \$250 deductible to \$1,000, consider a graduated approach. We'd suggest going to a \$500 deductible now and putting the premium you save into a "deductible fund." Then in a couple of years, you will have enough in that fund to increase the deductible to \$1,000.

Humboldt Mutual has implemented a claim free discount that can save you an additional 5 percent on your property premium. With the higher deductible,



**Larry
Curran**
Treasurer

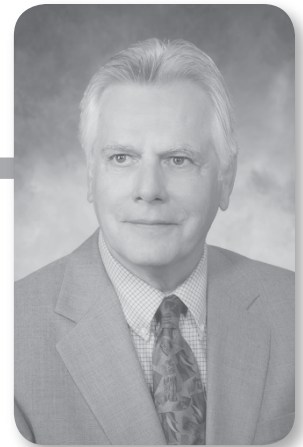
you eliminate small claims, helping you earn and keep the claim free discount.

The point to remember is this: don't risk a lot in order to save a little. Visit with your Humboldt Mutual Insurance agent and see if increasing your property deductibles makes sense for you.

Electrical safety

In the modern home almost everything operates on electricity. Appliances can become extremely hazardous if they are faulty, not installed properly, or inadequately maintained. Just as electricity flows through wire and other conductors, it can travel through the human body if contacted. Water provides very little resistance to electrical flow and the body is about seventy percent water. If a person contacts an electrical circuit, a shock will probably occur. Shocks can range from a slight tingle to fatal. Even a low-level amount of electricity traveling through the chest can kill. Most appliances carry enough power to cause electrocution (death). Several factors affect the seriousness of a shock, such as voltage and time in contact with the circuit. Some guidelines to safely operate electrical appliances include:

- ✓ Use only equipment that is properly grounded or double insulated
- ✓ Do not overload outlets
- ✓ Do not plug multi-outlet bars to other multi-outlet bars
- ✓ Only use appliances that have been approved by a national testing laboratory, such as Underwriters Laboratory (UL)



**Steven
Samuels**
Claims
and Loss
Prevention

- ✓ Minimize the use of extension cords (do not plug two extension cords together)
- ✓ Do not cover power cords or extension cords with rugs or mats
- ✓ Do not run electrical cords through hallways
- ✓ Unplug or disconnect appliances before servicing or repairing
- ✓ Do not ignore the warning signs. If an item feels hot, makes an unusual noise (buzz or hum), smokes or sparks, take it out of service immediately
- ✓ Inspect cords regularly
- ✓ Unplug cords from the outlet by gripping the plug do not pull the cord
- ✓ Do not use electrical equipment or appliances near water or wet surfaces
- ✓ Never use electrical appliances when hands or the appliance are wet

The “Magic” of Reinsurance

*As demonstrated by
the Parkersburg EF5*

Tornado – May 25, 2008.

(Article Reproduced from Frank Harrison/Holborn Company power point presentation, at the 101st Grinnell Mutual Reinsurance Company Annual Meeting in Grinnell, Iowa – June 24, 2009. Frank Harrison is Chairman for Holborn Company which is a broker for Lloyds of London, and is located in New York, NY).

What Happened:

- At 3:30 pm on Sunday, May 25, 2008 the initial alert (prepared by the storm prediction center in Oklahoma) designated #363, reflecting the number of tornado watches already issued in 2008, was sent to weather offices around the country.
- This particular watch covered much of Iowa, including Butler County and the towns of Parkersburg and New Hartford.
- In bold red letters, a sentence glared from the page: **“This is a particularly dangerous situation.”**
- The potential existed for one or more long-lived destructive tornadoes.
- Despite the strong wording, life went on as usual in Parkersburg, population 1,900. After a long and snowy winter, spring had proved to be unusually cool and damp – corn was just beginning to grow.
- But this Sunday afternoon, the sun was out and temperatures flirted with 80 degrees F. for the first time all year it had grown noticeably muggy. It was also Memorial Day weekend, and the bright warm weather was especially welcome.
- Despite the speculation of potentially bad storms, residents were enjoying the holiday. Who wouldn’t?
- After all, threats of tornadoes were an annual rite of spring. Iowans respect twisters, but the ones that visit occasionally are typically small and confined to the open fields.
- At the National Weather Service in Des Moines, Warning Coordinator, Jeff Johnson had a feeling he was in for a rough day of severe weather. *“Often times we get severe weather environments, but we usually see negatives...but we really couldn’t find any negatives, the parameters were all positives for severe weather on this*

day”.

- At 4:22 pm, Johnson quickly put out an urgent warning that a tornado was forming near Ackley and would be approaching Butler County. The city of Parkersburg was in the path of the storm.
- Predicting something as fickle as a super-cell thunderstorm is one of forecasting’s biggest challenges... changing by the second...these storms are in a continual state of flux.
- As it turns out, Johnson’s initial warning did not produce the Parkersburg tornado...worse, a new storm had developed...it strangled the initial storm and absorbed its energy... it actually went from virtually no storm at 4:20 pm to producing the initial Parkersburg tornado in a mere thirty minutes.

- However, despite the tornado warning and the direct mention of Parkersburg as a target, most townspeople continued business as usual.
- Back in Des Moines, Johnson watched with apprehension as the newly formed storm exploded before his eyes. He issued a follow-up warning at 4:46 pm that a tornado was due in Parkersburg by 5:00 pm.
- Johnson and his team were getting a look at a once-in-a-lifetime super storm. At 4:58 pm the birds in Parkersburg stopped singing. It was as if all living things stopped to take one giant breath.
- Then, the ominous sound of a monstrous freight train filled the air. Houses began to shake and windows

continued on 9 ➤

Amy says ...

Identity Theft – Ways to protect yourself

In the past several years the number of people that become victims of identity theft has grown drastically. This is because thieves are finding newer and more advanced ways to get your personal information.

Here are some ways to protect yourself:

1. Don’t carry more than one credit card in your purse or wallet
2. Make copies of your birth certificate and passport before traveling and keep in a safe place
3. Don’t give out any personal information to any caller
4. Change your bank pin number often (example debit cards)
5. Check your credit report
6. Check every monthly bill to determine that the purchases are your own
7. Use a shredder to destroy any and all mail with your name on it
8. NEVER give out your social security number to anyone

Amy Westberg
Policy Processing/
Billing and Assistant Bookkeeper



9. DO NOT throw away your receipts – either save them or shred them
10. Ensure that whatever credit card you use has identity theft protection
11. Contact the three credit bureaus to have them add a fraud alert
12. Make photocopies of your credit cards (front and back)
13. If your wallet is stolen contact ALL credit card companies, credit bureaus, and the Social Security Administration, as well as reporting it to the local authorities
14. Check with your bank to ensure your account is protected, and also check your bank statement as well

The above steps are just a few ways in which you can protect your financial standing and future credit potential.

rattled, and then it hit. At precisely 4:59 pm the eerie silence exploded into a deafening roar. Parkersburg entered the arms of an EF5 Tornado.

EF (Enhanced Fujita) Scale is below:

EF0	65-85 MPH Winds	Gale
EF1	86-110 MPH Winds	Weak
EF2	111-135 MPH Winds	Strong
EF3	136-165 MPH Winds	Severe
EF4	166-200 MPH Winds	Devastating
EF5	Over 200 MPH Winds	Incredible

- The air seethed with missiles that seconds before were the structures of Parkersburg. First to fly were roof shingles, followed by punched-out windows and peeled-back siding. Then came roofs and splintered two-by-fours, and finally, with house interiors fully exposed, came the contents and history of lifetimes.
- So fierce were the winds that mature trees were ripped of bark; cars and bricks were tossed like tinkler toys.
- The destruction of the southern third of Parkersburg took less than four minutes... this section of town simply ceased to exist.

• The tornado surged toward New Hartford...the small town of 660 residents could see the twister bearing down from the west...the people of New Hartford must have realized what had happened in Parkersburg because their cars were racing out of town just seconds before the tornado-taking up both lanes heading out of New Hartford.

- New Hartford narrowly escaped the brunt of the twister; it skimmed the north edge of town. However, the Beaver Hills subdivision and rural areas less than three-quarters of a mile north were not as lucky when the storm roared through at 5:09 pm.
- Johnson fired off a new tornado warning at 5:21 pm for Black Hawk and Southern Bremer counties. Of mounting concern was the large metropolitan area of Cedar Falls-Waterloo. A tornado of this magnitude striking such a population base would be a tremendous catastrophe.
- Surging into Black Hawk County, the tornado ripped through farmsteads as it traveled east. In less than fifteen minutes, it was on the northern doorstep of Cedar Falls.
- At 5:35 pm a wind gust of 93 miles per hour was measured at the Waterloo Airport on the extreme northwest edge of the city. While much too close for comfort, the twister narrowly missed the two large metropolitan areas.
- In a final burst of energy, the tornado

widened and made a slight turn northeast. As if to show the world how truly incredible it was, it ballooned to a width of 1.2 miles as it flattened homes and farmsteads just west and north of Dunkerton.

- After the storm two National Weather Service survey teams determined the Parkersburg tornado had been on the ground continuously for forty-three miles. Hundreds of homes, farmsteads and commercial risks were wiped out in a little over an hour. Wind speed was estimated at 205 MPH, making it an EF5 tornado, the strongest possible, and the most severe in the eastern half of Iowa in 40 years.
- The Property Claims Services unit of ISO (Insurance Services Office) estimated 10,000 claims totaling more than \$160 million.
- The storm took the lives of six people in Parkersburg and two in New Hartford.
- By every conceivable standard, it will be remembered as a storm for the ages, one of the worst tornadoes in history.
- In essence, it was Iowa's "Perfect Storm"

How Can Insurance Companies Possibly Plan for such devastating storms?

- Exposure mapping. Deterministic modeling. Probabilistic modeling. Knowledge of the business. "Gut" feel. **(You don't get a mulligan when it comes to tornado losses!)**

Spreading the Risk using the Parkersburg Scenario.

- Policyholder purchased property Insurance from Butler County Mutual -
- Butler County Mutual Purchased property reinsurance from Grinnell Mutual Reinsurance Company -
- Grinnell Mutual Reinsurance Company purchased reinsurance from the world reinsurance market which included the following – 20 different Syndicates at Lloyd's of London, 25 reinsurance companies headquartered in 10 different states and over a dozen counties, Nine entities backed by mutual insurers.
- The closest partner: 54 miles to Employers Mutual Casualty, headquartered in Des Moines.
- The furthest partner: 6,380 miles to Toa Reinsurance, headquartered in Tokyo Japan.
- The Largest partner: Faraday Syndicate at Lloyd's, 100% owned by Berkshire Hathaway.
- Oldest partner: Kiln Syndicate at Lloyd's, continuously backing Grinnell Mutual since 1963.

How the Finances Work.

- **Homeowner retained policy deductible.....less than 1%**
- **Butler County retained \$6,000 of the total loss or 4%**
- **Grinnell Mutual retained \$28,000 of the total loss or 18%**
- **Worldwide Reinsurance paid the balance of the loss or 78%**
- Homeowner in Parkersburg pays \$400 premium – collects \$150,000 loss payment.....Loss Ratio 37,500%
- Butler County Mutual pays \$133,000 reinsurance premium – collects \$22,868,000Loss Ratio 17,194%
- Grinnell Mutual Reins. Co. pays \$24,000,000 reins. premium – collects \$100,000,000Loss Ratio 417%
- Worldwide Reinsurance Market pays \$111,000,000,000 (billion) losses – collects \$167,000,000,000 (billion) in premiumsLoss Ratio 67%

Results

- Homeowner In Parkersburg *Life horribly disrupted, but able to rebuild.*
- Butler County Mutual *Policyholder Surplus Intact, Trades Forward*
- Grinnell Mutual Reinsurance Company *Remains Financially Secure, Rolls into 2009*
- Worldwide Reinsurance Market *Major Cat Losses, including Ike and Gustav are at 10-Year Average Level. Industry actually makes a small profit in 2008.*

What (Really) Happened....?

- The Parkersburg event, in reality, should not be described as a tragedy but should be described as a remarkable achievement of the human spirit.
 - One could argue that the Butler County Mutual Ins. Assoc. (and the other local farm mutuals) were not unfortunate to be hit with this tornado. They were called upon and they shined.
- "We will rebuild, with faith in each other, and in our future." – Gov. Culver*
- The "Magic" of reinsurance lies behind the strength of a chain of long term, secure relationships that literally span the globe and have been developed and matured over decades and generations.
 - **Every insurance policy** issued by a FarMutual reinsured by Grinnell Mutual Reinsurance Company is securely anchored by an invisible "safety net" that, in a sense, can perform "magic" when disaster strikes. The Parkersburg tornado aptly demonstrates the strength of the chain. Long may it continue.....!

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Humboldt Mutual Insurance Association
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**HUMBOLDT MUTUAL INSURANCE ASSOCIATION
SURPLUS ROLLFORWARD
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006**

	2008	2007	2006
Surplus - Beginning Balance	\$ 2,836,253.68	\$ 2,568,075.86	\$ 1,906,597.07
Current Year Net Income	(71,875.95)	255,323.74	454,839.85
Change in Unrealized Gains	(286,760.85)	(9,845.00)	84,002.30
Non-Ledger/Non-Admit Assets Increase (Decrease)	14,633.98	(2,895.16)	76,877.92
Non-Ledger Liabilities Decrease (Increase)	<u>30,677.47</u>	<u>25,594.24</u>	<u>45,758.72</u>
Surplus - Ending Balance	<u>\$ 2,522,928.33</u>	<u>\$ 2,836,253.68</u>	<u>\$ 2,568,075.86</u>

ANALYSIS OF INSURANCE IN FORCE:

	2008	2007	2006
Gross Risks in Force January 1	\$ 476,309,068	\$ 453,683,635	\$ 416,218,243
Gross Risks in Force December 31	<u>495,156,410</u>	<u>476,309,068</u>	<u>453,683,635</u>
INCREASE IN INSURANCE IN FORCE	\$ +18,847,342	\$ 22,625,433	\$ 37,465,392

2008 DIRECTORS & OFFICERS

G. Marvin Lindemann, President Humboldt
 Calvin Sorensen, Vice President Gilmore City
 Tom Jacobson, Director Ottosen
 Jim Sayers, Director Humboldt
 Brad Banwart, Director Ottosen
 Chris Wergeland, Director Hardy
 Tom Hundertmark, Director Rutland

STAFF

Maurice Abens Corporate Secretary
 Larry Curran Corporate Treasurer
 Bob Abens Underwriting/Accounting, Asst. Secretary/Treasurer
 Steve Samuels Senior Adjuster/Inspector
 Cindy Thompson Associate Adjuster/Inspector
 Amy Westberg Policy Processing/Billing and Assistant Bookkeeper

AGENCIES

Abens-Marty-Curran Agency Humboldt/Goldfield/Bode
 Anchor Insurance Fort Dodge
 Jaspersen Insurance & Real Estate, Ltd. Thornton/Belmond/Garner
 Powers Insurance Agency Pocahontas
 Sundet-Omdahl Insurance Agency, Inc. Algona/Corwith
 Thompson Insurance Agency Humboldt
 Town & Country Insurance, Inc. Clarion

POLICIES IN FORCE DECEMBER 31, 2007 1,988
POLICIES IN FORCE DECEMBER 31, 2008 1,944