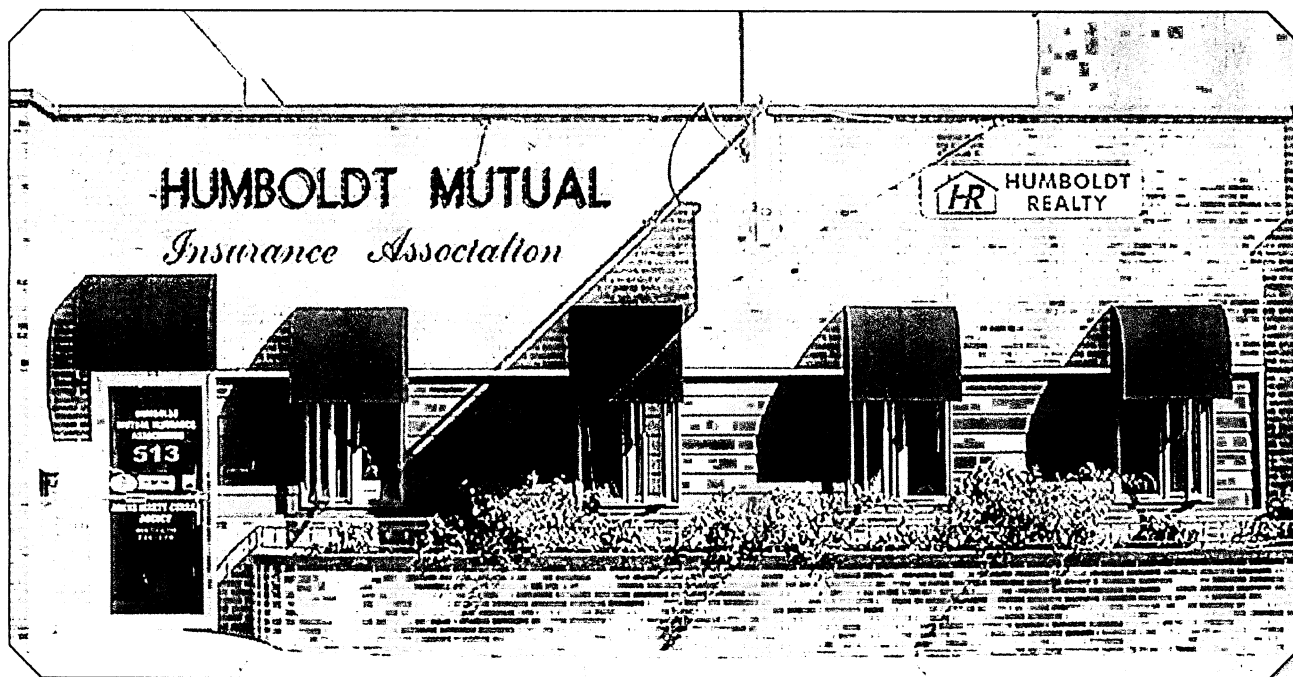


HUMBOLDT MUTUAL INSURANCE ASSOCIATION

513 Sumner Avenue · Humboldt, Iowa



1886 · 2010

Over a century of service and growth.

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HUMBOLDT MUTUAL INSURANCE ASSOCIATION
SUMMARY OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009, and 2008

UNDERWRITING PROFIT (LOSS)	2010	2009	2008
Gross Premiums	\$ 1,935,509.85	\$ 1,841,901.03	\$ 1,794,790.43
Less Reinsurance Premiums	<u>419,397.83</u>	<u>402,958.83</u>	<u>416,135.47</u>
Net Premiums	1,516,112.02	1,438,942.20	1,378,654.96
Gross Losses	2,551,485.05	1,048,933.46	1,099,009.58
Less Reinsurance Recovered	<u>1,560,115.15</u>	<u>257,197.23</u>	<u>306,766.68</u>
Net Losses	991,369.90	791,736.23	792,242.90
Loss Adjustment Expense	68,158.79	60,036.15	54,769.19
Commissions and Agent's Salary/Expense	283,936.85	264,226.59	260,546.13
Operating Expense [see page 4]	<u>314,640.57</u>	<u>294,226.55</u>	<u>285,423.29</u>
Total Underwriting Expenses & Losses	<u>1,658,106.11</u>	<u>1,410,225.52</u>	<u>1,392,981.51</u>
Net Gain (Loss) From Underwriting	<u>(141,994.09)</u>	<u>28,716.68</u>	<u>(14,326.55)</u>

INVESTMENT INCOME

Interest Income	128,337.96	126,539.64	134,984.19
Dividend Income	9,241.32	9,756.26	18,780.06
Gain/(Loss) on Sale of Investments	2,942.92	(24,282.65)	(70,786.96)
Increase (Decrease) in Adj of Bonds	773.95	(549.28)	(636.95)
Rental Income - Including Self-Rent	<u>25,800.00</u>	<u>27,300.00</u>	<u>27,300.00</u>
Total Investment Income (Loss)	<u>167,096.15</u>	<u>138,763.97</u>	<u>109,640.34</u>

NON-OPERATING INCOME (LOSS)

Net Premiums Collected for Other Companies	43,907.80	41,676.00	29,834.71
Commissions Paid Agents for Other Companies	(31,268.22)	(29,414.67)	(23,404.64)
Borrowed Money Received	100,000.00	0.00	0.00
Borrowed Money Repaid	(100,000.00)	0.00	0.00
Real Estate Depreciation	(5,286.96)	(5,428.11)	(5,500.46)
Increase (Decrease) in Ledger Liabilities	1,571.96	3,478.58	2,247.60
Net Misc Income (Expense) [see page 4]	<u>(13,705.07)</u>	<u>73,150.38</u>	<u>(11,541.95)</u>
Total Non-Operating Income or (Loss)	<u>(4,780.49)</u>	<u>83,462.18</u>	<u>(8,364.74)</u>
Net Income Before Federal Income Tax	20,321.57	250,942.83	86,949.05
Federal Income Tax	<u>4,123.00</u>	<u>32,740.00</u>	<u>158,825.00</u>
NET GAIN (LOSS) FOR THE YEAR	<u>\$ 16,198.57</u>	<u>\$ 218,202.83</u>	<u>\$ (71,875.95)</u>
Ledger Asset Balance, Beginning of Period	\$ 3,621,798.43	\$3,403,595.60	\$3,475,471.55
Ledger Asset Balance, End of Period	\$ 3,637,997.00	\$3,621,798.43	\$3,403,595.60

HUMBOLDT MUTUAL INSURANCE ASSOCIATION
BALANCE SHEET
AS OF DECEMBER 31, 2010, 2009, and 2008

ASSETS	Ledger Assets	Non-Ledger (Non-Admit)	2010 Admitted	2009 Admitted	2008 Admitted
Cash/Checking	\$ 35,674.32	\$ 0.00	\$ 35,674.32	\$ 8,086.36	\$ 12,803.07
Savings Accounts	0.00	0.00	0.00	5,463.66	3,023.05
CD's	150,000.00	0.00	150,000.00	250,000.00	300,000.00
U.S. Government Bonds	282,837.41	0.00	282,837.41	147,138.74	57,968.03
Municipal Bonds	1,671,931.07	0.00	1,671,931.07	1,734,636.84	1,627,516.56
Corporate Bonds	606,281.82	0.00	606,281.82	615,918.26	530,528.77
Preferred Stock	0.00	0.00	0.00	0.00	0.00
Common Stock	54,393.67	33,854.38	88,248.05	131,163.20	394,555.75
Mutual Funds	672,854.70	224,532.42	897,387.12	701,692.30	221,551.17
Loans/Notes/Contracts	0.00	0.00	0.00	0.00	0.00
Real Estate Office Building	87,838.85	0.00	87,838.85	91,220.81	93,453.92
Unpaid Prem Before 11/1	2,418.87	(2,418.87)	0.00	0.00	0.00
Unpaid Premium After 11/1	55,315.81	0.00	55,315.81	59,440.68	69,154.35
Agent's Balances	0.00	0.00	0.00	0.00	0.00
Reins Rec on Paid Losses	0.00	0.00	0.00	15,438.16	0.00
Accrued Interest	0.00	22,493.23	22,493.23	25,378.37	21,877.00
Equipment and Furniture	11,036.61	(11,036.61)	0.00	0.00	0.00
Supplies	0.00	0.00	0.00	0.00	0.00
Transportation	7,413.87	(7,413.87)	0.00	0.00	0.00
EDP Equip	0.00	0.00	0.00	0.00	2,964.73
Other Asset	0.00	0.00	0.00	0.00	0.00
Misc Receivable	0.00	0.00	0.00	0.00	0.00
Accrued Rent	0.00	0.00	0.00	0.00	0.00
Service Fees Receivable	0.00	0.00	0.00	0.00	0.00
Federal Tax Receivable	0.00	0.00	0.00	0.00	0.00
Prepaid Reinsurance	0.00	40,127.62	40,127.62	42,446.52	120,000.00
TOTAL	\$ 3,637,997.00	\$ 300,138.30	\$ 3,938,135.30	\$ 3,828,023.90	\$ 3,455,396.40

LIABILITIES, RESERVES AND SURPLUS			
Net Unpaid Claims	\$ 9,442.92	\$ 134,797.08	\$ 99,167.96
Accrued Reinsurance Premiums	0.00	0.00	41,799.47
Unpaid Salaries and Commissions	67,883.21	65,541.20	66,442.39
Amounts Withheld for the Accounts of Others	3,794.70	6,568.10	6,279.28
Borrowed Money	0.00	0.00	0.00
Real Estate Taxes	5,818.00	5,574.00	2,567.00
Federal Income Taxes	0.00	0.00	0.00
Premium Taxes	936.10	471.11	211.84
Other Taxes	0.00	0.00	0.00
Premium Collected for Other Companies Not Remitted	0.00	0.00	9,302.44
Premiums Received in Advance	21,849.90	22,704.13	15,634.71
Unearned Premium Reserve	724,000.00	682,000.00	681,000.00
Other Liabilities	1,405.64	1,057.22	462.98
Unpaid Adjusting Expense	9,800.00	12,800.00	9,600.00
Write-In Liability	0.00	0.00	0.00
Total Liabilities and Reserves	\$ 844,930.47	\$ 931,512.84	\$ 932,468.07
Unassigned Surplus	3,093,204.83	2,896,511.06	2,522,928.33
TOTAL	\$ 3,938,135.30	\$ 3,828,023.90	\$ 3,455,396.40

**HUMBOLDT MUTUAL INSURANCE ASSOCIATION
SUMMARY OF SELECTED ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009, and 2008**

OPERATING EXPENSES	2010	2009	2008
Advertising	\$ 18,186.29	\$ 12,582.21	\$ 13,114.30
Boards, Bureaus and Associations	7,621.73	7,309.78	6,662.81
Inspection and Loss Prevention	35,426.72	33,839.33	34,761.09
Salaries of Officers	45,814.00	44,356.00	42,150.00
Expense of Officers	4,568.74	3,632.93	864.58
Salaries of Office Employees	52,837.00	50,990.00	48,900.00
Employee Welfare	32,190.44	31,337.57	29,020.90
Insurance	12,834.71	12,946.96	7,665.57
Directors' and Committee Fees	6,875.00	6,625.00	4,800.00
Directors' Expenses	3,240.81	2,789.79	2,803.33
Rent and Rent Items	12,000.00	13,500.00	13,500.00
Equipment	12,304.16	14,286.71	16,617.08
Printing, Stationery & Supplies	5,174.08	5,582.37	5,548.66
Postage, Telephone & Exchange	9,280.01	4,756.60	13,225.11
Legal and Auditing	5,350.00	5,300.00	4,600.00
State Insurance Taxes	18,890.11	18,159.74	13,635.44
Insurance Department Licenses and Fees	610.00	590.00	480.00
Payroll Taxes	14,264.51	13,656.22	12,961.78
All Other Taxes	0.00	0.00	0.00
Real Estate Expenses	11,242.93	9,198.34	8,978.64
Real Estate Taxes	5,696.00	2,787.00	5,134.00
Interest on Borrowed Debt	233.33	0.00	0.00
	0.00	0.00	0.00
TOTAL OPERATING EXPENSES	\$ 314,640.57	\$ 294,226.55	\$ 285,423.29

**HUMBOLDT MUTUAL INSURANCE ASSOCIATION
SURPLUS ROLLFORWARD
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009, and 2008**

	2010	2009	2008
Surplus - Beginning Balance	\$ 2,896,511.06	\$ 2,522,928.33	\$ 2,836,253.68
Current Year Net Income	16,198.57	218,202.83	(71,875.95)
Change in Unrealized Gains	109,540.12	200,919.25	(286,760.85)
Non-Ledger/Non-Admit Assets Increase (Decrease)	(15,627.29)	(46,494.58)	14,633.98
Non-Ledger Liabilities Decrease (Increase)	86,582.37	955.23	30,677.47
Surplus - Ending Balance	\$ 3,093,204.83	\$ 2,896,511.06	\$ 2,522,928.33

ANALYSIS OF INSURANCE IN FORCE:

	2010	2009	2008
Gross Risks in Force January 1	\$ 517,512,828	\$ 495,156,410	\$ 476,309,068
Gross Risks in Force December 31	546,200,129	517,512,828	495,156,410
INCREASE IN INSURANCE IN FORCE	\$ +28,687,301	\$ +22,356,418	\$ +18,847,342

2010 DIRECTORS & OFFICERS

G. Marvin Lindemann, President..... Humboldt
Chris Wergland, Vice President..... Hardy
Tom Jacobson, Director..... Ottosen
Jim Sayers, Director..... Humboldt
Brad Banwart, Director..... Ottosen
Calvin Sorensen, Director..... Gilmore City
Tom Hundertmark, Director..... Rutland
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
Jasperson Insurance & Real Estate, Ltd..... Thornton/Belmond/Garner
Powers Insurance Agency..... Pocahtontas
Pro Advantage/Sundet-Omdahl
Insurance Agency, Inc..... Algona/Corwith/Swea City/West Bend
Thompson Insurance Agency..... Humboldt
Town & Country Insurance, Inc..... Clarion/Eagle Grove/Fort Dodge

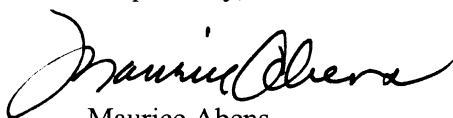
POLICIES IN FORCE DECEMBER 31, 2009 1,936
POLICIES IN FORCE DECEMBER 31, 2010 1,947
+ 11

Humboldt Mutual Insurance Association
Annual Policyholder Meeting
January 24, 2011

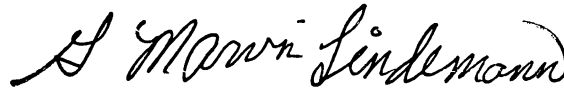
- **Call to order:** President G. Marvin Lindemann called the 125th annual policyholder meeting to order at 10:00 a.m. There were 23 people present including 16 policyholders.
- **Approved Minutes:** Secretary Abens read Minutes from the January 25, 2010 policyholder meeting. Motion made by Lance DeWinter and seconded by Steve Samuels to approve the minutes. Motion carried and the minutes were approved with no additions or corrections.
- **Records Examination Report:** Chris Hansen, representing the GMRC/Accounting and Tax Services department, presented an overview of Humboldt Mutual 2010 financial results. 2010 Surplus increased \$197,000 +6.79% over 2009. Surplus and Risk-in-Force both were at the highest levels ever. Cash basis net income was \$16,000. Unrealized and realized gains from investment amounted to \$112,000. Without the stock market valuation gains from investments, surplus would have only increased 2.91%. Gross premiums increased 5.81% over 2009 and 7.9% over 2008 to a total of \$1,936,000. Losses were at the worst-case scenario and highest in company history at \$2,574,810. The Mutual had an underwriting loss of \$142,000 for 2010. Operating expenses were up approximately 5%. Including unrealized investment gains and losses the cash and bonds overall 2010 return was 4.76% while the equity portfolio returned 12.35%. Interest rates continued to fall so the cash and bonds return was the lowest the mutual had seen in at least 10 years. Miscellaneous income was up significantly due to the Federal Income Tax refund received from 2009. Chris reported, other 2010 Mutual company tax clients, whose year-end financials have been completed thus far, averaged 4.76% surplus changes, (Humboldt Mutual was 6.79%). One-third of all GMRC member mutual companies either had attached or were projected to attach for reinsurance recovery in 2010. Grinnell Mutual Reinsurance Company was anticipating an underwriting loss for 2010, but also anticipated a modest increase in surplus due to investment income and unrealized gains in the stock market. Chris closed by taking questions from the membership. President Lindemann thanked Chris for presenting the Humboldt Mutual 2010 financial highlights. Kent Clendenen moved to approve the GMRC/Accounting and Tax Service Report. Ross Sleiter seconded and the report was approved.
- **Election of Directors:** Tom Hundertmark presented the Nominating Committee Report. Director terms for Calvin Sorensen, Brad Banwart and Tom Jacobson expired as of this meeting. Calvin Sorensen, Brad Banwart and Tom Jacobson had filed nomination papers in compliance with Article VIII, Section 11 of Amended and Substituted Articles of Incorporation. All three would succeed themselves. Sorensen had served as director since 1993, Banwart since 2005 and Jacobson since 2008. The three combined, represented 25 years service on the board. There were no other nomination papers filed. Tom Hundertmark made a motion that the written nominations be accepted and that the Membership elect the three nominees by unanimous vote. Larry Curran seconded and motion carried unanimously. President Lindemann declared Calvin Sorensen, Brad Banwart and Tom Jacobson 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 attending the meeting. President Lindemann commented that Humboldt Mutual would be celebrating 125 years service to policyholders in 2011. President Marv extended special thanks to Treasurer Larry Curran for his work as treasurer during very adverse economic conditions and also extended thanks to the entire staff for their hard work during the challenging 2010 claim year. Lindemann gave credit to Grinnell Mutual Reinsurance Company and their "Dwelling Quota-Share" reinsurance program along with other new reinsurance products such as Equipment Breakdown etc., for helping Humboldt Mutual weather the storms of 2010. President Lindemann also acknowledged and congratulated director Jim Sayers for being the first Humboldt Mutual Director to complete the NAMIC Director Certification Program. Sayers was also officially recognized at the NAMIC convention in San Diego and at the fall MIAI (Mutual Insurance Association of Iowa) Convention in Des Moines.
President Lindemann closed by reviewing 2010 board activities including five regular bi-monthly Director meetings, one special planning meeting, annual policyholder meeting and annual Director's meeting. President Lindemann and five Mutual Staff members attended Grinnell Mutual Reinsurance Company's annual meeting in June. Five directors and four staff members attended the November Mutual Insurance Association of Iowa convention in Des Moines. Agent meetings were held in April and August.

- **Adjuster's Remarks:** Steve Samuels reviewed "Losses Paid" and "Claims by Peril" reports noting there were 437 claims reported in 2010. This was double the number of claims reported in 2009. Unpaid loss reserves at year-end totaled \$290,536. Steve reported, Cindy had completed 329 inspections and handled 62 claims in 2010. Cindy traveled 13,165 miles. Steve handled 375 claims and traveled 16,179 miles and was beginning his 30th year with the Mutual. Steve noted he and Cindy had handled 96 claims in just six days during the rains last June. A majority of those losses were "Backup of Drain or Sump" claims. HMIA paid \$453,000 in Backup of Drain losses in 2010. Steve extended special thanks to all Humboldt Mutual staff and agents for their assistance and cooperation. Average number of claims-per-year the last 29 years - 557; last 15 years - 471; last 10 years - 337; last 5 years - 302. Adjuster's report was accepted.
- **Treasurer's Remarks:** Larry Curran reported the 2010 increased equity valuations, resulted from selling poor performing funds in 2009 and repositioning through income average repurchase of solid performing mutual funds. ***Company asset investment ratios as of December 2010:*** 20% Equities, 15% Corporate Bonds, 58% Government/Municipal Bonds, and 7% Liquid funds. Larry reported the board had adapted a "Written Investment Policy" and he reviewed the policy with the membership. Larry discussed various investment strategies used during the past year and thanked the board for their continued support. Treasurer's report was accepted.
- **Secretary's Remarks:** Maury Abens recognized company agents Kent Clendenen, Lance DeWinter and Ross Sleiter, Abens-Marty-Curran Agency; Gene Christianson, Jasperson Agency; Tom Powers, Powers Insurance Agency; Bruce Sundet and Doug Myrick, Pro Advantage Services; Marlene Thompson, Thompson Insurance; and Staci Schnittjer, Town & Country Insurance Agency. Abens introduced Directors G. Marvin Lindemann, Calvin Sorensen, Brad Banwart, Tom Jacobson and Tom Hundertmark. Abens also introduced staff personnel Robert Abens, Amy Westberg, Larry Curran and Steve Samuels. Last, Abens recognized Doug Coats, Marketing Specialist with Grinnell Mutual and Marilyn Lindemann, HMIA policyholder, for also being in attendance. Abens thanked everyone for attending the meeting.
 - ***Abens reviewed company transactions completed in 2010:*** Humboldt Mutual processed 216 new policy applications, 215 cancellations, 624 policy change requests, 2,388 renewals, 329 property inspections and 437 claims for a total of 4,209 total transactions completed in 2010.
 - ***Abens reviewed 2010 board resolutions and actions as follows:*** ***Resolution** to continue to develop and support new website domain located at www.hmia.biz; ***Resolution** to approve Office parking-lot seal-coat project – cost was \$1,905; ***Resolution** to approve continuing all Humboldt Mutual base rates the same for 2011 with no change; ***Resolution** to approve and adopt new written "Investment Policy" and to review annually at the regular December board of directors meeting.
 - ***Abens reviewed 2011 goals*** and thanked the membership for their support. Abens reported the company had six appointed agencies in 2010, including twelve branch offices and 88 appointed agents.
- **Resolution by Membership:** Steve Samuels offered a resolution to ratify and affirm all actions taken by Humboldt Mutual Insurance Association Officers and Directors, since the last policyholder meeting. Amy Westberg seconded and resolution passed with no objections.
-
- **Other Business:** None
-
- **Adjourn:** Staci Schnittjer moved to adjourn. Cindy Thompson seconded. Policyholder meeting adjourned at 11:12 AM.

Respectfully,



Maurice Abens
Secretary/Manager



G. Marvin Lindemann
President