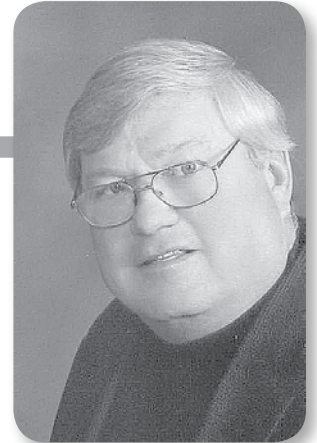


Manager's Reflections



Maurice Abens
Secretary-Manager

This is the 19th Edition of Our Company Newsletter. We published bi-annually in 1994-1995 and have published annually since 1996. I'm proud to say, I have been affiliated with Humboldt Mutual Insurance Association as an Independent Agent since 1976 and have served as Secretary Manager since 1989. This is my 34th year with the Mutual. Where does the time go?

I want to thank our entire staff at Humboldt Mutual (Steve, Cindy, Amy, Larry and Bob) - for their service and dedication. They definitely make my job easy! Also sincere thanks to our board of directors, President Marvin Lindemann, Vice-President Chris Wergeland, Cal Sorensen, Brad Banwart, Jim Sayers, Tom Hundertmark and Tom Jacobson. Their continued support and guidance is very appreciated.

I would be remiss if I did not extend additional thanks to our appointed professional Independent Insurance Agency force. Without the clients our Agency partners place with Humboldt Mutual we would not be in business. My personal "Thanks" to our appointed agencies listed below:

- Abens-Marty-Curran Agency**
Humboldt, Bode and Stevensen-Goldfield Offices
- Jasperson Insurance Agency**
Belmond, Garner, Hampton, Thornton Offices
- Powers Insurance**
Pocahontas Office
- Pro Advantage Services**
Sundet/Omdahl, Algona, West Bend, Swea City, Corwith, Garner, Clear Lake Offices.
- Thompson Insurance**
Humboldt Office
- Town & Country Insurance**
Clarion, Eagle Grove, Fort Dodge and Webster City Offices.

2009 Financial Results:

The financial year, which ended December 31, 2009, saw policyholder surplus increase to \$2,896,511. Total increase was \$373,583 or 14.8%. Positive 2009 financial results were primarily the result of improved financial markets and a small underwriting profit for the year. The Company's investment portfolio valuations increased \$200,000 and overall operational profit was \$218,000 (this included both underwriting

and investment income). Total company admitted assets were up \$372,628. The 2009 positive results basically wiped out the losses experienced in 2008 and brought the company back to just over its 2007 surplus level of \$2,836,253. (2008 loss in surplus was basically a paper loss do to decrease in market value of company investment portfolio. Actual 2008 operations had resulted in an \$87,000 profit).

Humboldt Mutual had projected +2.0% 2009 premium growth and +4.64% increased risks-in-force. Actual gross premium increased +2.5% with +4.5% gross risks increase. Total policy count again remained virtually unchanged. Humboldt Mutual continued to realize increased property risks-in-force, utilizing three-year agent policy review/renewal program together with ongoing farm service building evaluation estimators and ongoing inspection program.

(Please see minutes of 2010 Annual Policyholder Meeting and 2009 Financials printed elsewhere in this Newsletter).

2010 Projections:

Humboldt Mutual Board of Directors approved 2010 Business Plan with projected +4.00% gross premium increase based on +4.00% projected risk-in-force goal. 2010 year-end assets were projected at \$4,019,425 +5%. These results would be subject to favorable claims results with projected gross claims equal to or less than \$950,000. Humboldt Mutual board of directors voted to increase base Farm rates 2% and base Homeowner rates 4% for 2010. There had been no Humboldt Mutual base rate increases since 2005. Humboldt Mutual reinsurance rates had increased +5% 2009, +5% 2010 and will increase another +2% in 2011. (Reinsurance purchased by insurance companies, serves as an additional layer of protection to protect policyholder surplus from catastrophic loss).

2010 Year-To-Date Results:

Actual gross premium through July 31, 2010 was +5.31%. Company assets were valued at \$3,882,533, down \$60,263 from year-end and below the \$3,933,752 July projected goal. Company underwriting loss through July 31 was -\$95,924. Due to reinsurance recovery and investment in-

come, overall operational profit before taxes was +\$54,232. These less than favorable results have been due to higher than projected year-to-date claims payments. Humboldt Mutual YTD has paid \$1,282,266 gross losses with \$619,043 reinsurance recovery resulting in \$663,223 net losses. This has been the year of multiple adverse weather events resulting in high claim count and high claim losses. Some of the significant loss areas have been "Weight of Ice and Snow" building collapse claims totaling over \$500,000 paid, "Backup of Sewers & Drains" claims totaling \$274,000 paid, and dwelling "Fire" losses totaling \$124,171 paid. In addition there are \$1,080,000 estimated open claims yet to be paid. Humboldt Mutual Aggregate Excess Reinsurance stop loss is \$838,968 and our reinsurance company will pay 100% of our 2010 losses in excess of that stop loss amount.

It is obvious Humboldt Mutual will not meet projected increases in admitted assets and policyholder surplus in 2010 due to 2010 adverse loss experience. However, policyholders can rest assured policyholder surplus will be protected at its present level due to Quota Share Home Guard dwelling reinsurance program and our overall Aggregate Excess Reinsurance provided through our partnership with Grinnell Mutual Reinsurance Company. The "Magic of Reinsurance" (see last year's newsletter) has again served Humboldt Mutual well and continues to protect policyholder surplus enabling Humboldt Mutual to again "Weather the Storm."

If you have questions, or need additional information, please feel free to contact me.

Maurice Abens
Secretary/Manager

Bob explains ...



Bob Abens
Underwriting
and
Accounting,
Assistant
Secretary/
Treasurer

New Liability Endorsements Offered by Grinnell Mutual

The average Family Farm operation has changed dramatically over the past several decades. Equipment is larger and more expensive. Open feed lots where the individual farmer owns the livestock have given way to custom feeding confinement operations. Many family farmers supplement their farming income with secondary activities such as trucking or spraying operations.

As farming operations become more diverse, Grinnell Mutual Reinsurance Co. and Humboldt Mutual Insurance Association continue to adapt to these changes and offer a wide range of coverage enabling farmers to mitigate liability through their Farm Guard liability policy. Two such coverage endorsements are **GMRC 2295 – Contract Grower Limited Liability Coverage** and **GMRC 2297 – Agricultural Custom Spraying**.

❖ GMRC 2295 – Contract Grower Limited Liability Coverage

Basically the endorsement takes the Care, Custody and Control exclusion pertaining to livestock out of the Farm Guard liability policy. Without this coverage, any damage caused by the farmer to non-owned livestock in his care is excluded under liability. Under the base Farm Guard, non-owned livestock is considered owned if in the farmer's care and since a farmer cannot be liable to himself, liability coverage would not apply. The farmer would have to insure the livestock under the property section of the policy for coverage to apply.

This endorsement provides limited coverage for damages arising from suffocation, asphyxiation, hyperthermia, or hypothermia of non-owned livestock in the insured's care, and for which the insured is legally liable. This coverage compliments the named perils and any optional suffocation coverage that can be provided for livestock by a farm mutual, under their farm property policy. Coverage is rated on the number of livestock and is subject to the limit stated in the Declarations for **Cov-**

erage a – Liability to Public. Examples of covered losses include suffocation that occurs when the pits are pumped or when an insured neglects to turn the fans on, after routine maintenance.

A. Eligible Risks

1. This endorsement may not be added to any policy if a confinement structure on the farm does not have the safety/warning equipment described in Exclusion 8:
"We" do not cover "property damage" to "covered animals" arising from failure to maintain:
 - a. An approved alarm system, meaning a system capable of monitoring electrical power failure and temperature extremes within the animal confinement area; and sounding an alarm at the confinement complex, at the residence of the operator, and at least one off premises location;
 - b. A manual standby generating system;
 - c. An automatic standby generating system; or
 - d. An automatic emergency ventilating system. (Refer to Endorsement.)
2. The Farm-Guard policy must be written with combined single limits.
3. The type of livestock (such as hogs, cattle, etc.,) must be described in the endorsement or shown in the Declarations.
4. The insured must have a farm property policy written with Humboldt Mutual.
5. The insured must have an alarm system that monitors electrical power failure and temperature extremes and an auxiliary electrical generating system.

B. Ineligible Risks:

1. Manure hauling.
2. Poultry farms.
3. There has been a loss in the past 3 years that exceeded 10% of the total value of the livestock.
4. Any policy written with split limits.

❖ GMRC 2297 – Agricultural Custom Spraying

This activity has been excluded in the Farm Guard liability policy, forcing those

family farmers engaged in custom spraying to purchase a commercial liability policy to cover their spraying operation. **GMRC 2297** deletes this exclusion and allows this activity to be covered under the Farm Guard policy.

This endorsement extends liability to cover bodily injury and property damage arising out of the insured's custom spraying operation. The gross receipts must be stated on the endorsement or in the Declarations. This coverage does not apply to release from an aircraft or to any loss resulting from reduced crop yields due to the failure of the applied chemical to adequately control weed or bug infestations.

A. Eligible Risks

1. The applicator must be licensed.
2. The applicator can have no more than 2 losses in the prior 3 year period.
3. The applicator must have less than \$80,000 in gross receipts annually.

Both endorsements mentioned above are available upon request. Please contact your local Farm Mutual agent if you wish to add either endorsement.

Grinnell Mutual Reinsurance Co. and Humboldt Mutual Insurance Association have a long standing partnership to serve our member policyholders and will continue to adapt to changes in the farming industry with new coverage enhancements at a competitive price.

Bob Abens

Humboldt Mutual Insurance Association

Annual Policyholder Meeting • January 25, 2010

Call to order: President G. Marvin Lindemann called the 124th annual policyholder meeting to order at 10:00 a.m. There were 15 people present including 13 policyholders. (Low turnout due to severe winter storm).

Approved Minutes: Secretary Abens read Minutes from the January 26, 2009 policyholder meeting. Motion made by Scott Curran and a second by Lance DeWinter 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, was unable to attend the meeting. Dan had emailed some comments related to the operating statement, balance sheet, and summary of operations for 2009. Dan had asked Larry Curran to review these comments at the meeting. Gross premiums were \$1,828,151 +2.5% with gross losses of \$1,072,793. After expenses, the company realized an underwriting gain of \$28,717. Total net operating and investment income after tax was \$218,000. Gross risks-in-force were \$517,512,828 with 1937 total in-force policies. Larry noted, Mr. Volk's report highlighted the following: Humboldt Mutual surplus increased \$375,000 +15%. The large surplus increase was the result of \$200,000 increase in equity values and +\$218,000 net operating income. Equity fund valuations were up approximately +35% from the previous year due to improved market conditions. \$230,000 of surplus funds had been invested with fixed income investments and the rest in stock/mutual funds. Generally lower interest rates reduced interest income but fewer losses from sale of investments helped improve investment results by \$30,000. The mutual received \$83,000 non-operating income in 2009 due to 2008 federal tax refund. A backup-generator had been purchased in 2009 and that was the main change to the equipment and furniture account +\$14,000. The Mutual prepaid \$90,000 of 2010 reinsurance premiums for tax planning purposes. This created zero liability for reinsurance premiums payable with a remaining prepaid asset balance of \$42,000. Reinsurance premiums were slightly down for the year, but the prepayment for reinsurance each year for tax planning was reflected in the increase or decrease to these balances. Last year the mutual prepaid \$120,000 where this year the prepaid amount was \$90,000. Unearned premiums stayed about the same even though premiums grew by \$47,000. The effects of quota share dwelling reinsurance reduced the unearned premium by \$5,000 more than last year. The Quota share dwelling program reduced unearned premium by \$44,000 due to the ceding process with Grinnell Mutual Reinsurance Company. Larry reviewed Dan's final comments regarding what was going on with other Farm Mutual Companies in the state. In general, improved investment results helped improve surplus for many Mutuals even if they had reached their attachment point. Northeast Iowa was hit hard by hail losses, causing many NE Iowa mutual companies to reach their attachment points. Some Mutuals were rethinking their investment strategies after experiencing severe 2008 investment losses, even in their bond accounts. In general, it seemed most well-run Mutuals, had recovered to their 2007 surplus levels. Larry ended Dan's report by answering questions from the membership. President Lindemann thanked Larry for presenting Dan's report. Robert Abens moved to approve the

Records Examination Report. Calvin Sorensen seconded and the report was approved.

Election of Directors: G. Marvin Lindemann presented the Nominating Committee Report.

Director terms for Chris Wergeland and Tom Hundertmark expired as of this meeting. Chris Wergeland and Tom Hundertmark had filed nomination papers in compliance with Article VIII, Section 11 of Amended and Substituted Articles of Incorporation. Wergeland would succeed himself and had served as director since 2004. Tom Hundertmark would also succeed himself. Hundertmark had been appointed in 2007 to complete the unexpired term of Lawrence E. Marty. There were no other nomination papers filed. G. Marvin Lindemann moved that the written nominations be accepted and that the Membership elect the two nominees by unanimous ballot. Steve Samuels seconded and motion carried unanimously. Vice-President Calvin Sorensen declared Chris Wergeland and Tom Hundertmark 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 braving the severe winter storm to attend the meeting. President Lindemann commented that Humboldt Mutual would be celebrating 130 years of service to policyholders in 2011. President Marv again extended special thanks to Treasurer Larry Curran for his expertise managing company investments during adverse economic conditions. President Lindemann also extended thanks to the entire staff for their hard work and dedication during the year.

President Lindemann reviewed 2009 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. Two 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: Steve Samuels reviewed "Losses Paid" and "Claims by Peril" reports noting there were 221 claims reported in 2009. This was down almost 100 claims from 2008, however, 2009 claim severity was much greater than 2008. Unpaid loss reserves totaled \$134,797. Steve reported, Cindy had completed 476 inspections and outbuilding estimators in 2009 and traveled 11,834 miles. Cindy had also scanned 362 claim files. Cindy was beginning her 15th year with the Mutual. Steve traveled 13,875 miles and was beginning his 29th year with the Mutual. Steve reported two equipment breakdown claims since the inception of this program in late 2008. One had been paid and involved a bin auger motor in the amount for approximately \$6,000. The other had involved a furnace and was determined to be less than the deductible. Steve extended special thanks to all Humboldt Mutual staff and agents for their assistance and cooperation. Average number of claims-per-year the last 28 years - 561; last 16 years - 482; last 8 years - 277; last 4 years - 268. Adjuster's report was accepted.

Treasurer's Remarks: Larry Curran reported some of the 2009 equity, increased valuations, resulted from selling poor performing funds and repositioning through income average repurchase of solid performing mutual funds. **Company asset investment ratio**

as of December 2009: 23% Equities, 15% Corporate Bonds, 52% Government/Municipal Bonds, and 10% 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 company agents Marie Haas, Ross Sleiter, Lance DeWinter and Scott Curran, Abens-Marty-Curran Agency; Marlene Thompson, Thompson Insurance; Gene Christianson, Jasperson Agency. Directors G. Marvin Lindemann, Calvin Sorensen, Chris Wergeland, and Tom Hundertmark. Abens introduced staff personnel Robert Abens, Amy Westberg, Larry Curran and Steve Samuels. Abens gave Gene Christianson special recognition for traveling the longest distance in the severe winter weather and thanked everyone for making the effort to attend.

Abens reviewed 2009 board resolutions and actions as follows: ***Resolution** to approve new website domain located at www.hmia.biz; ***Resolution** to allow Hmia to write stand-alone Suffocation coverage up to \$50,000 on qualified hog confinement exposures serving "The Maschhoffs" contract hog production partners. Coverage would be provided to satisfy "The Maschhoffs" \$50,000 suffocation deductible on Maschhoffs master property hazard policy for their owned pigs; ***Resolution** to approve remodel of lower-level office bathroom at a cost of \$3,195; ***Resolution** to approve the sale of Anchor Insurance Agency to Town & Country Agency, Fort Dodge branch and including the Town & Country Eagle Grove branch, both effective September 1, 2009; ***Resolution** to approve purchase and installation of 25KW Generac home-office backup Generator at a cost of \$14,000; ***Resolution** to increase base Farmate rates 2% and base HomeGuard rates 4% effective January 1, 2010, due to 10% increase in base reinsurance rates the last two years; ***Resolution** to increase Aggregate Excess base reinsurance load factor from 1.55 to 1.70 effective January 1, 2010; ***Resolution** to approve new RC 417 "Bin Storage Building(s) Blocked Vent Coverage" endorsement and to automatically add the endorsement at no charge to all Grain Storage Bins that were endorsed with RC 96 Additional Coverage or RC 413 Broad Form endorsements.

Abens reviewed 2010 goals and thanked the membership for their support. Abens reported the company had six appointed agencies, including 12 branch offices and 86 appointed agents.

Resolution by Membership: Amy Westberg offered a resolution to ratify and affirm all actions taken by Humboldt Mutual Insurance Association Officers and Directors, since the last policyholder meeting. Ross Sleiter seconded and resolution passed with no objections.

Other Business: None

Adjourn: Larry Curran moved to adjourn. Marie Haas seconded. Policyholder meeting adjourned at 11:20 AM.

Respectfully,

Maurice Abens
Secretary/Manager

G. Marvin Lindemann
President

Message from Cindy



Cindy Thompson
Inspector

Inspections

The purpose of our inspection program is to serve our policyholders by helping reduce potential cause of loss, as well as update company files with photos and changes that may have occurred.

All new risks are inspected, as well as policies that are a three-year agent review. Electrical systems of dwellings and outbuildings are inspected, as well as exterior condition of all structures insured. An outbuilding replacement cost estimator is used to determine approximate replacement cost values of outbuildings. This is strictly a guideline and with this information we have established underwriting guidelines. This seems to be working well to get good sound structures insured

to proper values.

Our purpose and goal of the inspection/underwriting program is to assure structures are insured properly and point out any hazards that could be corrected to reduce the risk of a potential loss.

Humboldt Mutual Insurance Association does not warrant that property or operations inspected are safe or healthful or in compliance with any law, rule, or regulation. Ultimate responsibility for adequate safety and property maintenance rests with the insured.

We appreciate the cooperation extended by our insureds and agents with the inspection program. We value our policyholders' business and know that by working together we can reduce risks of loss and keep insurance premiums affordable.

Important information regarding HG/RC 319, backup of sewers or drains coverage

Insurance for most perils is readily available through Humboldt Mutual to cover your property and personal belongings for most major disasters, such as fire, lightning, wind, hail, and tornadoes. This year Mother Nature threw flooding into the mix. Humboldt Mutual does not provide flood insurance however, many of the losses had power outages, which prevented the sump pumps from working and caused them to overflow. In addition city sewer systems could not keep up with the tremendous amounts of rain in a short time, resulting in water backup through the sewer systems. Those losses are not automatically included in your typical homeowner's policy. This coverage may be obtained by adding the HG/RC 319 water backup of sewer and drains for an additional charge. To add this coverage to your policy you must contact your agent to endorse this coverage on your policy. A company inspection may be conducted for coverage consideration. Unlike other insured perils this coverage is per policy period, not per occurrence, which means if you have exhausted your specific coverage amount in one loss that coverage is exhausted until your next policy renewal.

Amy says ...

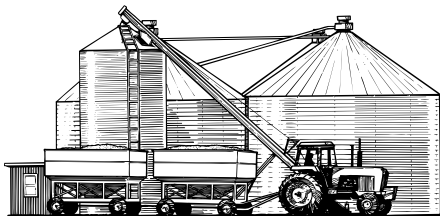


Amy Westberg
Policy Processing/
Billing and
Assistant
Bookkeeper

Bin Storage Building(s) Blocked Vent Coverage RC 417 01-10

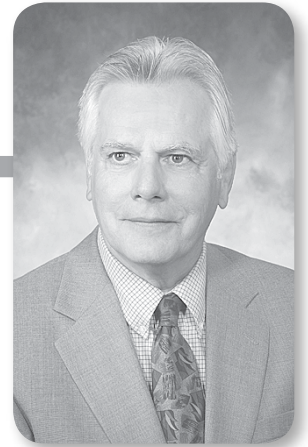
Humboldt Mutual Insurance Association introduced a new endorsement RC 417 (Bin Storage Building(s) Blocked Vent Coverage) effective January, 2010. This endorsement will

be added on automatically to all new and renewal farm policies with bins that have either RC 96 (Farm Service Building Additional Coverage) or RC 413 (Broad Form Building) endorsements. This endorsement will be at no charge to the insured. If you have any questions, please feel free to contact us or your agent any time.



Steve's Comments

Fire Safety at Home



Steve
Samuels
Claims
and Loss
Prevention

Electrical Fire Hazards

- DO NOT overload electrical sockets!
- If your home is 10 years or older, have the wiring checked to make sure it meets current building codes.
- Check all appliance and extension cords for frayed or exposed wires. Open or damaged wires start a number of home fires.
- * Clean and service heating systems and furnaces annually. Neglect can lead to poor ventilation or deteriorating wires and both can cause fires.
- Misused space heaters start fires fast. They should never be used as a primary source of heat. DO NOT leave them in doorways or stairways. Make sure they are nowhere near combustible materials, such as upholstery and drapes. DO NOT add fuel to a portable heater that is still on or hot. The fuel could "explode" into flames.
- Unplug heat-producing appliances that are not in use, such as toasters, kettles, space heaters, electric frying pans, and irons. On/off switches can fail, leaving the appliance on.
- Use only appliances listed by Underwriter Laboratories (UL). They are tested for safety.
- Turn off appliance when not in use.
- Always use the proper fuses in your home. Never use pennies, wires, or fuses of higher amperage than required to replace burned-out fuses.

Chimney and Barbecue Hazards

- Consider installing a spark arrestor on your chimney. They are relatively inexpensive. An approved arrestor will prevent sparks and other burning material from escaping and starting a fire on your roof, your trees, your bushes, or your neighbor's property.
- If there is uncleared land surrounding your property, trim back brush at least 100 feet from your home. Keep tree branches at least 10 feet from your chimney.
- Keep barbecue grills away from any and all flammable materials. Trees, shrubs, and even your hose could catch on fire from your grill.

- Store unused starter fluid and charcoal away from the grill. Keep all highly flammable materials, such as charcoal, starter fluid, paints, solvents, and varnishes in a locked, fireproof cabinet.
- NEVER use gasoline as a cleaning solvent, and never use flammable materials in an enclosed area.

Matches and Cigarettes

- NEVER smoke in bed. This is a major cause of house fires!
- NEVER smoke or light matches near flammable materials.
- Teach children the danger of playing with matches. They could seriously injure themselves and cause severe property loss.

Smoke Detectors

- Smoke detectors are CRUCIAL to your safety. Most fires occur at night while people are sleeping. Toxic gases from fire can numb your senses, disorient you, and kill you. Buy and carefully maintain a quality smoke detector. Don't wait until it's too late!
- For maximum effectiveness, install heat and smoke detectors that can be monitored by a U.L. approved central station.
 - When using battery operated smoke detectors, clean and test the batteries every month. Set up an annual time to change them, such as when you set your clocks forward or backward for daylight savings time.
 - The 110 volt smoke detectors installed by contractors are not safe. They become completely disabled during power outages.
 - 8 Mount smoke detectors in a central location on every floor, high on the wall or ceiling. Remember ... smoke rises.
 - Do not install smoke detectors near doors, windows, or vents where draft could affect their ability to detect smoke.

Fire Extinguishers

Extinguishers come in a variety of sizes and models. Look for one that has been approved, tested, and labeled by Factory Mutual Research or Underwriters Laboratories. They are labeled by class according to the type of fire they extinguish:

Class A: Ordinary combustibles

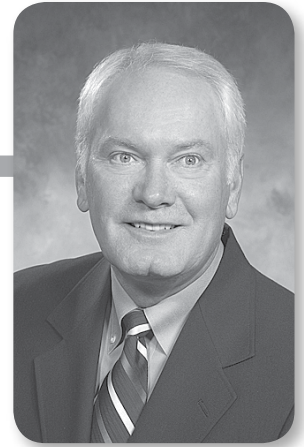
Class B: Flammable liquids (grease, oil, gasoline, oil paints, and paint thinner)

Class C: Electrical equipment (appliances, motors, power tools)

The Escape Route

- Sleep with the bedroom doors shut. House fires develop and spread rapidly. Toxic smoke can fill the house in two or three minutes, closed doors can give you extra seconds.
- Establish a well-planned escape route with the entire family. Hold practice fire drills until all family members are thoroughly familiar with the plan.
- Have at least two exits planned in case one is blocked.
- Install rope ladders by upstairs windows.
- * Establish a meeting place across the street, at a neighbor's home, etc. this will enable you to make sure everyone is out of the house and accounted for.
- In case of fire, act quickly but cautiously. Feel the door. If it's hot, don't open it.
- Hot, toxic smoke rises. Get down and crawl where the air is better to breathe.
- Don't let old newspapers, magazines, or rags [pile up in the basement, house or garage. They're ideal for spreading fire. Always keep a fire extinguisher by the stove. Make sure it can be used on grease or electrical fires.
- Learn what causes fire. Inspect your home to eliminate or control fire hazards.

Larry on Flood Insurance



Larry Curran
Treasurer

With all the recent rains and flooding problems we have experienced, we are getting a lot of questions about flood insurance and what it does and doesn't cover. Most homeowners policies, including those offered by Humboldt Mutual, do not cover flood damage, so it's important to have protection from the floods associated with heavy rains and the conditions created by the storms.

What is a flood?

Anywhere it rains, it can flood. A flood is a general and temporary condition where two or more acres of normally dry land, or two or more properties are inundated by water or mudflow. Many conditions can result in a flood: hurricanes, broken levees, outdated or clogged drainage systems and rapid accumulation of rainfall.

Just because you haven't experienced a flood in the past, doesn't mean you won't in the future. Flood risk isn't just based on history, it's also based on a number of factors: rainfall, river-flow, topography, flood control measures, and changes due to building and development.

Flood-hazard maps have been created to show different degrees of risk for your community, which help determine the cost of flood insurance. The lower the degree of risk, the lower the flood insurance premium.

Most flood insurance is written through the National Flood Insurance Program (NFIP), which is administered



by the Federal Emergency Management Agency (FEMA). If your community participates in the NFIP, you can buy a flood insurance policy through your local agent. Anyone with property within the participating city or county can purchase coverage, even if they are in a low risk area. Premiums in the low risk areas are generally very reasonable. Unless there is a special circumstance, such as a loan closing, a flood insurance policy normally takes 30 days from the date of purchase to go into effect. So don't wait until a flood is imminent to buy a policy.

There are two types of flood insurance coverage in the NFIP policy. **1.** Building property, up to \$250,000, and **2.** Personal property (contents), up to \$100,000. The NFIP encourages people to purchase both types of coverage. Different deductible options are available, and choosing a higher deductible will lower the premium you pay, but will also reduce the claim payment.

What is covered:

Flood insurance policies generally cover physical damage to your property and possessions "directly" caused by a flood. For example, damages caused by a sewer backup are covered if the backup is a direct result of flooding. However, if the backup is caused by some other problem, the damages are not covered. This exposure can usually be covered by a special endorsement for water and sewer backup sold by most companies offering homeowners insurance.

The following list is a general guide to what is and isn't covered.

Building Property *

- The insured building and its foundation
- Electrical and plumbing systems
- Central air conditioning equipment,

- furnaces, and water heaters
- Refrigerators, cooking stoves, and built-in appliances such as dishwashers
- Permanently installed carpeting over unfinished flooring
- Permanently installed paneling, wall-board, bookcases, and cabinets
- Window blinds
- Detached garages (up to 10% of Building Property coverage). Detached buildings (other than garages) require a separate Building Property policy
- Debris removal

Personal Contents Property*

- Personal belongings, such as clothing, furniture, and electronic equipment
- Curtains
- Portable and window air conditioners
- Portable microwave ovens and portable dishwashers
- Carpets that are not included in building coverage
- Clothing washers and dryers
- Food freezers and the food in them
- Certain valuable items such as original artwork and furs (up to \$2500)

* Flood Insurance for Basements and Areas Below the Lowest Elevated Floor

- Coverage is limited in basements regardless of zone or date of construction. It's also limited in areas below the lowest elevated floor, depending on the flood zone and date of construction. These areas include:
- Basements

- Crawlspace under an elevated building
- Enclosed areas beneath buildings elevated on full-story foundation walls that are sometimes referred to as "walkout basements"
- Enclosed areas under other types of elevated buildings

Make sure to ask your agent for additional details on your basement coverage.

What's not covered:

- Damage caused by moisture, mildew, or mold that could have been avoided by the property owner
- Currency, precious metals, and valuable papers such as stock certificates
- Property and belongings outside of an insured building such as trees, plants, wells, septic systems, walks, decks, patios, fences, seawalls, hot tubs, and swimming pools
- Living expenses such as temporary housing
- Financial losses caused by business interruption or loss of use of insured property
- Most self-propelled vehicles such as cars, including their parts

How Flood Damages Are Valued

The value of flood damage in the Dwelling Form is based on either Replacement Cost Value (RCV) or Actual Cash Value (ACV).

Replacement Cost Value (RCV)

RCV is the cost to replace that part of a building that is damaged, without depreciation. To be eligible, three conditions must be met:

1. The building must be a single-family dwelling.
2. Be your principal residence, meaning you live there at least 80% of the year.
3. Your building coverage is at least 80% of the full replacement cost of the building, or is the maximum available for the property under the NFIP.

Actual Cash Value (ACV)

ACV is replacement cost value at the time of loss, less the value of its physical depreciation. Some building items such as carpeting are always adjusted on an ACV basis. For example, wall-to-wall carpeting could lose between 10-14% of its value each year, depending on the quality of the carpeting. This depreciation would be factored in the adjustment.

Personal property is always valued at ACV.

A Final Note

This article is intended to give you a general understanding of the National Flood Insurance Program. However,

please be aware that the actual Policy, your application, and any endorsements will make up your official contract of insurance. Any differences between this information and your policy will be resolved in favor of your policy. If you have any questions, be sure to visit with your insurance agent or a company representative.

For many of you, your property may be located in a jurisdiction that is not part of the NFIP, and therefore, you will not be able to access the program. There may be some private markets available to access limited flood coverage, but they are generally quite expensive and are usually not available in higher risk areas. Check with your insurance agent to explore your options.

HUMBOLDT MUTUAL INSURANCE ASSOCIATION SUMMARY OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2009, 2008, and 2007

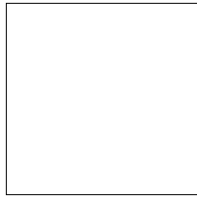
| UNDERWRITING PROFIT (LOSS) | 2009 | 2008 | 2007 |
|--|-------------------------|---------------------------|--------------------------|
| Gross Premiums | \$ 1,841,901.03 | \$ 1,794,790.43 | \$ 1,773,605.91 |
| Less Reinsurance Premiums | <u>402,958.83</u> | <u>416,135.47</u> | <u>388,863.31</u> |
| Net Premiums | 1,438,942.20 | 1,378,654.96 | 1,384,742.60 |
| Gross Losses | 1,048,933.46 | 1,099,009.58 | 754,603.22 |
| Less Reinsurance Recovered | <u>257,197.23</u> | <u>306,766.68</u> | <u>283,094.52</u> |
| Net Losses | 791,736.23 | 792,242.90 | 471,508.70 |
| Loss Adjustment Expense | 60,036.15 | 54,769.19 | 53,655.33 |
| Commissions and Agent's Salary/Expense | 264,226.59 | 260,546.13 | 217,671.38 |
| Operating Expense [see page 4] | <u>294,226.55</u> | <u>285,423.29</u> | <u>287,661.26</u> |
| Total Underwriting Expenses & Losses | <u>1,410,225.52</u> | <u>1,392,981.51</u> | <u>1,030,496.67</u> |
| Net Gain (Loss) From Underwriting | <u>28,716.68</u> | <u>(14,326.55)</u> | <u>354,245.93</u> |

INVESTMENT INCOME

| | | | |
|---------------------------------------|--------------------------|--------------------------|--------------------------|
| Interest Income | 126,539.64 | 134,984.19 | 133,184.98 |
| Dividend Income | 9,756.26 | 18,780.06 | 38,115.08 |
| Gain/(Loss) on Sale of Investments | (24,282.65) | (70,786.96) | 45,866.15 |
| Increase (Decrease) in Adj of Bonds | (549.28) | (636.95) | (743.96) |
| Rental Income - Including Self-Rent | <u>27,300.00</u> | <u>27,300.00</u> | <u>26,900.00</u> |
| Total Investment Income (Loss) | <u>138,763.97</u> | <u>109,640.34</u> | <u>243,322.25</u> |

NON-OPERATING INCOME (LOSS)

| | | | |
|---|-----------------------------|------------------------------|-----------------------------|
| Net Premiums Collected for Other Companies | 41,676.00 | 29,834.71 | 29,513.05 |
| Commissions Paid Agents for Other Companies | (29,414.67) | (23,404.64) | (23,011.57) |
| Borrowed Money Received | 0.00 | 0.00 | 0.00 |
| Borrowed Money Repaid | 0.00 | 0.00 | 0.00 |
| Real Estate Depreciation | (5,428.11) | (5,500.46) | (5,551.85) |
| Increase (Decrease) in Ledger Liabilities | 3,478.58 | 2,247.60 | 13,583.16 |
| Net Misc Income (Expense) | <u>73,150.38</u> | <u>(11,541.95)</u> | <u>(10,176.23)</u> |
| Total Non-Operating Income or (Loss) | <u>83,462.18</u> | <u>(8,364.74)</u> | <u>4,356.56</u> |
| Net Income Before Federal Income Tax | 250,942.83 | 86,949.05 | 601,924.74 |
| Federal Income Tax | <u>32,740.00</u> | <u>158,825.00</u> | <u>346,601.00</u> |
| NET GAIN (LOSS) FOR THE YEAR | <u>\$ 218,202.83</u> | <u>\$ (71,875.95)</u> | <u>\$ 255,323.74</u> |
| Ledger Asset Balance, Beginning of Period | \$ 3,403,595.60 | \$3,475,471.55 | \$3,220,147.81 |
| Ledger Asset Balance, End of Period | \$ 3,621,798.43 | \$3,403,595.60 | \$3,475,471.55 |



OR CURRENT RESIDENT

Humboldt Mutual Insurance Association
P.O. Box 35
Humboldt, IA 50548



**HUMBOLDT MUTUAL INSURANCE ASSOCIATION
SURPLUS ROLLFORWARD
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008, and 2007**

| | 2009 | 2008 | 2007 |
|---|------------------------|------------------------|------------------------|
| Surplus - Beginning Balance | \$ 2,522,928.33 | \$ 2,836,253.68 | \$ 2,568,075.86 |
| Current Year Net Income | 218,202.83 | (71,875.95) | 255,323.74 |
| Change in Unrealized Gains | 200,919.25 | (286,760.85) | (9,845.00) |
| Non-Ledger/Non-Admit Assets Increase (Decrease) | (46,494.58) | 14,633.98 | (2,895.16) |
| Non-Ledger Liabilities Decrease (Increase) | <u>955.23</u> | <u>30,677.47</u> | <u>25,594.24</u> |
| Surplus - Ending Balance | <u>\$ 2,896,511.06</u> | <u>\$ 2,522,928.33</u> | <u>\$ 2,836,253.68</u> |

ANALYSIS OF INSURANCE IN FORCE:

| | 2009 | 2008 | 2007 |
|--|--------------------|--------------------|--------------------|
| Gross Risks in Force January 1 | \$ 495,156,410 | \$ 476,309,068 | \$ 453,683,635 |
| Gross Risks in Force December 31 | <u>517,512,828</u> | <u>495,156,410</u> | <u>476,309,068</u> |
| INCREASE IN INSURANCE IN FORCE | \$ +22,356,418 | \$ +18,847,342 | \$ 22,625,433 |

2009 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

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 Pocahontas
 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, 20081,944
POLICIES IN FORCE DECEMBER 31, 20091,936