

# DRIVING RESULTS

Through Innovation, Service and Growth



FARM BUREAU MUTUAL HOLDING COMPANY

ANNUAL REPORT / 2015

## Products and Services: A Cut above the Rest

People sometimes think insurance is a commodity, but Farm Bureau client/members know that's not true. The coverage we provide goes well beyond homes, cars and barns – we protect livelihoods and futures. And in 2015, we took that commitment to new heights with innovative new technology, enhanced service to client/members and growing financial strength and stability.

The launch of our usage-based insurance (UBI) program signaled the beginning of a new era for our companies. Known as “Driveology: The Science of Safe Driving®,” the program tracks participants’ driving habits and, after a period of time, offers the opportunity to earn discounts for smart, safe driving. Currently available in two states, Driveology will be rolled out company-wide later in 2016.

UBI programs first launched in the industry about a decade ago, but the telematics technology used to capture driving data has only recently become more reliable and cost-effective. Farm Bureau Property & Casualty Insurance Company is proud to be one of just a handful of midsized insurers offering this unique savings opportunity to client/members.

## Financial Strength: Raising the Bar

With a focus on service and operational excellence, our companies achieved new financial milestones in 2015. Policyholder surplus increased by \$140 million and the total now exceeds \$1 billion. Driven largely by underwriting gains, surplus is viewed by industry ratings agencies as an indicator of financial strength and stability. We view surplus as further confirmation that we are fully prepared to deliver on our promise to be there for our client/members when the unexpected happens.

It was a year of financial milestones:

- Surplus-to-premium ratio improved to 1.29, the lowest in more than 20 years.
- Fire & Casualty direct written premium reached a record \$1.29 billion, a 5.2 percent increase from 2014.
- We exceeded one million auto units in force for the first time.
- We delivered the lowest combined ratio in more than 20 years – 88.6%.
- We increased property-casualty membership accounts to 361,202.

## Outstanding in the Industry

Our continued innovation and growth continues to set us apart from other regional and national carriers:

- 2015 marked the fourth consecutive year our companies ended the year with a Fire & Casualty underwriting gain, outpacing the industry.
- Fire & Casualty direct written premium was up 5.2 percent in 2015, more than twice the property-casualty industry growth.
- We're the #1 farm insurer in our 8-state footprint... and growing.
- A.M. Best, a leading provider of insurer ratings, affirmed our “A” (Excellent) rating in 2015<sup>1</sup>. We are among an elite group of insurers recognized by A.M. Best Review for consistently maintaining an A.M. Best Financial Strength Rating of A or higher for more than 50 years.

<sup>1</sup>An “A” (Excellent) rating is the third highest of A.M. Best's 16 individual ratings.

## A Focus on Agriculture

We've been focused on serving the unique needs of farmers and ranchers for more than 75 years. Today, we're the #1 farm and ranch insurer in our 8-state footprint, and the #2 insurer nationwide. We continue to optimize our products and services to meet the specific needs of this market. In a phrase, we deliver Smarter Insurance for Agriculture™, and you'll see it in everything we do.

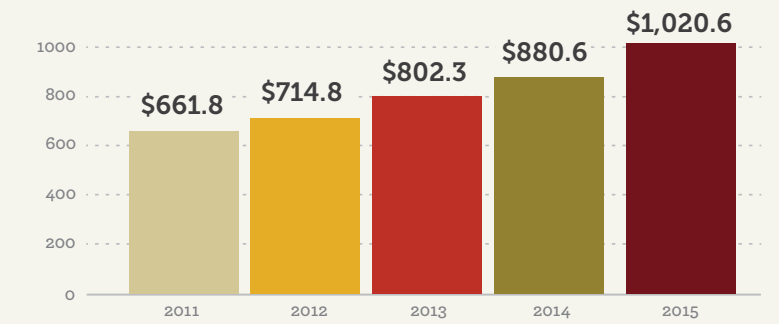
## Where Membership Means More

Insurance, and a trusted relationship with a Farm Bureau agent to go with it, is one of many valuable benefits of Farm Bureau membership. But members of the Farm Bureau family know that there's more to it than just insurance – there's a sense of community and a commitment to service and advocacy that binds us together. We're proud of the relationships we've built with our valued client/members; it underscores our belief that with Farm Bureau, belonging truly does make a difference.

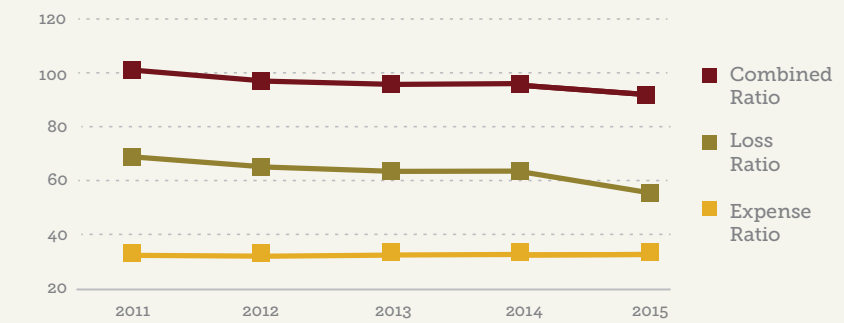
## Service is our Standard

We aren't always the cheapest insurance alternative, and we don't bind coverage in less than 10 minutes online. Instead, we go the extra mile, ensuring our client/members have the right coverage at the right time with a SuperCheck®. And when things go wrong, we're there to make them right. In 2015, more than \$700 million was expended to cover the claims of client/members. Our agents are the face and heart of Farm Bureau in their communities. They're helping protect their friends and neighbors, and we wouldn't have it any other way.

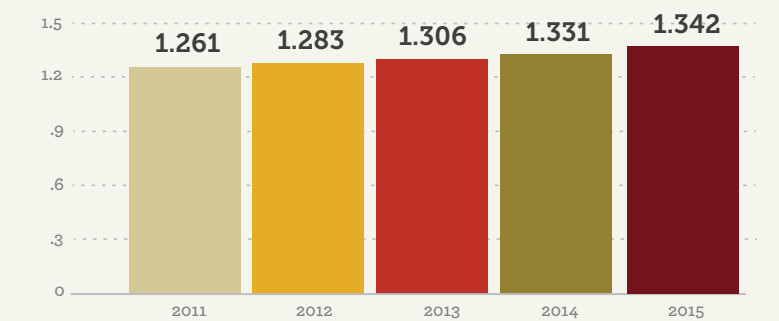
### ► Surplus (in Millions)



### ► Key Operating Ratios

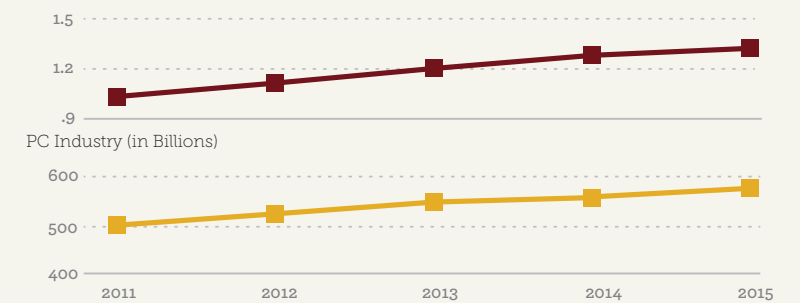


### ► Units in Force (in Millions)

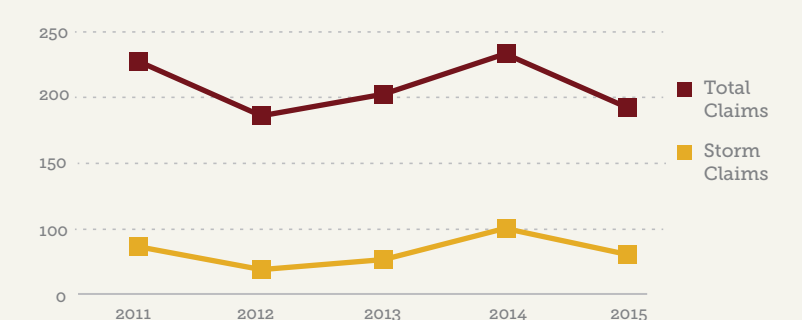


### ► Direct Written Premium - Fire And Casualty

Farm Bureau Property & Casualty Insurance Company (in Billions)



### ► Claim Counts (in Thousands)



## Class A Directors and Nominees



**Kevin G. Rogers**  
Arizona

Kevin Rogers is chairman of the board of directors for Farm Bureau Mutual Holding Company. He also serves on the boards of directors of Farm Bureau Life Insurance Company, FBL Financial Group, Inc. and American Agricultural Insurance Company. Rogers is president of the Arizona Farm Bureau Federation. He serves on the National Cotton Council and is Vice President of the Arizona Cotton Growers Association. Rogers' family farms 7,000 acres in the Phoenix area.



**Richard W. Felts**  
Kansas

Richard Felts is vice chairman of the board of directors for Farm Bureau Mutual Holding Company. He also serves on the boards of directors for FBL Financial Group, Inc. and Farm Bureau Life Insurance Company. He was elected to the Kansas Farm Bureau Board of Directors in 2001, and is presently serving as President. Felts was elected to the American Farm Bureau Federation Board of Directors in 2016. Felts is also actively involved in the Eastern Kansas Royalty Owner's Association. He is Chairman of the Montgomery County 4-H Foundation Board and SEK Grain, Inc. Felts is a Kansas State University graduate with a degree in Animal Sciences and Industry. He farms in partnership with family members near Liberty, Kansas; the operation includes hog finishing and a diversified crop operation of corn, soybeans and wheat.



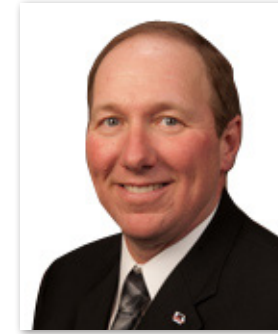
**Ron B. Gibson**  
Utah

Ron Gibson serves on the board of directors for Farm Bureau Mutual Holding Company and Farm Bureau Life Insurance Company. Gibson is president of the Utah Farm Bureau Federation and began his Farm Bureau service as part of the Young Farmer & Rancher Committee. He has held numerous positions with community organizations. He is currently on the Board of Directors of his local marketing co-op and has served on the local FSA Committee and National Dairy Council Reproduction Board. Ron owns and operates a 1,500 cow dairy and grows 1,500 acres of corn silage, barley and alfalfa on his farm in West Weber, Utah.



**Jeffrey A. Grossenbacher**  
Kansas

Jeffery Grossenbacher serves on the board of directors for Farm Bureau Mutual Holding Company. He was elected to the Kansas Farm Bureau Board in 1995 and currently serves as Vice President. Grossenbacher is a leader in his church and community, and currently serves on a variety of boards. He is the sixth generation to farm his family's diversified corn, soybean and cattle operation near Bern. Grossenbacher earned a bachelor's degree in Agriculture Mechanization Business and Industry from Kansas State University.



**Joe D. Heinrich**  
Iowa

Joe Heinrich serves on the boards of directors for Farm Bureau Mutual Holding Company and FBL Financial Group, Inc. He is vice president of the Iowa Farm Bureau Federation and has served on its board of directors since 2004. Heinrich farms corn, soybeans, oats and hay and has a beef cow-calf herd and a dairy operation in Maquoketa, Iowa.



**Craig D. Hill**  
Iowa

Craig Hill serves on the board of directors for Farm Bureau Mutual Holding Company and is chairman of the board and chair of the Executive Committee for FBL Financial Group, Inc. He is also a director and president of Farm Bureau Life Insurance Company. He is president of the Iowa Farm Bureau Federation and director and president of its subsidiary, Farm Bureau Management Corporation. In 2012, Hill was elected to the board of directors of the American Farm Bureau Federation. Hill farms 1,000 acres of row crops and has a swine operation near Milo, Iowa.



**Mark A. McHargue**  
Nebraska

Mark McHargue serves on the board of directors of Farm Bureau Mutual Holding Company. He is a past Merrick County Farm Bureau president and has served Nebraska Farm Bureau in various leadership capacities since 1998. He is the current First Vice President of Nebraska Farm Bureau. McHargue is an active member of the Nebraska Pork Producers Association and serves on the National Pork Board's speakers bureau. He is a fourth-generation farmer and owns a farrow-to-finish hog operation and raises irrigated popcorn. McHargue attended Grace University in Omaha. He is active in his community, serving on a variety of boards.



**Stephen D. Nelson**  
Nebraska

Steve Nelson serves on the boards of directors for Farm Bureau Mutual Holding Company and Farm Bureau Life Insurance Company. He served Nebraska Farm Bureau as a director (1997-2002) and as first vice president (2002-2011) before he was elected president in December 2011. In 2014 he was elected to the board of directors of the American Farm Bureau Federation. Nelson has chaired the American Farm Bureau Federation's Feed Grains Committee and served on the Water Quality Task Force and the Information and Technology Committee. He was appointed to the American Farm Bureau's MAAPP (Making Agriculture Productive and Profitable) committee to study the future of American agriculture from 2003-2006. He holds a bachelor's degree from the University of Nebraska.

## Class A Directors and Nominees



**Charles E. Norris**  
Iowa

Charlie Norris serves on the boards of directors for Farm Bureau Mutual Holding Company and Farm Bureau Life Insurance Company. He is also a member of the Iowa Farm Bureau Federation board of directors. Norris has served in a number of leadership capacities as a member of the Cerro Gordo County Farm Bureau, including president, vice president, voting delegate. He also served as president of the Cerro Gordo County Corn Growers Association. He currently is the Iowa Farm Bureau liaison to the Iowa Corn Growers Association. Norris manages a corn and soybean operation near Mason City.



**Kevin D. Paap**  
Minnesota

Kevin Paap serves on the boards of directors for Farm Bureau Mutual Holding Company and Farm Bureau Life Insurance Company. He is president of the Minnesota Farm Bureau; he served as vice president from 1997-2005. In 2012 he was elected to the board of directors of the American Farm Bureau Federation. Paap is an active member of the corn and soybean growers' organizations, past state president of the Minnesota Soybean Growers Association, a graduate of the first Minnesota Agriculture and Rural Leadership Program, and a policy fellow through the Humphrey Institute for Public Affairs. He is a past member of Farm Safety 4 Just Kids National Board of Directors. Paap also serves on the Alumni Board of the University of Minnesota-Waseca, where he earned a bachelor's degree. He owns and operates a fourth-generation family farm in Blue Earth County.



**James D. Sipes**  
Kansas

Jim Sipes serves on the board of directors of Farm Bureau Mutual Holding Company. He also serves the Kansas Farm Bureau as director of the 9th district in Southwest Kansas. He has also served on the Stanton County Farm Bureau board and Kansas Farm Bureau's state Resolutions Committee. Sipes attended Kansas State University, earning a bachelor's degree and a master's degree in agronomy. From there, he returned to the family farm in Stanton County; he is the fourth generation to work that ground alongside his father and uncle.



**Scott E. VanderWal**  
South Dakota

Scott VanderWal is on the boards of directors for Farm Bureau Mutual Holding Company, Farm Bureau Life Insurance Company and FBL Financial Group, Inc. He is president of the South Dakota Farm Bureau and has been a member of its board since 2004. VanderWal was elected Vice President of the American Farm Bureau Federation in 2016. He has served on numerous other boards and committees. In 1996, he participated in an exchange trip to Germany; in 2001, a tour of the soybean "frontier" in Brazil; and in 2004 he participated in an agricultural trade mission to Cuba. He has previously served on the Farm Bureau Young Farmers and Ranchers committee at the state and national levels. In 2004, VanderWal was accepted into the South Dakota Agriculture and Rural Leadership Program. He is a graduate of South Dakota State University and a third generation farmer from Volga, South Dakota.



**Michael S. White**  
New Mexico

Michael White is on the boards of directors for Farm Bureau Mutual Holding Company and Farm Bureau Life Insurance Company. He is president of the New Mexico Farm & Livestock Bureau - a position he has held since 2002. White is a New Mexico State University graduate and lives on, and manages, a three-generation family farm outside Dexter, New Mexico.