

# Protecting Livelihoods and Futures

ANNUAL REPORT / 2019



FARM BUREAU MUTUAL HOLDING COMPANY

## Protecting Livelihoods and Futures

It was a year of unique challenges for farmers and ranchers across the Farm Bureau Mutual Holding Company footprint. Historic flooding and record spring rainfall prevented planting for more client/members than our companies have ever experienced before. We were proud to deliver on our promises for 1,695 prevented planting claims totaling \$19.5 million.

Further demonstrating our commitment to farm/ranch client/members, we introduced two discount programs in September 2019. The Ag Advantage Discount rewards those loyal client/members who have continually trusted us for a period of years. Ag + Rewards grants a discount to farm/ranch client/members who come to us for insurance needs extending beyond just farm/ranch coverage (auto, umbrella). These discounts were introduced in Kansas, Minnesota, New Mexico and Utah in September 2019. They will be added for client/members in Arizona, Iowa, Nebraska and South Dakota in June 2020.

Also coming to all states in 2020 is our industry-leading Ag Pollution Liability Endorsement that can protect farmers and ranchers in the event of an accident that results in a covered pollution event.

After a quiet storm season in 2018, storms were more frequent than anticipated in 2019, resulting in 90,575 claims (nearly 20,000 more than the previous year). However, direct storm losses were \$329.3 million, better than the financial plan expectations of \$339 million.

## Growing our Community

The supportive, hands-on service that our client/members receive is second to none, and word is spreading. We ended 2019 on a high note – with 362,136 property casualty member accounts in force, an increase of 1,390 member accounts during the year. Our client/members continue to prefer the personalized service they receive from a local agent who truly knows and understands their needs.

To further enhance the agent relationship, we launched a Farm Bureau Financial Services app in 2019, which joins the Farm Bureau Member Benefit app as a resource ensuring client/members have access to everything they need right at their fingertips.

## Building for Tomorrow

With a focus on the future, our companies are investing time, talent and treasure into creating and implementing new ideas. The Innovation Council (and supporting Innovation Fund) researches and tests new ideas and technologies that can enhance our work and our service to client/members. Some of our recently piloted innovations include drones for underwriting and claims as well as a quick estimate tool to do mobile claims auto estimating. Both are in the process of being implemented on a broad scale for our companies. While we never know what the future will hold, we know that it belongs to those like us who prepare for it.

## Realizing Financial Outcomes

Our continued commitment to excellence and service has allowed us to achieve these financial results:

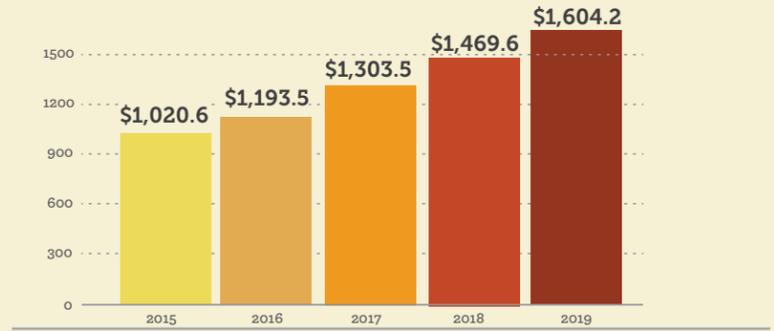
- Net income for the year was \$123.3 million, exceeding the financial plan expectations of \$101.9 million.
- Surplus increased by \$134.6 million – outstripping the planned increase by \$34.2 million – and our premium-to-surplus ratio was 0.88, eight-tenths of a point lower than 2018.
- Fire and casualty direct written premium increased 1.9% over 2018 to \$1.42 billion.
- We delivered a combined ratio of 95.6%.

## Solid Industry Performance

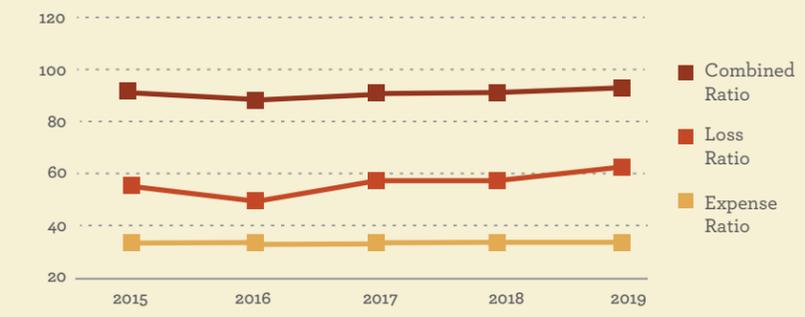
- We're the #1 ag insurer in our eight-state footprint. Our farm/ranch and crop related premium increased to over \$810 million.
- We achieved a Fire & Casualty underwriting gain for a record eighth consecutive year, outpacing the industry.
- A.M. Best\* affirmed our "A" (Excellent) rating. A distinction we've earned for 73 years, putting us among an elite group of insurers recognized by A.M. Best Review for maintaining an A.M. Best Financial Rating of A or higher for more than 50 years.
- Our usage-based insurance program, Driveology®, continues to grow with 28,067 vehicles enrolled, most of which have earned a SafeRide Rewards Discount. To date, participants have tracked nearly 500 million miles driven.

\* A.M. Best is a leading provider of insurer ratings. An "A" (Excellent) rating is the third highest of A.M. Best's 16 individual ratings.

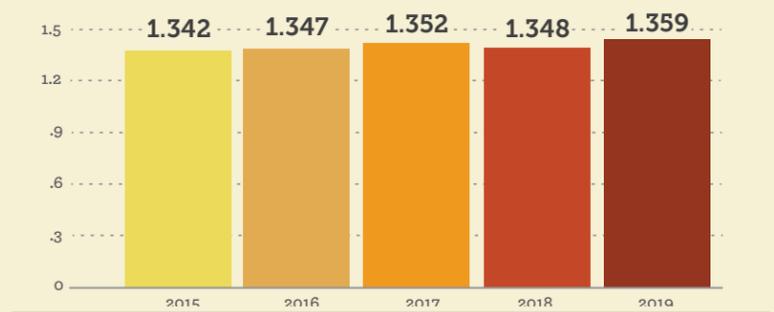
### ► Policyholder Surplus (in Millions)



### ► Key Operating Ratios

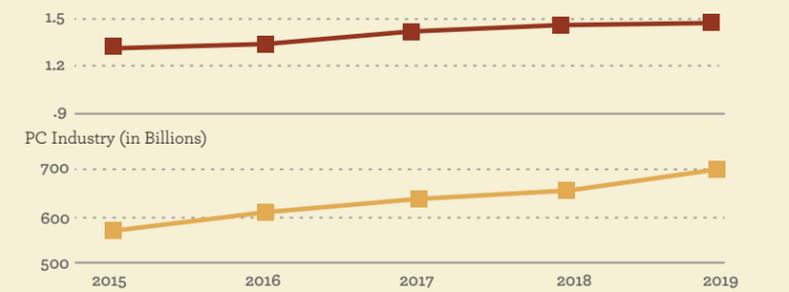


### ► Units in Force (in Millions)



### ► Direct Written Premium - Fire And Casualty

Farm Bureau Property & Casualty Insurance Company (in Billions)



### ► Claim Counts (in Thousands)



## Class A Directors and Nominees



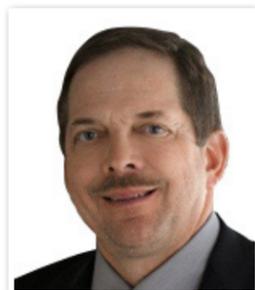
**Richard W. Felts**  
Kansas

Richard Felts is 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. 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; they maintain diversified crop operation of corn, soybeans and wheat.



**Stephen D. Nelson**  
Nebraska

Steve Nelson is vice chairman of the board of directors for Farm Bureau Mutual Holding Company, and serves as a director on the board of 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.



**Mark Buskohl**  
Iowa

Mark Buskohl currently serves on the board of directors for Farm Bureau Mutual Holding Company, following his appointment to the board in February of 2020. He also serves on the board of directors of Farm Bureau Life Insurance Company. Buskohl is a member of the Iowa Farm Bureau Federation board of directors, representing eleven counties in central Iowa. Buskohl has served in many Farm Bureau leadership positions including county president, voting delegate, and various state committees. Mr. Buskohl and his wife, Nancy, operate a diversified grain and livestock farm in Grundy County.



**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.



**Jeffery 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.

## Class A Directors and Nominees



**Craig Ogden**  
New Mexico

Craig Ogden is on the board of directors for Farm Bureau Mutual Holding Company. He was elected president of New Mexico Farm & Livestock Bureau in 2016 after serving as both First and Second Vice President for a number of years. Ogden earned a bachelor's degree of Science and Agricultural Business/Economics and a Masters of Agriculture from New Mexico State University. He is active in his community, serving on a variety of boards and organizations. Ogden and his son Joseph own a farm in Loving, New Mexico, where they produce cotton, alfalfa and small grains.



**Kevin D. Paap**  
Minnesota

Kevin Paap serves 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 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.



**Stefanie Smallhouse**  
Arizona

Stefanie Smallhouse serves on the board of directors of Farm Bureau Mutual Holding Company and Farm Bureau Life Insurance Company. She is currently President of the Arizona Farm Bureau, having previously served as chair of the Redington National Resource Conservation District Board of Supervisors, and President of the Pima County Farm Bureau. She received her Bachelor of Science degree from New Mexico State University, and previously worked as a wildlife biologist for the Bureau of Land Management. Stefanie and her husband operate a fifth generation diversified livestock and value-added agricultural enterprise in the San Pedro River Valley.



**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 is also Vice President of the American Farm Bureau Federation. He has served on numerous other boards and committees. 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.

## Class B Directors



**W. Kim Austen**

Kim Austen has served on the board of directors of Farm Bureau Mutual Holding Company, following his appointment as the company's first Class B director in 2016. He is a veteran of the insurance industry, having spent his career with Allied Group/Nationwide. Following his retirement as president and chief operating office at Nationwide in 2015, Austen has remained focused on the industry and the Greater Des Moines community. He has served on the board of directors of the United Way of Central Iowa, the American Red Cross of Greater Iowa and the National Association of Mutual Insurance Companies (NAMIC). He currently serves on the National Advisory Council for the School of Actuarial Science at Drake University, the Grand View University Board of Trustees and is a board member for the Science Center of Iowa. Austen is a graduate of the University of Nebraska, receiving a degree in mathematics and economics, and holds the Chartered Property Casualty Underwriting distinction.



**Don Kemp**

Don Kemp has served on the board of directors of Farm Bureau Mutual Holding Company, following his appointment as the company's second Class B Director in 2017. He is a financial services industry professional, having served as an audit partner for KPMG for thirty years. Don presently serves on the Board of Directors of Merchants Bonding Company (Mutual) and Principal Bank, being Audit Committee Chair for both companies. Don is a certified public accountant, receiving his accounting degree from Iowa State University. He is also a member of the American Institute of Certified Public Accountants and a member of the Iowa Society of Certified Public Accountants.