



**Farmers Mutual Hail**  
Insurance Company of Iowa

**2021**

# ANNUAL STATEMENT

FARMERS MUTUAL HAIL

1904

**Rutledge Majority**  
VNU's board of trustees  
Rutledge joins the board  
Upon J.C. Sabin's passing  
In 1904, Rutledge's energy  
and tested relationships  
lead to board reorganization.  
VNU enters reorganization  
period with new board  
Sabin and J.C. Sabin  
uphold the integrity of the  
organization. A Rutledge  
majority on the board is  
created and continues to  
this day.



# PRESIDENT'S MESSAGE

Alpha, delta, and now omicron...it feels like the topic starts every conversation. When the year started, I believed that by spring we would be on the other side of the pandemic. Instead, I am wondering, will we run through the Greek alphabet naming all the variants?

In spite of the pandemic, I'm proud to report that our Crop Division set a company record by writing over \$1 billion in crop insurance, the first time we have ever seen nine zeros. After three challenging years (code for 'not profitable'), FMH was due.

Our acre growth was close to 9 percent due to new products and new agency relationships. Crop prices were up significantly, and volatility factors also increased – both helped to fuel significant top line growth.

Generally, our writing area experienced all types of weather patterns in 2021, but overall farmers produced a record soybean crop and a near-record corn crop. This production resulted in a fantastic MPC1 loss ratio of 51.6 percent and carried the year for FMH.

The Private Product loss ratio of 68.5 percent again produced a significant underwriting loss. Each year that goes by, it becomes more apparent how challenging profitability is for private products. Going forward, premium caps will be placed on select private products. It's a strategy we are starting to call Agency Profit Optimizer, or APO.

Timing is everything, and while an early harvest removed most of the risk for crop business, unfortunately for the Property & Casualty and Reinsurance Divisions, the fiscal year ends midnight on December 31.

Last year had already started off rough from the 2020 derecho and pandemic supply chain issues increasing the cost to settle claims. In addition to a December derecho 'part deux' in Iowa, there were devastating tornadoes in Kentucky and Tennessee.

Premiums were up slightly in both lines due to rate increases from last year's experience. The P&C loss ratio ended up at just over 100 percent, and Reinsurance saw dramatic improvement from 228 percent down to 88.5 percent.

The good news for these lines of business is that a hardening market increased primary rates overall, including for our assumed business. While the past couple of years have been tough, our aggressive underwriting approach and geographic diversification strategies bode well for the future.

I appreciate all the hard work our agents, reinsurers, and employees have put in to make 2021 one for the history books. I look forward to what the future holds for Farmers Mutual Hail as we remain committed to providing Complete Farm Insurance Solutions™!

Best Wishes,



Shannon Rutledge | President & CEO



## CHIEF FINANCIAL OFFICER UPDATE

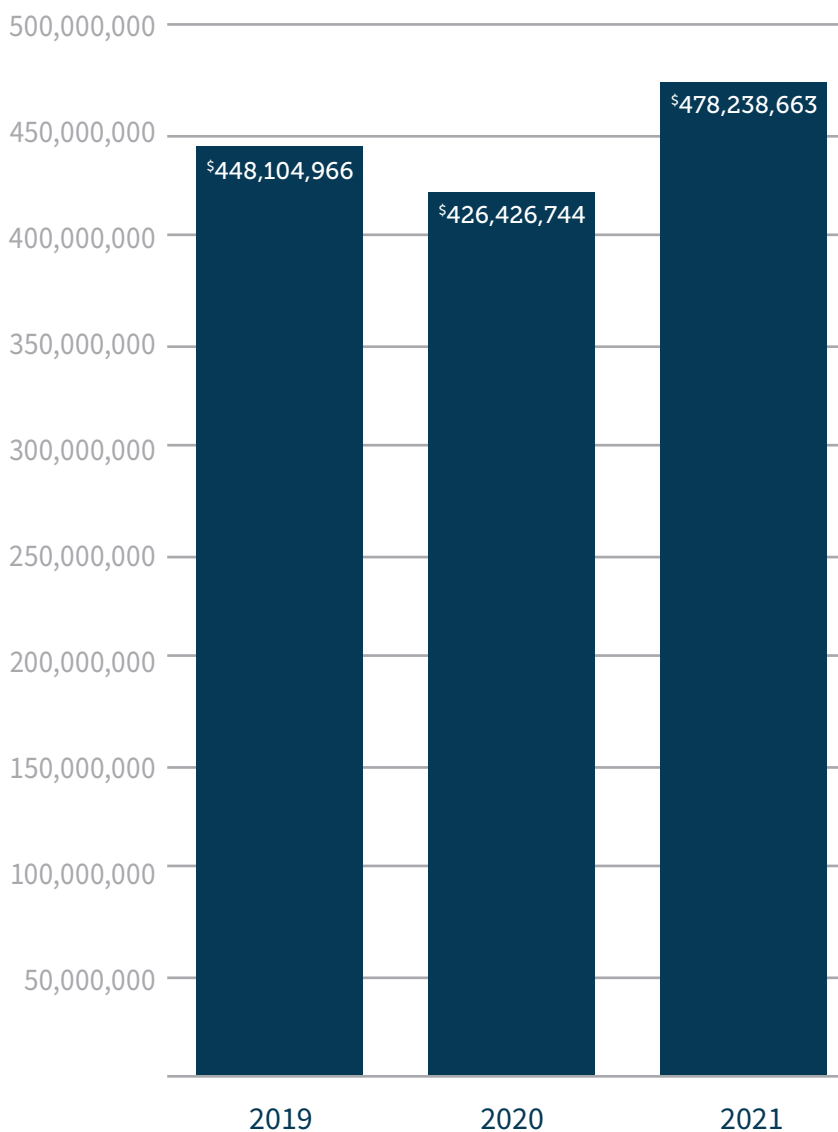
Darin Roggenburg | Executive Vice President & CFO

2021 was a very successful year from a financial perspective. Our underwriting gains were realized from two major things: a record-breaking crop production and increased – and sustained – commodity price movement. Our investment gains of \$17.1 million (a new record for FMH) were realized from harvesting gains on a very strong equity market run up over the last few years. Together, underwriting and investment gains propelled FMH's surplus to a new all-time high of \$478.2 million. This success couldn't be possible without the employees, agents, and business partners of FMH. Thank you to everyone for a great year!

## FINANCIALS

ASSETS	2021	2020
Bonds	\$192,374,685	\$180,157,597
Stock	\$106,691,489	\$120,888,144
Other Invested Assets	\$45,337,094	\$37,786,301
Cash	\$110,080,553	\$123,298,699
<b>Total Cash &amp; Invested Assets</b>	<b>\$454,483,821</b>	<b>\$462,130,741</b>
Underwriting Gain Receivable From FCIC	\$202,958,336	\$100,329,153
Other Assets	\$259,925,243	\$188,066,048
<b>Total Assets</b>	<b>\$917,367,400</b>	<b>\$750,525,942</b>
LIABILITIES & SURPLUS	2021	2020
Losses and Loss Expense Reserves	\$230,537,836	\$203,895,102
Other Liabilities	\$208,590,901	\$120,204,096
<b>Total Liabilities</b>	<b>\$439,128,737</b>	<b>\$324,099,198</b>
Surplus	\$478,238,663	\$426,426,744
<b>Total Liabilities and Surplus</b>	<b>\$917,367,400</b>	<b>\$750,525,942</b>

## SURPLUS CHANGES





# CHIEF MARKETING OFFICER UPDATE

Patrick Faga | Executive Vice President & CMO

As I reflect on 2021, two words come to mind: Groundhog Day.

No, not the holiday – the movie. I feel like we are reliving 2020! Who would have predicted that we would still be dealing with the global pandemic and all the related COVID protocol in 2021? And I cannot imagine an actuary ever contemplated modeling a second major Iowa derecho event in a five-month window.

Both became a reality on December 15, 2021, when Mother Nature launched numerous tornados across Iowa and the upper Midwest, resulting in a derecho event very comparable to the 2020 derecho. Nearly half of our 2021 P&C incurred loss dollars were from this one event; very similar to 2020 when over half were from the August 10, 2020, derecho. Because of this, P&C will show an underwriting loss – closing 2021 with a 103 percent loss ratio.

We have all experienced many changes the past two years as a result of the pandemic. Based on our weather trends, change is coming to property insurance too – increased rates, higher deductibles, expanded use of cosmetic endorsements, and ballooning inflationary factors. At FMH, we are well-prepared to take these changes into consideration to continue protecting our policyholders.

On the flip side of the coin, our crop business celebrated an incredible year! Thanks to commodity prices, volatility factors, and targeted sales and marketing efforts, we enjoyed record crop insurance writings of over one billion dollars along with an impressive 9 percent growth in our insured acres.

Additionally in 2021, we extended our five-year run of record growth in precision reporting and claim acres, thanks in part to the 51 new agents who began using Precision Solutions with their farmer clients. Today we have over 250 agent partners actively engaged in precision activities, which has fueled a 30 percent overall precision growth the past two years. This growth means we are on the right track as FMH continues to provide innovative solutions to agents and farmers.

As always, a sincere thank you to our trusted business partners, and we wish you continued health and success in 2022. Oh, and here's to eliminating Groundhog Day!





## CHIEF RISK OFFICER UPDATE

Ron Kuethe | Executive Vice President & CRO

There's no doubt that the 2020 derecho loss was literally off the charts from what anyone could have ever predicted. Here we are a year later and the magnitude of the 2020 derecho, along with the corresponding impacts to our reinsurance loss recoveries, have continued to grow and in fact, produced the biggest negative impact to our 2021 results.

It didn't stop there though. The Canadian crop hail business that we reinsure suffered through a bad drought – something that normally wouldn't affect our results – but then the drought was broken by a record-setting hail event that hit the crops late in the season when they were the most vulnerable. This was followed by a two-week stretch in December that saw tornadoes rage from Missouri to Kentucky, only to be followed the next week by devastating tornadoes and yet another derecho in Iowa. I think there may be something to this global warming idea.

In the end, we were thrilled to see our 2021 premium grow 7.5 percent, but we were less than thrilled with our 88.5 percent gross loss ratio.

The Business Intelligence area was flooded with projects as FMH continues its focus on being more precise in all that it does to drive increased profits across the company. Those activities included more in-depth analysis of the P&C book and our Crop Private Product book.

There is also a major effort underway to better optimize our agents' books of business and the continuation of the upgrade to Product Manager, our rating engine. This all leads to multiple streams of activity from virtually all parts of the company using more granular data to move FMH further along on its path to an exciting future.

Thank you to our customers and our business partners. I wish you all the best in 2022!





# RECORD SETTING

# \$1,000,000,000

CROP INSURANCE WRITTEN PREMIUM



**NEARLY 9%**  
ACRE GROWTH

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## 2021

HIGHLIGHTS

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**P&C EXPANDED COVERAGE  
INTO KENTUCKY**



CLAIMS SERVICE SCORE

# 84.6

**UP 4.4  
POINTS**  
FROM 2020







**30%**  
**OVERALL**  
**PRECISION GROWTH**  
THE PAST TWO YEARS

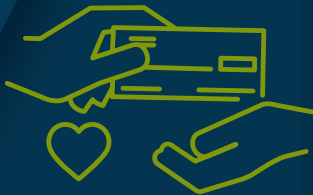
**5<sup>TH</sup> CONSECUTIVE YEAR  
OF RECORD GROWTH  
IN PRECISION  
REPORTING AND CLAIM ACRES**



**REINSURANCE PREMIUM  
7.5 % GROWTH**

**FMH AGENCY SERVICE SCORE  
85.9**

**UP 7.5  
POINTS  
FROM 2020**



**\$455,238**

**TOTAL CORPORATE CONTRIBUTIONS FOR 2021**

# BOARD OF DIRECTORS



Ronald P. Rutledge  
Chairman of the Board



Shannon D. Rutledge  
President & Chief  
Executive Officer



Darin L. Roggenburg  
Executive Vice  
President, Chief  
Financial Officer &  
Treasurer



Deborah L. Ladehoff  
Senior Vice President  
& Secretary



Curtis B. Swain  
Vice President –  
General Counsel



W. Aaron Rutledge  
Senior Vice President  
& Assistant Secretary



James A. Brost  
Board Member

# COMPANY OFFICERS

**Patrick J. Faga**  
Executive Vice  
President – Chief  
Marketing Officer

**Ronald J. Kuethe**  
Executive Vice  
President – Chief  
Risk Officer

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Senior Vice President

**Kevin A. Johnson**  
Senior Vice President

**Kenneth J. Liljedahl**  
Senior Vice President

**Scott W. McEntee**  
Senior Vice President -  
Assistant Treasurer

**Bryant J. Tjeerdsma**  
Senior Vice President

**Brian D. Knoll**  
Vice President

**Dru D. Lesnick**  
Vice President

**Jeffrey L. Lisk**  
Vice President

**Candice A. Magee**  
Vice President

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Vice President

**Zachary T. Allsup**  
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Assistant Vice President

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Assistant Vice President

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Assistant Vice President

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Assistant Vice President

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Assistant Vice President

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Assistant Vice President

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Assistant Vice President

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Assistant Vice President

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Assistant Vice President

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Assistant Vice President

**Dereck D. Klaassen**  
Assistant Vice President

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Assistant Vice President

**Terry J. Kofron**  
Assistant Vice President

**Wendy R. Mayfield**  
Assistant Vice President

**Marty D. Mortvedt**  
Assistant Vice President

**Wade R. Preston**  
Assistant Vice President

**Kenneth D. Ripley**  
Assistant Vice President

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Assistant Vice President

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Assistant Vice President

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Assistant Vice President

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Assistant Vice President

**Julie O. Wilson**  
Assistant Vice President

**Darla C. Wing**  
Assistant Vice President

**Lisa A. Zimmermann**  
Assistant Vice President



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