



# A Year of Creating Connections

2019  
ANNUAL REPORT



**Farmers  
Alliance**  
INSURING RURAL AMERICA

# Vision

Provide Peace of Mind for  
the People We Serve

---

## Culture Statement

With our agents and policyholders at the center of all we do, we challenge ourselves and help each other to deliver on our promises, while growing a strong, healthy work family rooted in integrity, accountability and respect.

---

# Mission

Insuring and Protecting Futures  
in Rural Communities

---

## Value Proposition

Through continually improving personal relationships, customized products and easy-to-use technology, we protect what matters most, instilling peace of mind and confidence for our customers. We care, and it shows in all we do.

---

## President's Address



A year of creating connections in 2019 made for a very special and exciting time at Farmers Alliance. We created new connections, and strengthened long-standing connections with our policyholders, our agents, the communities we serve, and with each other. The value of each of these connections was brought to the forefront as we launched our new strategic plan – **FAMI Forward 2025**.

This comprehensive plan was developed through countless hours of discussion, data gathering, honest and transparent evaluation, collaboration, and teamwork. It was built on input from employees, directors, agents and other key stakeholders. We believe it takes ideas from everyone to build a great company, and we worked hard to help connect everyone's role to a larger purpose. We do so much more at Farmers Alliance than just sell insurance – we are in the business of taking care of people, providing them peace of mind.

We also believe putting our agents and policyholders at the center of all we do allows us to create the best customer experience possible. Our mindset of “people and relationships matter most” kept us focused on our agents, policyholders and employees as our management team introduced new Vision and Mission statements, Core Values, Culture Statement

and Value Proposition as part of our plan. You'll find each of these items highlighted above, and I believe you'll also see how we're already working to live these important words. The final plan was introduced to staff during a special launch event in late fall, and the enthusiasm and energy continue to spark new ideas that will allow us to better meet the evolving needs of our agents and policyholders.

### Here are just a few of the most significant connections this past year:

#### Connecting with Policyholders

We believe policyholders expect great policy coverages at a fair price, and for us to deliver on our promises when they have a loss. In 2019 we experienced a record number of storm claims, providing us to opportunity to deliver on that promise, and we connected with timely, high-quality service. We also know that policyholders need us to be a financially strong, stable organization. In 2019, our track record of operating performance, financial strength and risk management practices was noted by A.M. Best, and we were upgraded to an 'A' (Excellent) Financial Strength Rating in December. Through the dedication and hard work of our employees, and the continued support of our agents and policyholders, we are happy that our rating was upgraded and accurately reflects our company's financial strength, giving policyholders peace of mind that we'll be here and ready to deliver on our promises.

### Connecting with Agents

As key partners in serving our policyholders, agents are integral to our success. I'm happy to report that our commitment to and our connection with our agents has never been stronger. As we sought to deepen our relationships, we travelled over 8,000 miles across our eight-state footprint connecting with our agents to ensure they had a clear line of sight to our Vision and Mission. We continued to invest in systems and products, demonstrating our commitment to providing a superior product at a fair price while creating platforms that build an easier way of conducting business with one another.

### Connecting with the Communities we Serve

Giving back to the communities we serve has been a longstanding tradition at Farmers Alliance. I am very proud that our employees donated in record amounts to local communities this past year, with the company matching in contributions along the way. We also continue to support communities across our entire operating territory through our agents, by helping them make a local impact.

### Connecting with Each Other

At Farmers Alliance, we strive to create a culture that is second to none. While we clearly give back to our community, we also support one another in all we do. Fostering a positive morale and work

environment has created the best team possible to serve our customers. We have often described Farmers Alliance as a family, and that continues to be true.

### Final thoughts on the importance of creating connections

Our Vision, **to provide peace of mind for the people we serve** requires us to execute and deliver with excellence in every aspect of our business, keeping our customers at the center of all we do. We must continually grow and be profitable, enabling investment into our future. Our ultimate success, making our Vision a reality, will come as we live out our Mission – **insuring and protecting futures in rural communities**.

We are committed to you – to maintaining and enhancing our connection with you, and we look forward to an even brighter future at Farmers Alliance as we move forward together. Thank you for trusting Farmers Alliance to provide you with the peace of mind you deserve. We will work hard to earn that trust each and every day.

*- Brian D. Lopata  
President and Chief Executive Officer*



## Values



**We Put  
People First**



**We Deliver on  
Our Promises**



**We Embrace  
New Ideas**



**We Check Our Egos  
at the Door**



**We Value Great  
Days at Work**



# Financial Highlights

2019

2018

## Income Statement

Direct Written Premium	\$196,800,000	\$185,700,000
Net Underwriting Gain	\$3,200,000	\$200,000
Net Investment Income	\$8,500,000	\$7,400,000
Net Income	\$11,000,000	\$9,100,000

## Performance Indicators

Direct Written Premium Growth	6.0%	8.9%
Loss & Loss Adjusting Expense Ratio	67.6%	65.6%
Expense Ratio	29.7%	33.1%
Combined Ratio	97.3%	98.7%

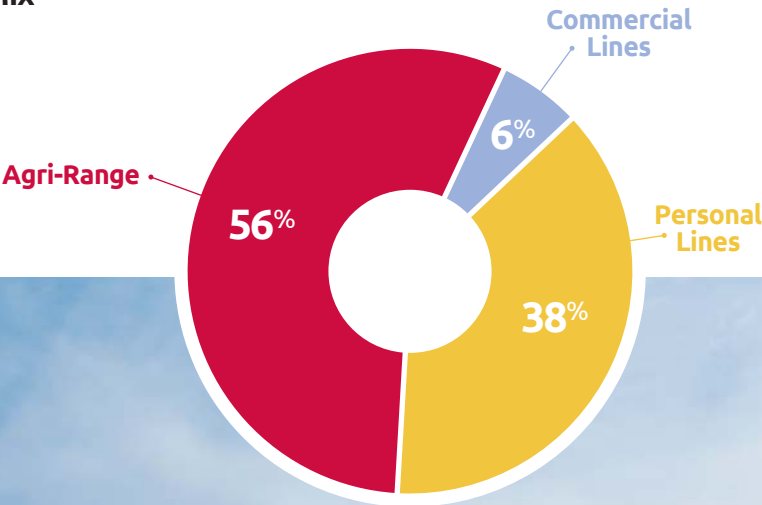
## Balance Sheet

Total Invested Assets	\$305,400,000	\$294,600,000
Total Assets	\$355,700,000	\$339,300,000
Loss & Loss Adjusting Reserves	\$43,700,000	\$40,600,000
Unearned Premium Reserve	\$93,100,000	\$87,800,000
Total Liabilities	\$160,000,000	\$155,400,000
Policyholders' Surplus	\$195,700,000	\$183,900,000

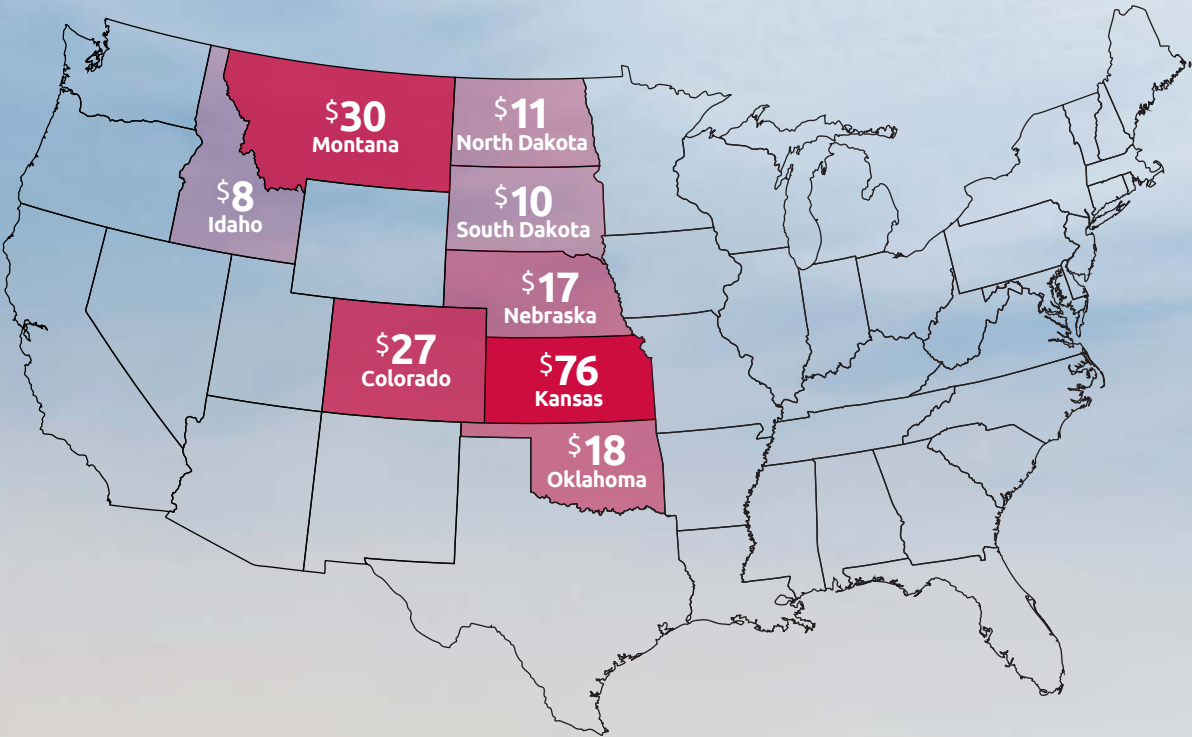


CONNECTING OUR  
**Agents and Policyholders**

**Premium Mix**

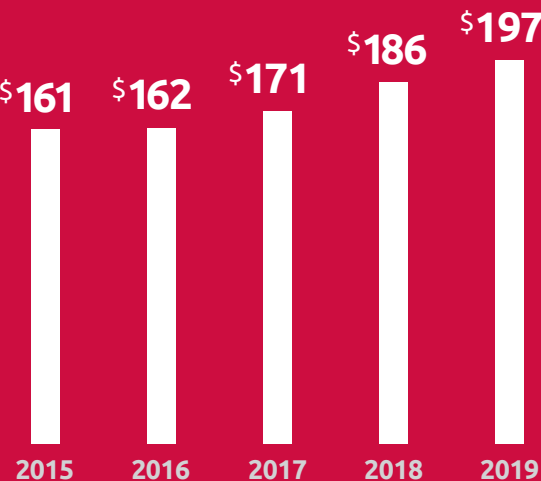


**Direct Written Premium by State**  
(millions)

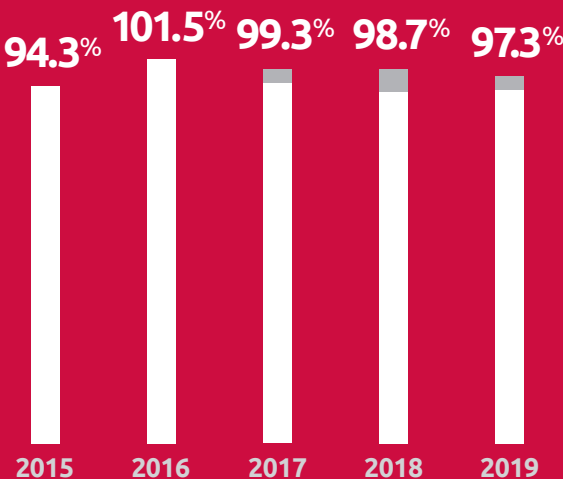


CONNECTING  
**Strategy to Results**

**Direct Written Premium**  
(millions)

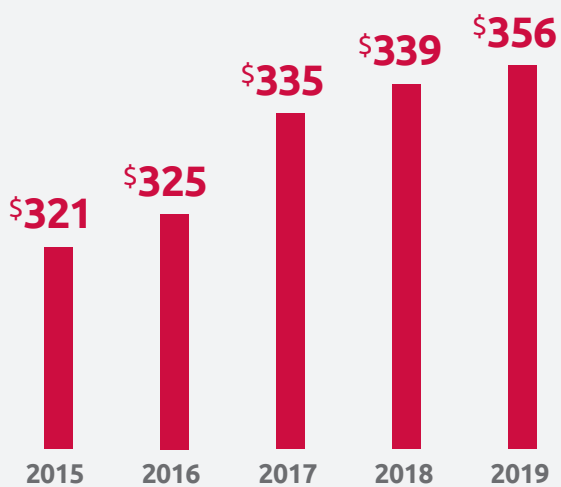


**Combined Ratio**

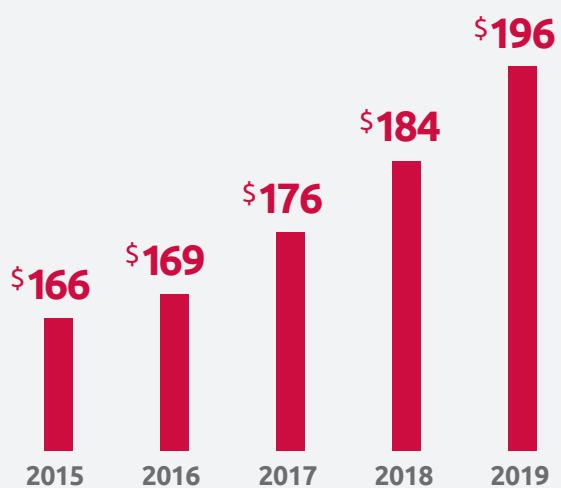




### Assets (millions)



### Policyholders' Surplus (millions)





## Creating Connections ...

### With Policyholders and Agents

Connecting with policyholders and agents is how Farmers Alliance delivers on our promises – one phone call, one handshake, one connection at a time. During 2019 that was more evident than ever, as we experienced record-high storm claims activity. While some might see only the downside to a tough storm year, Farmers Alliance staff know that it is also our time to shine! Delivering great claims service, restoring customers after a loss – that's when promises are made real.

During 2019 there were extra connections made with agents, as company leaders traveled thousands of miles to meet and spend time with hundreds of agents across the Farmers Alliance territory. Plus, twenty agents were invited to spend several days at the Home Office training on our products and systems, and networking with company staff – more connections made!







## In Our Communities

2019 also saw new and stronger connections in our communities. A long-time supporter of the McPherson County United Way, Farmers Alliance experienced record-high giving by employees to this far-reaching organization. With 88% employee participation, and a 1-to-1 match by the company for employee contributions, more than \$80,000 was contributed in 2019. Farmers Alliance also connected with many other community organizations, including local food banks, civic organizations, and more. The commitment is so strong that in 2019 Farmers Alliance formalized a “volunteer time off” program for employees, allowing a full day off for volunteer work each year. During the first year, 74 employees logged more than 450 volunteer hours. Some of our community connections are easy to see, but others are less visible, and those may create the strongest ties of all – the heart connections.

## With Each Other

Perhaps some of the most significant connections in 2019 came as employees from all areas of the company worked together to develop our 2025 strategic plan. Unprecedented collaboration and



teamwork inspired the development of the plan and also built momentum to carry into our future. Newly-created SPARC teams emphasized cross-departmental collaboration, while Theme Teams and leadership training provided new skills and shared knowledge. While maintaining a sharp focus on our customers, employees also found time to nurture and celebrate our family culture – through peer group outings and department celebrations and recognition of significant achievements. Connecting with each other is our path to success, and it also makes that journey a lot more fun!

# Quick Facts

**\$197**  
Million  
Direct Written  
Premium

**\$196**  
Million  
Policyholders'  
Surplus

**A**  
AM Best  
Rating

**\$80**  
Thousand  
Donated to  
United Way

**\$27**  
Thousand  
Scholarships  
Awarded

**162**  
Family Food  
Drive Baskets

**21**  
New Agency  
Appointments

**17**  
Agents Council  
Members

**72**  
Thousand  
Policyholders

**8**  
State Territory

**844**  
Agent  
Locations

**131**  
Years in  
Business

## **Board Members**

### **L. Keith Birkhead**

#### ***Chairman of the Board***

Retired President and CEO

Farmers Alliance Mutual Insurance Company

### **Robert M. Alexander**

Chairman and CEO

Stockmens Bank

### **Vincent R. Amanor-Boadu, PhD**

Agribusiness Economics & Management Professor

Kansas State University

### **R. J. “Jay” Breidenthal, Jr**

Board Member

Security Bank

### **I. John Cholnoky**

Retired President

General Reinsurance Corporation

### **Eric J. Larson**

Attorney at Law

Bever Dye, L.C.

### **Brian D. Lopata**

President and CEO

Farmers Alliance Mutual Insurance Company

### **Marilyn Pauly**

Vice Chairman

Commerce Bank Wichita

### **Brett Reber**

Attorney at Law, Managing Member

Wise and Reber, L. C.

### **Donald W. Schwegman**

Retired Partner

Deloitte & Touche, LLP

## **Corporate Leadership Team**

### **Brian D. Lopata**

President and CEO

### **Andrew L. Edwardson**

Senior Vice President

Chief Information Officer

### **Ryan P. Hicks**

Senior Vice President

Chief Human Resources Officer

### **John “Jack” M. Rader**

Senior Vice President

Chief Marketing & Reinsurance Officer

### **W. Paul Taliaferro**

Senior Vice President

Chief Financial Officer

### **Aaron J. Valentine**

Senior Vice President

Chief Insurance Officer

### **Randall L. Lutgen**

Vice President

Underwriting

### **Tonya K. Schafer**

Vice President

Product & Compliance

### **Brian S. Schmidt**

Vice President

Claims





**FAMI Forward 2025**

**Farmers  
Alliance**

INSURING RURAL AMERICA

1122 North Main Street  
McPherson, KS 67460  
[fami.com](http://fami.com)