



FOCUSED

ON WHAT MATTERS MOST

2020

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

We began the year at Farmers Alliance full of promise, hope and excitement. Having just introduced our new multi-year strategic plan, **FAMI FORWARD 2025**, with our first year of execution underway, we were positioned for a great year. We knew we had a great plan, and a great team to execute the plan. What we couldn't know was how quickly and dramatically things would change around us, no matter how prepared we were for the unexpected. This past year was a test, a challenge, for our company, our communities, and our world. And while that challenge continues, I am so very proud to share with you our response, and the highlights of an unusual, but really terrific year.

Sharing about our new strategic plan last year, I explained that we worked hard to help connect everyone's role to a larger purpose. I said then, "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." This past year brought us new opportunities to live out that purpose, as we focused on what matters most: people and relationships. That focus was the key to our success, and allowed us to connect even more deeply to our purpose.

We also reached some significant financial milestones this past year. These achievements, building on the strong foundation already in place, are worth celebrating, as they allow us to do all the things that really matter -- to deliver on our promises to our policyholders and our agents. Direct Written Premium and Policyholders' Surplus reached new highs, each exceeding \$200 million. This was only possible because of the support of our professional agency partners, a steadily growing customer base, dedicated employees, and a very supportive Board of Directors. Farmers Alliance has been taking care of policyholders for more than 132 years, and reaching these milestones secures that promise for many years to come.

Focused on what matters most

Focused on Policyholders

Our focus on policyholders during 2020 was most visibly demonstrated by the unprecedented return of premium to our personal auto customers. Early in the year, the pandemic's stay-at-home orders improved our claims experience with these customers. In response to less miles driven and fewer automobile claims, we refunded \$1.5 million to thousands of policyholders, many of whom sent us personal notes of appreciation. We continued to deliver on our promises by caring for and assisting customers with claims - maintaining high levels of service in the safest ways possible. And, behind the scenes, our insurance professionals continued to enhance coverage options, providing excellent products to meet customer needs. It sounds like business as usual, and in many ways it was. That may be the most amazing part – that our tremendous staff maintained high levels of service through conditions that were anything but "usual". It took focus and determination.

Focused on Agents

Our agency partners are an important part of our Farmers Alliance family, and the events of 2020 were difficult for many of them. We supported our agents with consistent, responsive and professional service. Even as we shifted the majority of our staff to working from home, we remained focused on meeting their needs and communicating with them regularly. In addition to maintaining service levels, we provided new training opportunities for agency staff – with more than 1,400 participants in a series of virtual product training sessions. We also delivered technology and product enhancements specifically requested by our agents through the Agents Council. Despite the challenges, our commitment to our agents is strong as ever.

Focused on the Communities we Serve

Helping our communities during a pandemic was certainly a challenge, but one that uncovered hidden strengths. Our tradition of giving is strong – both individual giving by our generous employees, and matching company contributions. This past year our employees showed such compassion and care, while giving record-breaking donations to support those in need. We also recognized needs throughout our territory, and supported many of those with a "shop local" program. Delivered along with those dollars was the message, loud and clear, that we care.

Focused on Each Other

We often describe Farmers Alliance as a family, and that has never been more evident. We have focused intently on protecting our family – their health, their safety and their security. Each decision and action was made specifically to support that protection, enabling us to continue serving our customers. We were intentional about communicating with each other, and that has made all the difference. We started the year as a strong family, and we ended even stronger because of that focus.

Lessons from 2020 – building an even stronger foundation for the future

As I've reflected on the challenges and accomplishments of 2020, I am uplifted by the strength and resilience of the Farmers Alliance family – our staff, our agents, our directors, our customers, our friends. While there have been undeniable losses this year, there have been many, many blessings. For us, taking care of our employees and their families, while protecting our ability to deliver on our promises, all while moving our company forward, are some of those bright spots, and they are something to celebrate.

You matter to us at Farmers Alliance, and we are focused on you. We are energized and working hard to create an even brighter future as we move forward together. Thank you for trusting us to provide you with the peace of mind you deserve. We will work hard to earn that trust every day.

– Brian D. Lopata
President and Chief Executive Officer



Financial Highlights

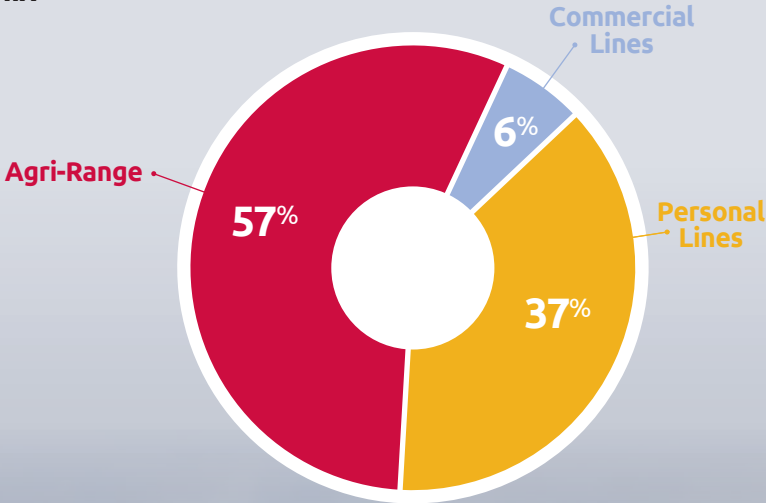
	2020	2019
Income Statement		
Direct Written Premium	\$206,500,000	\$196,800,000
Net Underwriting Gain	\$9,800,000	\$3,200,000
Net Investment Income	\$8,100,000	\$8,500,000
Net Income	\$14,000,000	\$11,000,000

Performance Indicators		
Direct Written Premium Growth	4.9%	6.0%
Loss & Loss Adjusting Expense Ratio	64.0%	67.6%
Expense Ratio	30.1%	29.7%
Combined Ratio	94.1%	97.3%

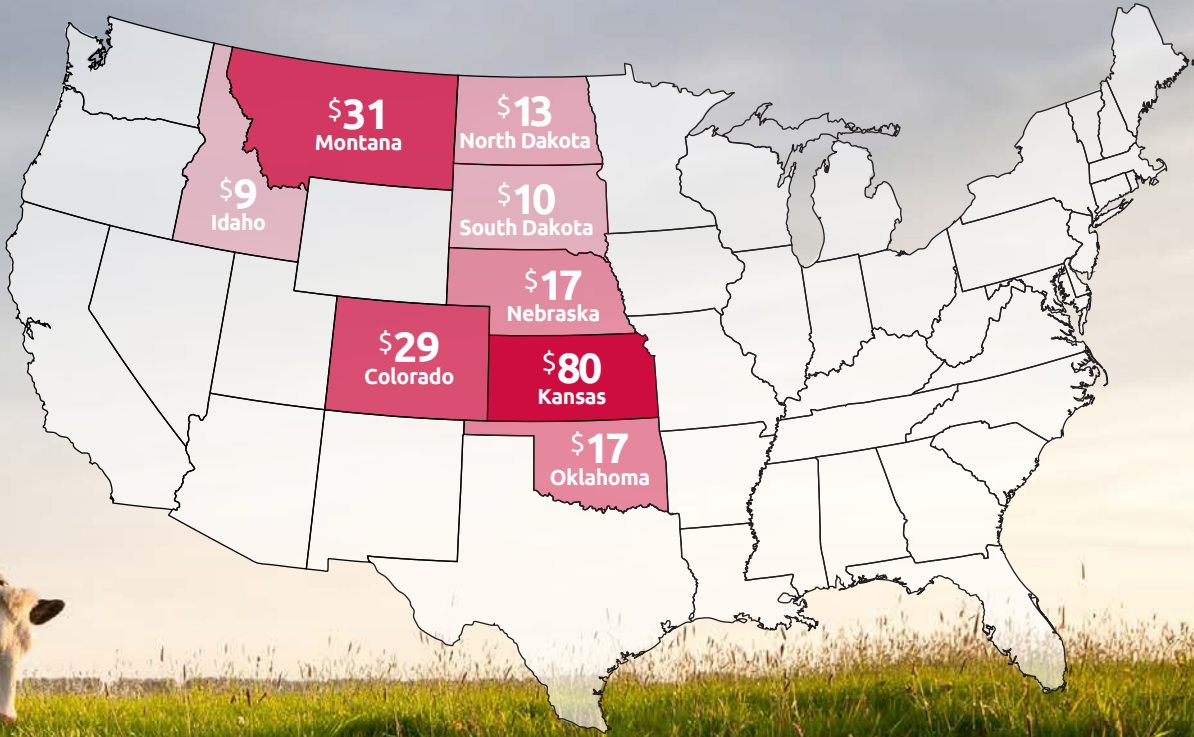
Balance Sheet		
Total Invested Assets	\$335,200,000	\$307,400,000
Total Assets	\$385,200,000	\$352,300,000
Loss & Loss Adjusting Reserves	\$53,700,000	\$43,700,000
Unearned Premium Reserve	\$97,100,000	\$93,100,000
Total Liabilities	\$171,800,000	\$156,600,000
Policyholders' Surplus	\$213,400,000	\$195,700,000

FOCUSED ON OUR
Agents and Policyholders

Premium Mix

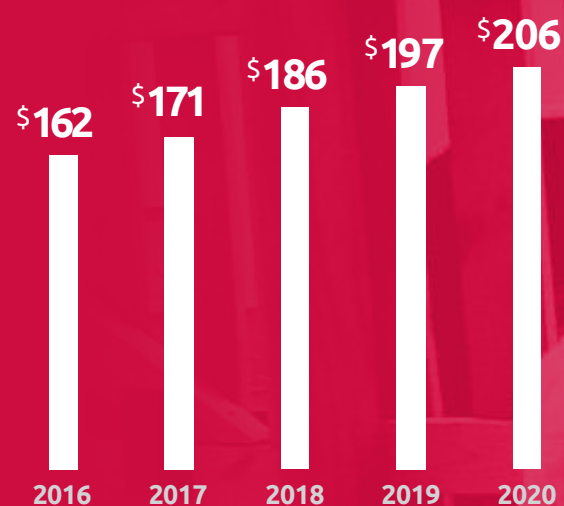


Direct Written Premium by State
(millions)

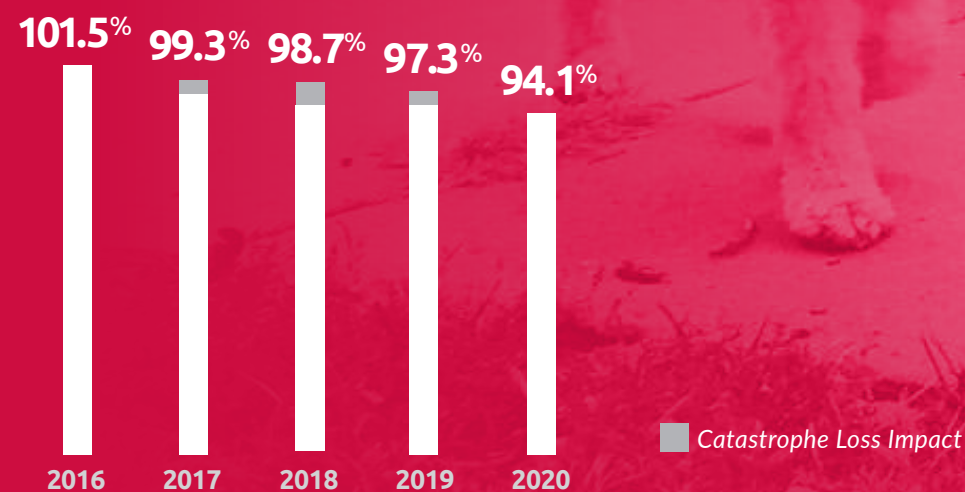


FOCUSED ON
Strategy to Deliver Results

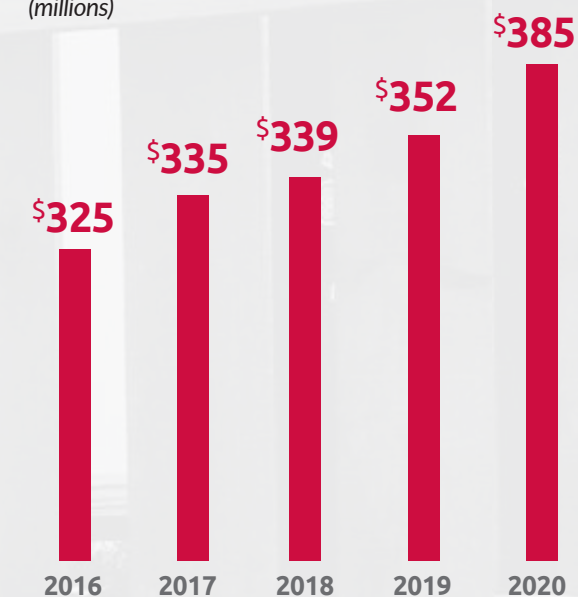
Direct Written Premium
(millions)



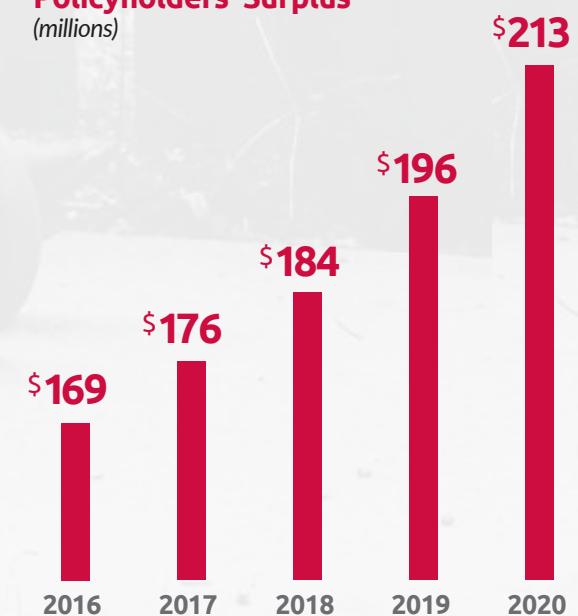
Combined Ratio



Assets
(millions)



Policyholders' Surplus
(millions)



FOCUSED

on What Matters
Most ...



Our Policyholders and Agents

At Farmers Alliance, our focus is always on our customers. The pandemic certainly affected the ways we were able to connect during the past year, but we put our customers first and found new and unique ways to engage together. Delivering great claims service and restoring customers after a loss – that’s when promises are made real, and in spite of the chaos and difficulties, our staff continued to receive very high satisfaction ratings from policyholders and claimants. Our agents are also important customers, and we focused on them each and every day – providing great service, progressive products and enhancements, and superior technology. But beyond that, we also provided the extra personal touch – real people, available to answer questions and provide technical assistance and support – even when we were unable to do that in person. Our focus is clear – we are here to serve our customers, and we found new, creative ways to do just that.

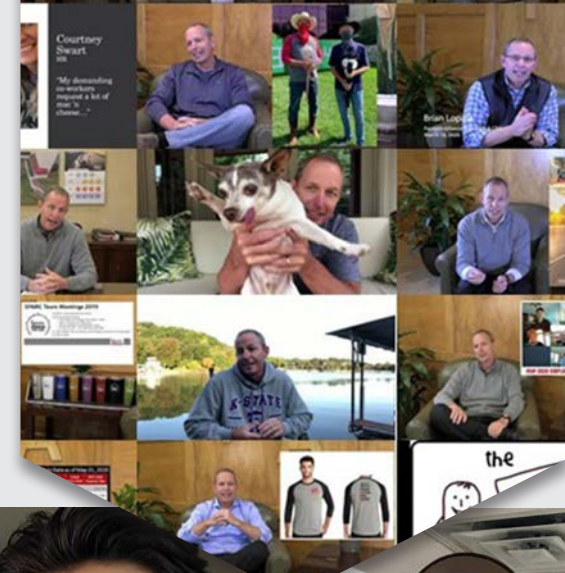


Our Communities

Focusing on our communities in the midst of a global pandemic required some new approaches, but also built upon some long-standing traditions. Farmers Alliance employees have demonstrated their giving spirit time and again, and that remained steadfast in 2020. Employees gave more than ever during the annual United Way campaign, and with the company match nearly \$127,000 was contributed to this group of worthy organizations. With our agents, we were also able to show support for local businesses and community organizations throughout our eight states with our “shop local” program. And beyond financial support, our employees continued to give of themselves at regularly scheduled blood drives to support the American Red Cross. Focusing on our communities may have looked different in 2020, but the community spirit was as strong as ever.

Each Other

One lasting memory of 2020 will undoubtedly be our relentless focus on protecting the Farmers Alliance family. Beyond taking care of business, we took care of each other. That care was shown in so many ways -- from gift cards for supporting local businesses to photo challenges sharing life while working from home. Even our business practices were reimagined to keep everyone safe and healthy. The true Farmers Alliance spirit showed through all the chaos, as fun and creative ways to connect popped up through virtual “coffee breaks”, award presentations, and even a visit with Santa. We are a family, and families take care of each other.



Quick Facts

\$206
MILLION
Direct Written Premium

132
Years in Business

838
Agent Locations

\$213
MILLION
Policyholders' Surplus

72
THOUSAND
Policyholders

25
NEW Agency
Appointments

8
State Territory

A
AM Best
Rating

\$127 THOUSAND
Donated to
United Way

17
Agents Council
Members

\$10
THOUSAND
for Family Food
Drive Baskets

\$24
THOUSAND
Scholarships Awarded

Board Members

L. Keith Birkhead
Chairman of the Board
Retired President and CEO
Farmers Alliance Mutual
Insurance Company

Brian D. Lopata
President and CEO
Farmers Alliance Mutual Insurance Company

Vincent R. Amanor-Boadu, PhD
Agribusiness Economics & Management Professor
Kansas State University

Marilyn Pauly
Vice Chairman
Commerce Bank Wichita

Eric J. Larson
Attorney at Law
Bever Dye, LC

Brett Reber
Attorney at Law, Managing Member
Wise and Reber, LC

Donald W. Schwegman
Retired Partner
Deloitte & Touche, LLP

Corporate Leadership Team

Brian D. Lopata
President and CEO

Aaron J. Valentine
Senior Vice President
Chief Insurance Officer

Andrew L. Edwardson
Senior Vice President
Chief Information Officer

Randall L. Lutgen
Vice President
Underwriting

Ryan P. Hicks
Senior Vice President
Chief Human Resources Officer

Tonya K. Schafer
Vice President
Product & Compliance

John "Jack" M. Rader
Senior Vice President
Chief Marketing & Reinsurance Officer

Brian S. Schmidt
Vice President
Claims

W. Paul Taliaferro
Senior Vice President
Chief Financial Officer



**We Put
People
First**



**We Embrace
New Ideas**



**We Deliver
On Our
Promises**



**We Check
Our Egos at
the Door**



OUR VALUES

**Farmers
Alliance**

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