



**Brotherhood
Mutual**
Insurance Company

6400 Brotherhood Way
P.O. Box 2227
Fort Wayne, IN
46801-2227
p.260-482-8668
f.260-483-7525
brotherhoodmutual.com

May 1, 2011

Dear Policyholder:

Brotherhood Mutual prevailed again in 2010, carving out financial and operational successes in a year weighted with uncertain market and weather conditions. Most importantly, we kept our promises to the churches and ministries we insure. Claim adjusters handled more new claims than they did in the previous year—and with nearly 100 percent satisfaction, as many policyholders have told us.

Just recently, a customer said to one of our claim adjusters, “Brotherhood Mutual treats us so well that we don’t want anyone else to insure us.” Comments like that not only make us thankful, they also make us even more dedicated to our mission of “advancing the Kingdom by serving the Church.”

Nearly 96 percent of our customers renewed their policies with Brotherhood Mutual in 2010, more than two percentage points better than in previous years. In addition, we also wrote six percent more new business during the year. We owe much of this success to the excellent relationships our independent agents have with customers and the service focus of employees in the home office. We’re thankful to have such ministry-minded people on our team.

New Business Reflects Nationwide Increases

Although the national economy remained shaky in 2010, Brotherhood Mutual’s premium income reached more than \$226 million, a 5.6 percent increase above that of the previous year. While much of the increase came from California, where we began doing business just two years ago, seven other states also recorded significant increases in premium growth.

Investment Gains Bolster Policyholder Security Fund

Brotherhood Mutual’s investment portfolio generated \$11.2 million of return in 2010. The increase helped boost the company’s Policyholder Security Fund to more than \$149.6 million, up 4.27 percent.

The fund is a reserve account used to pay claims during times of heavy volume. Having a strong fund is especially important in a year like 2010, when policyholders submitted 5.3 percent more claims than they did in the previous year. As a result, the company paid policyholders \$135 million in claims during the year. Those resulting from catastrophic weather events totaled more than \$31 million, the highest in the company’s history.

Through the Partnership Group Program, Brotherhood Mutual also distributed \$2.1 million in dividends to policyholders with good risk management histories over a three-year period. During the past five years, the company has disbursed \$10.7 million to our policyholders through this program.

At the end of 2010, Brotherhood Mutual recorded a \$3.6 million underwriting loss. The company’s combined expense/loss ratio was 102.7 percent, better than the projected combined ratio for the industry as a whole, and for other property-casualty insurers, as well. Brotherhood Mutual’s assets rose to \$337.8 million, 3.1 percent more than those of the previous year.

Major New Endeavors Further Business Goals

Operational achievements played an equally important role in the year’s performance. Most significantly, we launched *MinistryEssentials*, a new product for churches with basic ministry activities, and Account Center 2.0, a new systems platform. In the years ahead, both will play key roles in advancing our commitment to meet customer needs and administer our business more efficiently.

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Brotherhood Mutual also launched the company's first *Signal Fire Security Conference*, a new venture to help church leaders address the growing need for security in church settings. Attendance at the first conference on the West Coast was nearly 400 church leaders and security team members, perhaps the largest gathering of its kind in church history. We've planned more church security conferences in 2011.

New Website Makes Policyholder Access a Priority

Our new company website went online in 2010. The site has been totally redesigned and fitted with new features, as well as enhanced product, legal, and risk management information—all of it accessible to customers free of charge.

In the first few months, more than 2,200 policyholders created personal accounts on the new My Account feature. It enables them to access basic account information, begin the claims process, and complete payments online. During the year, our staff attorneys also responded to nearly 400 inquiries they received through our free online *LegalAssistance* program, significantly more than in the past.

Brotherhood Works Continues Mission Efforts

Through our corporate mission program, *Brotherhood Works*, the company organized agent and employee efforts to minister to the Burmese population in Fort Wayne, Indiana, our corporate home and now home to one of the largest Burmese populations in the United States. In addition, the company donated a house to World Relief as a safe and comfortable home for new refugees arriving in the city.

The *Brotherhood Works* domestic mission program, *Faith Ventures*, also helped an Indianapolis inner-city ministry reach its city with the Gospel. Our foreign mission team, *SerbiaNow*, traveled to Serbia to begin the evaluation of several more business launches, which we support in cooperation with the Protestant Evangelical Church of Novi Sad, the largest evangelical church in Serbia's second largest city.

Industry, State, Local Awards Recognize Company Achievements

We were pleased to be the recipient of six corporate awards in 2010. For the second consecutive year, the Ward Group, a prestigious industry consulting and analysis firm, included Brotherhood Mutual among the *Ward's 50*, a listing of the top property-casualty insurers.

The Indiana Chamber of Commerce also recognized us as one of the *Best Places to Work in Indiana* for the third time. Locally, Brotherhood Mutual received the *Youth for Christ Leadership Award*, the Chamber of Commerce *Torch Award for Marketplace Ethics*, the *STAR Financial Business Leadership Award*, and a City of Fort Wayne economic development award.

What You Say Means the Most

The most important and meaningful award, however, is the one you present to us each time you purchase a new Brotherhood Mutual policy or choose to honor us with your continued business.

I am very pleased with the results from 2010. Our success is not one-sided. It reflects the success of your ministry in meeting the physical and spiritual needs of your community. I believe it's especially important that we continue to support one another with prayer, encouragement, and grace.

Thank you for letting us serve you. We hope you will continue to look to Brotherhood Mutual as your insurer and partner in ministry this year and in those to come. It's an honor to work with you as you serve the Church.

Sincerely,



Mark A. Robison
Chairman and President

FINANCIAL RESULTS

Statement of Income	2010*	2009*
Premiums Earned	\$ 167,154,543	\$ 161,116,401
Losses and Loss Expenses Incurred	\$ (115,435,575)	\$ (103,117,923)
Underwriting Expenses Incurred	\$ (55,323,837)	\$ (55,490,970)
Net Underwriting Gain	\$ (3,604,868)	\$ 2,507,508
Net Investment Gain	\$ 6,400,223	\$ 5,839,093
Other Income	\$ 829,734	\$ 904,497
Dividends to Policyholders	\$ (2,066,968)	\$ (2,043,951)
Federal Income Taxes	\$ 1,025,332	\$ (1,773,947)
Net Income	\$ 2,583,451	\$ 5,433,200

*Through December 31

