

Guided by Enduring Values

2010 Annual Report

Executive Message

Guided by Enduring Values

The heritage of values shared by the companies of The Motorists Insurance Group has guided us through times both challenging and prosperous. In this unsettled market, our tradition of acting in the best interests of our policyholders and the independent agents who represent us has never served us better as we face conditions that we have rarely confronted.

Because of our stewardship of policyholder dollars, dedication to principles and long-range planning, our ability to meet our obligations to policyholders remains extremely strong, and we are focused on capitalizing on our strengths to implement actions that will ensure long-term, stable success.

This past year certainly was not without sizeable obstacles for property and casualty companies to overcome.

With difficult economic conditions and a struggling housing industry, we worked hard to balance appropriate pricing and earn premiums in a competitive market. Catastrophic weather events continued to be an issue as severe weather tore through the Midwest during the summer and fall. In addition, interest rates remain at historic lows and have impacted our investment performance.

Despite the many challenges, we continue to distinguish ourselves by strengthening relationships with agents and living our core values of stability, quality, superior service, integrity and teamwork. We are also blessed to have been able to make a meaningful addition to the funds we hold for the future security of our policyholders in such a challenging year.

As we look ahead, we remain focused on profitability, organic growth and building on our position as a strong regional presence. We have operated in this geographic area for more than 80 years, and our history provides us considerable expertise regarding the needs of our market.

We have set in motion a transition to the next phase of corporate leadership that is a result of careful planning and leverages managerial strengths to meet current and evolving business needs. This action is part of our core principle of stability and is integral to our long-term vision that ensures a seamless continuity of operations crucial to our success.

Because our company leaders have a long tenure at Motorists and have demonstrated a firm dedication to our values, we will remain faithful to the independent agency system and doing the right thing for our policyholders. We are continuing to forge strong brand recognition as an organization that fully supports independent agents and is actively engaged in assisting their profitable growth.

Motorists has long been known for delivering exceptional service, and we pride ourselves in the amount of attention we devote to our relationships with agents and policyholders. Our efforts to build relationships were honored by the Indiana Insurance Agents Association, which presented us with their Company of the Year Award. We are humbled when agents recognize us with honors such as this, as we consider exceptional service a cornerstone of our corporate philosophy.



John J. Bishop
Chairman, President & CEO
The Motorists Insurance Group

Continued on next page.

Executive Message *continued*

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Listening closely to agents and policyholders enables us to deliver the products and technology to meet their insurance needs. Our President's Advisory Council provides an invaluable forum to dialogue with agents and deliver what they need to grow their book of business and give policyholders the means to protect what they value most.

We have enacted many suggestions from agents over the years and greatly value the viewpoints we are provided. Like all of our business decisions, these are made with a long-range approach, based on sound business fundamentals and a focus on risk-management strategies.

We relied heavily on our commitment to corporate governance and planning during a difficult decision to sell a portion of American Hardware Mutual Insurance Co.'s existing book of business and restructure the company. Our decision will align all companies of The Motorists Insurance Group under our core and proven business strategy. As we move forward in this process, we will rebrand AHM as Motorists Commercial Mutual Insurance Co. The renaming is pending policyholder and state approval.

AHM's products are now being distributed **exclusively through independent agents** in the 17 states where affiliates of The Motorists Insurance Group operate. We fully expect the restructured company will compete profitably. By sharing a common distribution system and eliminating channel conflict, we will provide independent agents with access to superior expertise in several key customer segments. This action also will lower expenses through greater efficiency and better leverage resources across the organization.

Despite the year's challenges, we are blessed with a sound financial foundation, and our conservative management philosophy of stable, profitable growth has helped us achieve strong capitalization.

These results couldn't be achieved without building strong business relationships with agents and our associates' dedication to MAX Service. This philosophy is leveraged across our group of companies and is a competitive strength in a crowded marketplace.

Our group's associates also have forged strong ties to the communities where they live and work. I could not be more proud of the volunteer efforts our associates have put forth. Our associates regularly give their time to organizations such as United Way, Future Possibilities and Operation Feed.

In one of the most significant events during the year, The Motorists Insurance Group began operations at its state-of-the-art data center. This facility is historic for the group because it is one of the largest initiatives we've ever undertaken to protect our information technology infrastructure, and it is an integral part of our risk management and disaster recovery plans.

A firm commitment to our core values of stability, quality, superior service, integrity and teamwork has helped us maintain a solid financial position despite a turbulent market for our industry, severe weather, struggling business sectors and a highly competitive operating region.

I am as confident as ever that our associates will rise to meet these and other challenges, and that the outstanding independent agents who choose to represent us will continue to be the differentiating factor for us in the marketplace.

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Local
Agents
Serving
Main Street
America™



THE MOTORISTS INSURANCE GROUP

Assets	2010	2009
Bonds	\$ 942,680,709	\$ 965,532,614
Stocks	272,162,895	244,698,362
Premiums Receivable	182,264,128	183,236,387
Partnerships & Joint Ventures	120,559,832	88,864,688
Current & Net Deferred Tax Assets	46,746,357	56,599,319
Real Estate	34,026,016	24,366,130
Other Assets	73,036,060	54,089,982
Total Assets	\$ 1,671,475,998	\$ 1,617,387,482

Liabilities & Surplus	2010	2009
Losses & Loss Expenses	\$ 581,238,029	\$ 555,227,528
Unearned Premiums	300,928,173	296,314,152
Other Unpaid Expenses	34,764,783	31,321,405
Pension Obligation	30,859,852	33,666,094
Unpaid Policyholder Dividends	6,714,181	4,633,351
Other Liabilities	36,137,544	38,951,750
Total Liabilities	990,642,561	960,114,279
Policyholder Security	680,833,437	657,273,203
Total Liabilities & Security	\$ 1,671,475,998	\$ 1,617,387,482

Summary of Operations	2010	2009
Net Written Premiums	\$ 690,807,609	\$ 674,849,335
Underwriting Profit/(Loss)	(62,568,886)	(54,494,955)
Combined Ratio	110.2%	108.7%
Net Investment Gain/(Loss)	58,122,322	42,127,889
Net Income	(487,827)	1,114,487
Change in Policyholder Security	\$ 23,560,234	\$ 96,644,884

Great company. Great agent. Great service. I had to be at the ball field at 5 p.m. You had my rental car ready and I was on my way in 10 minutes – Grandpa saw his 9-year-old grandson play in his championship game. Thanks.

—Motorists Mutual policyholder





MOTORISTS MUTUAL INSURANCE COMPANY

Assets	2010	2009
Bonds	\$ 668,373,067	\$ 688,673,935
Stocks	188,060,109	179,461,171
Premiums Receivable	111,676,293	114,523,512
Reinsurance Receivable	106,481,453	98,445,191
Partnerships & Joint Ventures	87,274,107	66,803,868
Current & Net Deferred Tax Assets	33,971,829	45,968,115
Other Assets	97,003,700	61,079,006
Total Assets	\$ 1,292,840,558	\$ 1,254,954,798

Liabilities & Surplus	2010	2009
Losses & Loss Expenses	\$ 426,801,831	\$ 406,335,074
Unearned Premiums	212,154,362	208,901,477
Reinsurance Payable	68,008,890	69,776,700
Other Unpaid Expenses	24,744,108	22,266,160
Pension Obligation	23,068,858	24,655,374
Other Liabilities	34,740,256	35,531,675
Total Liabilities	789,518,304	767,466,460
Policyholder Security	503,322,254	487,488,338
Total Liabilities & Security	\$ 1,292,840,558	\$ 1,254,954,798

Summary of Operations	2010	2009
Net Written Premiums	\$ 487,019,364	\$ 475,268,448
Underwriting Profit/(Loss)	(44,011,065)	(38,136,560)
Combined Ratio	110.2%	108.6%
Net Investment Gain/(Loss)	39,883,437	29,202,052
Net Income	724,212	1,214,033
Change in Policyholder Security	\$ 15,833,916	\$ 78,218,071

I am so satisfied. All the paperwork was done in three days. I finally found a company that takes care of their insureds with no hassle. Thank you all very much!

—Motorists Mutual policyholder





MOTORISTS LIFE INSURANCE COMPANY

Assets	2010	2009
Bonds	\$ 336,502,357	\$ 313,088,362
Cash & Short-Term Securities	3,830,058	4,761,757
Stocks	10,512,323	8,511,773
Contract Loans	10,491,627	9,146,069
Premiums Receivable	16,802,395	15,434,803
Interest & Dividends Due & Accrued	2,940,255	2,771,676
Other Assets	6,877,769	5,590,724
Total Assets	\$ 387,956,782	\$ 359,305,164

Liabilities & Surplus	2010	2009
Policy Reserves	\$ 326,385,202	\$ 305,156,149
Statutory Reserves	2,369,485	1,430,174
Claims Payable	2,283,446	1,721,606
Other Liabilities	7,232,003	6,499,936
Total Liabilities	338,270,135	314,807,865
Capital & Security	49,686,646	44,497,299
Total Liabilities, Capital & Security	\$ 387,956,782	\$ 359,305,164

Summary of Operations	2010	2009
Premiums & Contract Considerations	\$ 55,510,226	\$ 57,951,039
Total Income	74,476,694	76,910,303
Benefits & Expenses	72,518,694	77,139,764
Net Income from Operations	1,958,000	(229,461)
Net Profit/(Loss)	979,841	(1,055,900)
Change in Capital & Security	\$ 5,189,347	\$ 1,388,256

I can honestly say that we were very satisfied with all aspects of your company's service. Everything was handled promptly and courteously. Don't change a thing.

—Motorists Life beneficiary





Guided by Enduring Values

WILSON MUTUAL INSURANCE COMPANY



Assets	2010	2009
Premiums Receivable	\$ 29,782,139	\$ 28,822,861
Bonds	24,014,577	21,930,519
Reinsurance Receivable	13,137,418	10,319,332
Stocks	7,530,621	6,938,047
Real Estate	5,648,303	5,831,519
Partnerships & Joint Ventures	2,380,259	1,657,329
Other Assets	5,476,810	6,284,463
Total Assets	\$ 87,970,126	\$ 81,784,070

Liabilities & Surplus	2010	2009
Reinsurance Payable	\$ 35,200,077	\$ 32,507,349
Losses & Loss Expenses	18,771,695	17,827,710
Unearned Premiums	9,027,845	8,889,425
Payable to Affiliates	1,163,153	1,497,080
Other Unpaid Expenses	1,010,256	911,277
Other Liabilities	1,810,783	2,461,195
Total Liabilities	66,983,809	64,094,035
Policyholder Security	20,986,318	17,690,035
Total Liabilities & Security	\$ 87,970,126	\$ 81,784,070

Summary of Operations	2010	2009
Net Written Premiums	\$ 20,724,228	\$ 20,691,869
Underwriting Profit/(Loss)	(1,877,067)	(1,795,786)
Combined Ratio	110.2%	108.7%
Net Investment Gain/(Loss)	1,333,845	1,006,799
Net Income	(480,786)	(606,299)
Change in Policyholder Security	\$ 296,283	\$ 1,861,318

Wilson Mutual definitely gives true value and meaning to the phrase "ease of doing business." They are a company that is entirely committed to both their agents and policyholders; this is reflected in their service and, most importantly, in their staff.

—Wilson Mutual policyholder





IOWA MUTUAL INSURANCE COMPANY

Built on Relationships, Dedicated to Service



Guided by Enduring Values

IOWA MUTUAL INSURANCE COMPANY



Local Agents
Serving
Main Street
America



We are very happy with Iowa Mutual as our insurance company and have recommended you to several friends.

—Iowa Mutual policyholder

Assets	2010	2009
Bonds	\$ 30,318,172	\$ 29,814,393
Premiums Receivable	21,805,421	20,261,615
Stocks	17,077,711	15,706,087
Reinsurance Receivable	9,901,826	8,798,774
Partnerships & Joint Ventures	4,479,018	3,130,520
Current & Net Deferred Tax Assets	1,667,954	1,866,298
Other Assets	5,081,639	7,204,851
Total Assets	\$ 90,331,741	\$ 86,782,538

Liabilities & Surplus	2010	2009
Reinsurance Payable	\$ 23,554,217	\$ 22,225,193
Losses & Loss Expenses	21,900,311	20,793,001
Unearned Premiums	10,532,486	10,370,995
Other Unpaid Expenses	1,244,378	1,132,124
Payable to Affiliates	1,217,063	1,500,793
Other Liabilities	2,393,521	1,896,694
Total Liabilities	60,841,976	57,918,799
Policyholder Security	29,489,765	28,863,738
Total Liabilities & Security	\$ 90,331,741	\$ 86,782,538

Summary of Operations	2010	2009
Net Written Premiums	\$ 24,178,266	\$ 24,140,514
Underwriting Profit/(Loss)	(2,189,911)	(2,095,084)
Combined Ratio	110.2%	108.7%
Net Investment Gain/(Loss)	2,118,622	219,865
Net Income	(413,741)	(1,810,702)
Change in Policyholder Security	\$ 626,026	\$ 2,029,687





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IOWA AMERICAN INSURANCE COMPANY



Local Agents Serving Main Street America™



Assets	2010	2009
Bonds	\$ 12,419,644	\$ 11,872,757
Premiums Receivable	2,364,069	2,457,210
Reinsurance Receivable	2,162,796	1,922,033
Cash & Short-Term Investments	790,206	1,172,965
Current & Net Deferred Tax Assets	378,136	346,349
Receivable from Affiliates	226,839	407,999
Other Assets	104,554	106,653
Total Assets	\$ 18,446,244	\$ 18,285,965

Liabilities & Surplus	2010	2009
Losses & Loss Expenses	\$ 6,257,232	\$ 5,942,570
Unearned Premiums	3,009,282	2,963,142
Reinsurance Payable	2,398,669	2,468,443
Other Unpaid Expenses	333,965	300,446
Payable to Affiliates	260,682	313,948
Other Liabilities	133,185	46,754
Total Liabilities	12,393,014	12,035,301
Capital & Security	6,053,229	6,250,663
Total Liabilities, Capital & Security	\$ 18,446,244	\$ 18,285,965

Summary of Operations	2010	2009
Net Written Premiums	\$ 6,908,076	\$ 8,271,098
Underwriting Profit/(Loss)	(625,689)	(1,094,148)
Combined Ratio	110.2%	108.9%
Net Investment Gain/(Loss)	423,917	405,769
Net Income	(225,166)	(683,278)
Change in Capital & Security	\$ (197,434)	\$ (493,898)

It's never a good time when you're out of equipment. Your team was great in getting my claims settled. The equipment is now back in the field making money. Thank you!

—Iowa American policyholder



PM Phenix Mutual

FIRE INSURANCE COMPANY

A Promise of Protection. A Tradition of Service.

Guided by Enduring Values



PHENIX MUTUAL FIRE INSURANCE COMPANY



Local Agents
Serving
Main Street
America



Assets	2010	2009
Bonds	\$ 26,332,916	\$ 17,983,220
Stocks	15,490,525	19,345,362
Reinsurance Receivable	7,243,235	7,541,297
Premiums Receivable	5,021,851	4,911,088
Cash & Short-Term Investments	1,764,921	6,774,854
Partnerships & Joint Ventures	979,257	—
Other Assets	2,583,653	1,625,141
Total Assets	\$ 59,416,358	\$ 58,180,962

Liabilities & Surplus	2010	2009
Losses & Loss Expenses	\$ 21,988,080	\$ 21,190,367
Unearned Premiums	10,532,486	10,370,995
Reinsurance Payable	4,198,800	3,970,324
Other Unpaid Expenses	1,214,834	1,052,039
Pension Obligation	817,444	584,634
Other Liabilities	1,763,838	1,312,978
Total Liabilities	40,515,481	38,481,338
Policyholder Security	18,900,877	19,699,623
Total Liabilities & Security	\$ 59,416,358	\$ 58,180,962

Summary of Operations	2010	2009
Net Written Premiums	\$ 24,178,266	\$ 20,105,107
Underwriting Profit/(Loss)	(2,189,911)	(643,428)
Combined Ratio	110.2%	108.4%
Net Investment Gain/(Loss)	4,671,634	2,911,495
Net Income	3,108,619	1,966,709
Change in Policyholder Security	\$ (798,746)	\$ 341,167

We are certainly telling others about our outstanding insurance experience with you. Thanks for your help!

—Phenix Mutual policyholder





MICO INSURANCE COMPANY

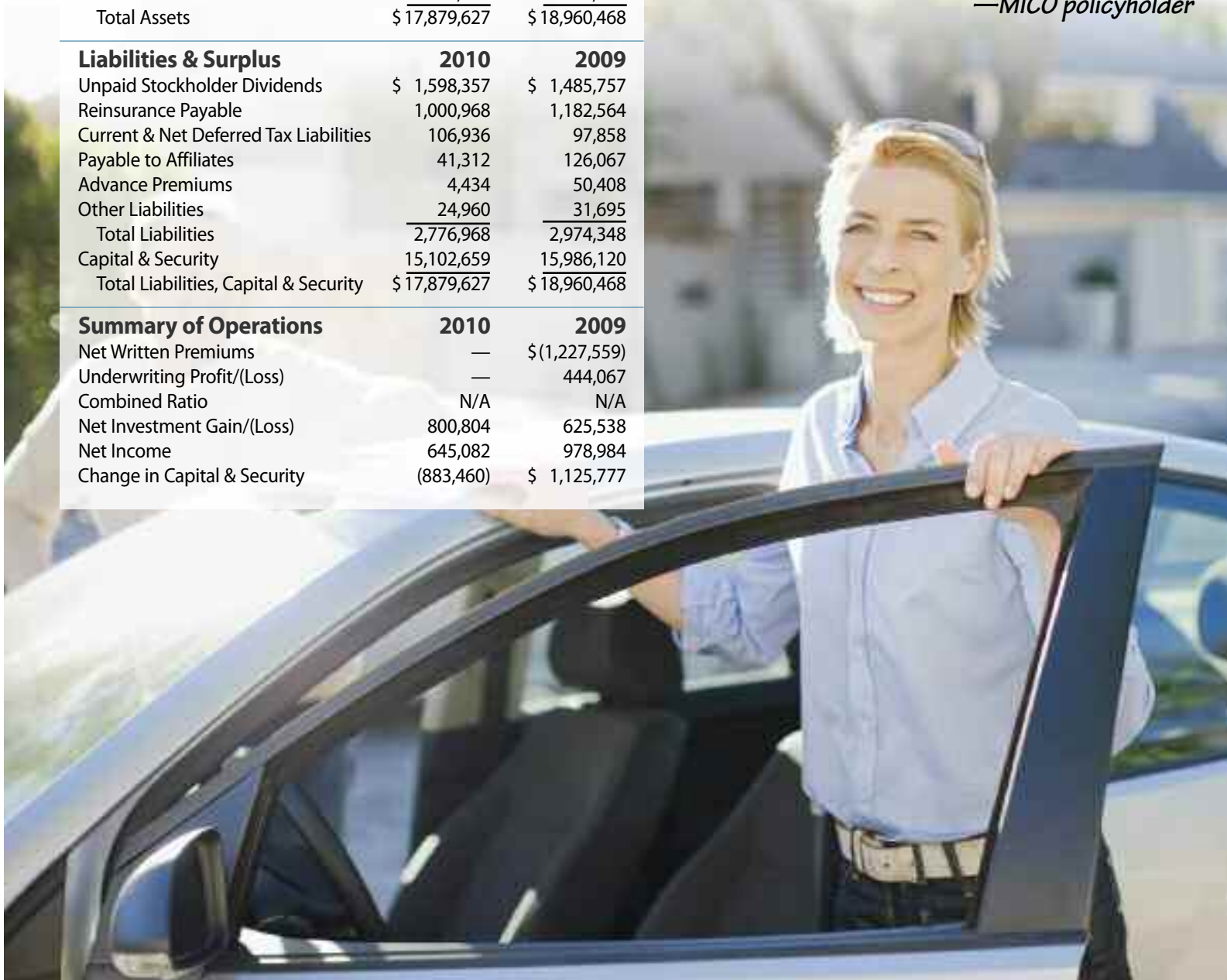
Assets	2010	2009
Bonds	\$ 11,265,377	\$ 8,166,832
Stocks	3,512,991	5,712,719
Partnerships & Joint Ventures	1,282,159	1,104,886
Premiums Receivable	746,271	977,825
Cash & Short-Term Investments	666,288	2,684,747
Reinsurance Receivable	203,627	107,590
Other Assets	202,913	205,869
Total Assets	\$ 17,879,627	\$ 18,960,468

Liabilities & Surplus	2010	2009
Unpaid Stockholder Dividends	\$ 1,598,357	\$ 1,485,757
Reinsurance Payable	1,000,968	1,182,564
Current & Net Deferred Tax Liabilities	106,936	97,858
Payable to Affiliates	41,312	126,067
Advance Premiums	4,434	50,408
Other Liabilities	24,960	31,695
Total Liabilities	2,776,968	2,974,348
Capital & Security	15,102,659	15,986,120
Total Liabilities, Capital & Security	\$ 17,879,627	\$ 18,960,468

Summary of Operations	2010	2009
Net Written Premiums	—	\$(1,227,559)
Underwriting Profit/(Loss)	—	444,067
Combined Ratio	N/A	N/A
Net Investment Gain/(Loss)	800,804	625,538
Net Income	645,082	978,984
Change in Capital & Security	(883,460)	\$ 1,125,777

This was the best service I've ever received in a claims process.

—MICO policyholder



Guided by Enduring Values

AMERICAN HARDWARE MUTUAL INSURANCE COMPANY



Local
Agents
Serving
Main Street
America



Assets	2010	2009
Bonds	\$ 169,956,957	\$ 187,090,960
Stocks	61,646,827	39,771,759
Premiums Receivable	45,857,229	46,482,030
Reinsurance Receivable	38,650,826	37,763,428
Partnerships & Joint Ventures	24,165,033	16,168,084
Current & Net Deferred Tax Assets	8,940,519	7,083,732
Other Assets	14,514,878	12,449,947
Total Assets	\$ 363,732,270	\$ 346,809,940

Liabilities & Surplus	2010	2009
Losses & Loss Expenses	\$ 115,866,689	\$ 110,016,095
Unearned Premiums	55,671,712	54,818,118
Reinsurance Payable	45,660,500	43,716,337
Pension Obligation	6,973,550	8,426,086
Other Unpaid Expenses	6,209,922	5,647,930
Other Liabilities	9,215,673	7,653,905
Total Liabilities	239,598,046	230,278,472
Policyholder Security	124,134,224	116,531,468
Total Liabilities & Security	\$ 363,732,270	\$ 346,809,940

Summary of Operations	2010	2009
Net Written Premiums	\$ 127,799,408	\$ 127,599,858
Underwriting Profit/(Loss)	(11,675,244)	(11,174,016)
Combined Ratio	110.3%	108.8%
Net Investment Gain/(Loss)	10,537,169	9,242,129
Net Income	(2,247,689)	1,540,797
Change in Policyholder Security	\$ 7,602,756	\$ 14,194,641

This is my first experience with a claim of any kind. I am so impressed by the courtesy and professionalism of all concerned.

—American Hardware Mutual policyholder

