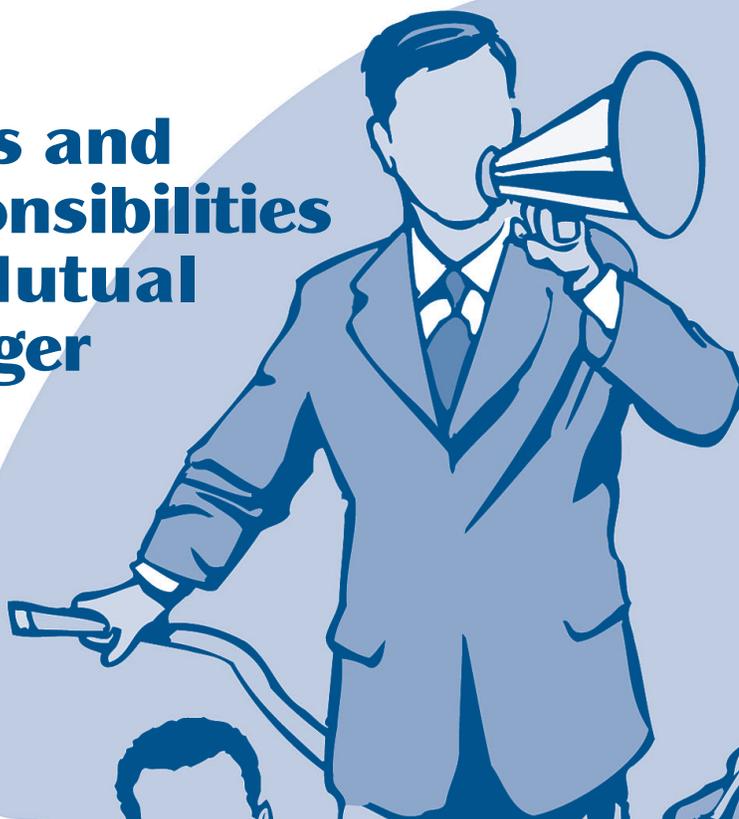


LAUTUM *news*

Duties and Responsibilities of a Mutual Manager



Also **INSIDE**

- **Convention Highlights**
- **Award Winners**
- **2005-2006 Committees, Officers & Directors**

Chairman's Message Mike Davis, CIC, Forrester Mutual Insurance Company



"The future always holds something for the man who keeps his faith in it."
— H.L. Hollis

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With another IAMIC year coming to a close and a new leadership team ready to step forward, wouldn't it be wonderful to know what the future holds? If all of us knew what would happen tomorrow, we could plan accordingly, avoid danger and make the most of every opportunity. Unfortunately, we can't predict the future, but there are methods to use for preparing for the changes that are inevitable and using them to our advantage.

To sense and respond to future developments as effectively as possible we need to understand the structures or patterns of our doing things and mold a model for problem solving. This concept has been popularized in the explanation that people have patterns for almost all aspects of their lives. According to many studies, we all unconsciously create powerful filters through which we sort information. Ideas that conform to established patterns easily pass through the filters, but ideas that don't are difficult to perceive, if seen at all. Basically, we see what we expect to see, and because each of us sees the world through a different filter what is obvious to one may be imperceptible to another.

Our patterns are useful because they help us identify what is—and is not—

important, focus our attention and give us valuable guidance for problem solving. We do need to remember though, don't allow our individual patterns or methods to become the norm—the only way to do something—and rejecting alternative ideas out of hand. We must all be willing to embrace outsiders' patterns and have the courage to shrug off an old method and adopt a new one. Trust your intuition and exercise good judgment. We shouldn't allow our individual methods to prevent us from anticipating the future and prevent us from solving problems or recognizing breakthroughs. Let's not miss the boat by rejecting a new concept that conflicts with old ways of thinking. Don't allow our beliefs and doubts to prevent us from making the changes necessary for all of us to succeed. Instead, we need to ask ourselves what we can do today that would fundamentally change our companies and association for the better.

"Leadership is the constant study of how to create a new future." — *Niri Patel*

The IAMIC membership is fortunate to have a new leadership team ready to continue the "mission". They are ready to sense and respond to future developments as effectively as possible. They stand willing and able to guide IAMIC into the future. ❖

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Mutual Milestones

Congratulations to the following companies for reaching such great milestones in providing service to your policyholders!

80 Years

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115 Years

Watseka Mutual Insurance Company

120 Years

Kingston Mutual Insurance Company

125 Years

Prairieland Mutual Insurance Company
Township Mutual Insurance Company
Triton Mutual Insurance Company

130 Years

Bureau County Mutual Insurance Company
Delavan Mutual Insurance Company
Hamlet Mutual Insurance Company
Mendota Mutual Insurance Company
Woodford County Mutual Insurance Company

135 Years

Berlin Mutual Insurance Company
Black Hawk Mutual Insurance Company

140 Years

PLN Mutual Insurance Company
Svea Mutual Insurance Company

Wayne Clark Receives Lautum Award

The Lautum Award is the highest honor that we bestow on one of our members every year. It goes to an individual who has selflessly given to the association, their company, the industry and their community.

Our 2005 recipient, Wayne Clark of Grinnell Mutual Reinsurance Company in Grinnell, Iowa has worked in the mutual insurance industry for 27 years, helping his company and all Illinois mutuals along the way.

He began his career in 1978 as a Reinsurance Claims Supervisor in southern Illinois then moved on to become a Reinsurance Administrator. In 1998, he was promoted to Reinsurance Manager, then to Director of Reinsurance in 2000. In April 2002 he was promoted to Vice President of Reinsurance, working with the mutuals in Illinois, Indiana and Missouri. He is also responsible for claims in 10 different states.

Wayne holds the PCLA insurance designation and has served on the Illinois,

National and Missouri Associations of Mutual Insurance Companies' Claims Committees. He is a graduate of Iowa State University and served in the US Army for three years, with one-year service in Vietnam.

Wayne enjoys woodworking and gardening, is married to a wonderful woman, Janna, and has three great kids – Kirsten, Casey, and Jacob.

Congratulations to Wayne Clark for being named the 2005 recipient of the Lautum Award! ❖





Two events serve as a backdrop to this article: the recent IAMIC convention in Springfield where I accepted the responsibility as your chairman, and the mind-boggling impact of

hurricane Katrina on the citizens of the gulf coast and on our nation as a whole. While the nation struggles to give emotional support and find homes for the displaced and to come to terms with the economic impact of the hurricane, it is with some difficulty that I ask you to focus on the issues and challenges that face our association. How can fine tuning the Farm Mutual Act, coordinating educational programs, building on our advocacy program, or finding the right dues structure justify your attention when so many are displaced and suffering?

I believe that our issues, and the attention that IAMIC members pay to them, are part of the fabric of the economic infrastructure that supports our policyholders. We saw strains and tears in the support infrastructure on our southern shores and we saw undue suffering. I hope you have had the opportunity to give to help alleviate that suffering, and now I ask you to give your time and attention to IAMIC to have a strong mutual industry to protect our members when the next disaster arrives.

Our industry in Illinois faces many challenges as I outlined at the convention. Our customers are changing, and with new needs and new resources are becoming targets for our competitors who see opportunity in this change. New electronic communication tools are giving economic advantage to many of these competitors while many of our mutual companies struggle to adopt or to see value in this resource. Profitability, which has always been secondary to service at the mutual, has not received due attention. As we gear up for this new competitive fight, service will suffer without profitability. And, I believe as the nation does a post mortem on our response to Katrina, the call for national regulation of insurance and other service

industries will again be heard adding to our cost of doing business.

Our challenges are real and present. We cannot wait for IAMIC to meet them. IAMIC is merely a tool formed by our member companies as a cooperative effort to have more of an impact. You and I, as leaders of our mutual companies, must use that tool and others to move our companies forward. I ask you to step forward and find ways to help.

What IAMIC can do, and what we will dedicate ourselves to do, is provide some resources that can help you move your company to the next level. To that end in 2006, IAMIC will:

- Analyze all aspects of IAMIC operations to reduce our operating expenses to minimize future dues increases. You need IAMIC. You don't need higher dues for services or activities that don't help you succeed. That work is already underway.
- Work with the Division of Insurance to modify the Farm Mutual Act to give mutual insurance companies more flexibility in providing services and make available more opportunity for the mutual to generate revenue. That work is already underway.
- Blend our expertise with that of neighboring state associations to present a workshop for mutuals on developing a business plan that deals with many of the issues I have discussed. Planning for that workshop is underway.
- Develop and present to you a mutual marketing plan that markets the mutual industry throughout the state and gives you tools to market your company in your trade territory. Considerable work is already done on this effort.
- Develop and make available to you a series of manuals to standardize and make easier the job of managing a farm mutual. Preliminary work is already done on this effort.
- And, of course, we will continue our industry-leading effort with educational programs and advocacy.

While the nation struggles to give emotional support and find homes for the displaced and to come to terms with the economic impact of the hurricane, it is with some difficulty that I ask you to focus on the issues and challenges that face our association.

—continued on next page

The mission of IAMIC is leadership, committed to the growth and development of the mutual insurance industry for the benefit of its members. Through your dues and through the efforts of a lot of volunteers, IAMIC does bring a lot of resources to the

table to help your company grow and develop. It is totally up to you, however, to use those resources to move your company to the next level as a service provider. I urge you to be proactive in your planning and to manage the destiny of this industry. ❖

Memorial Report

The Illinois Association of Mutual Insurance Companies wishes to express its sincerest condolences to the families and friends of the following IAMIC members who have passed away over the course of the last year:

Russell Buttel

Forreston Mutual Insurance Company

Gary Connelly

Grinnell Mutual Reinsurance Company

Jon Dixon

Town & Country Mutual Insurance Company

Delmar Guebert

Township Mutual Insurance Company

Roger Krenz

*Mendota Mutual Insurance Company, Rockford Mutual Insurance Company,
Bradford Victor-Adams Mutual Insurance Company*

Phyllis Lee

Dunham & Chemung Mutual Insurance Company

Lucille Meyer

Hamel Mutual Insurance Company

Deane Morey

Svea Mutual Insurance Company

Myron Wohltman

Bishop Mutual Insurance Company

IAMIC Anti-Trust Statement

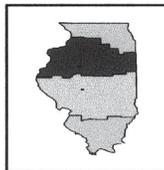
The purpose of IAMIC is to promote the best interests of the mutual insurance community, and particularly the best interests of policyholders of mutual insurance companies. To this end, IAMIC programs and activities are planned and implemented with the objective that policy holders will benefit from the best products and services.

It is not the intention of IAMIC to provide a forum for standardizing products or rates, dividing markets, fixing profit levels, or categorizing customers to whom insurance products may be sold.

If you have any concerns about the prohibited activities in connection with any IAMIC activities, please contact the president or any IAMIC Board member immediately.

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Duties and Responsibilities of a Manager

Considerations for Both Mutual Managers and Directors

By Gayle Cobb,
Cameron Companies and
Freistatt Mutual Insurance
Company

In our last issue of the Lautum News, we ran an article on the Duties and Responsibilities of a Mutual Insurance Company director. We now turn to the duties and responsibilities of our managers.

Duties and Responsibilities of the Mutual Manager

1. Directly responsible to the Board for the operation of the company.
2. Implement the policies of the Board. (Not to make policy)
3. Provide current and accurate reports to the Board. (So that the Board can make appropriate sound decisions.)
4. Keep informed on current insurance practices and trends. (Through state and national meetings, continuing education programs, CE, etc.)
5. Manage company property. (Office, Office equipment, autos, etc.)
6. Recruit and appoint qualified agents, subject to Board approval.
7. Supervise agents.
8. Hire, train and supervise employees.
9. Develop and implement a company office procedures manual. (Workflow, phone answering, vacation, staff duties & responsibilities, etc.)
10. Make recommendations to the Board.
11. Develop and implement public relations and advertising program.
12. Monitor office performance.
13. Maintain accurate records.
14. Underwrite and issue policies, endorsements and billings on a timely basis. (Insured's want service - that truly is the only thing that sets you apart from any other insurance company. Pay those claims timely as well.)
15. Collect, deposit and record all monies.
16. Develop a budget for Board approval.
17. Prepare agendas for meetings.
18. Project long-range plans for the company.
19. Prepare and present for approval a business plan. (Review and update

annually – The plan can include such things as merger talks, increasing writing territory, software programs, implementing agent contingency programs, implementing insurance scoring, etc.)

20. Perform other duties as specified by the Board.

REMEMBER ... if your company chooses not to hire a manager, then the Board of Directors must also assume these duties and responsibilities.

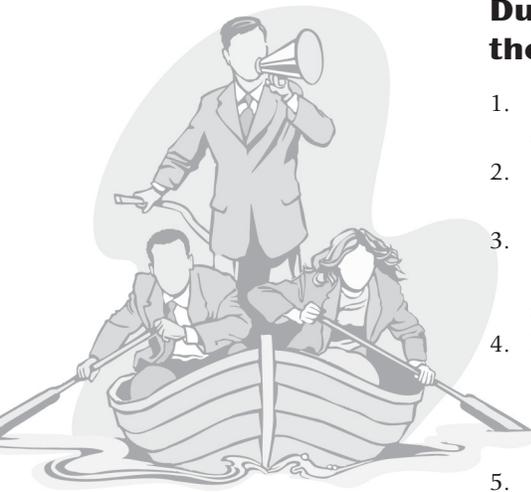
Management Succession – Planning

It is this author's opinion that companies should hire a qualified manager, and then let that manager manage. Whoever that manager is, he/she becomes the leadership of your company. That leadership must stay in step with the changing needs of the Mutual. The Board's view of leadership should focus on the people and the skills that will enable the Mutual to meet future challenges.

Something very disturbing is currently happening in the state of Missouri to the farm mutual industry. In the last four years, sixteen farm mutual companies have turned in their state charter. It is predicted that there will be that many less companies in the next four years. Mutual boards have become out-dated and not willing to tackle changes over the past few years. As a result several smaller companies are going out of business or merging because of the lack of management or management succession. Some of these companies are very financially strong. Those boards decided to go along with the current manager's attitude and ignore or avoid the issue of succession altogether. I think they never worried about who may or may not replace them "because they were planning to die at their desk." **The failure to plan for succession can cost your company its future.**

Succession planning is a topic that is

—continued on page 8



This article was taken from Gayle Cobb's Regional Meeting presentation.

Gayle currently serves as a board member for Cameron Companies and Freistatt Mutual Insurance Company, and as a local school board member in Missouri. He is a producing partner in an independent insurance agency and is Pastor of Ponce de Leon Pentecostal Church. Gayle has been very active with the mutual insurance industry over the years. He is a past board member of MAMIC and NAMIC. He is also a former manager of Billings Mutual Insurance Company.

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(RESPONSIBILITIES—continued from page 7)

basically ignored in the mutual industry until a position has to be filled. It is a topic that can be a ticklish matter. About as uncomfortable for some boards to deal with as is the matter of director mandatory retirement. Nobody likes to confront the onset of neither old age nor his or her mortality. Yet management succession planning is a central duty of being a mutual company director. Consultant Doug Austin believes that management succession ought to be on the board's agenda, from time to time; starting from the day the current manager turns 55.

There is no one right and universal formula for handling succession. Succession planning is:

1. Finding the right leader at the right time.
2. Board driven, with the current manager sharing some responsibility. The manager's shared responsibility is to ensure that board members have access to successor candidates. Providing the board contact in both social and business settings allows them to become familiar with the candidate's leadership style and track
3. As part of this formula, the board must also ask and answer this very important key question before selecting a candidate: "What must this company do well in order

record. However, having access to the successor candidates is not enough. Board members also need to be in a position to make accurate and insightful judgments about the candidates. Matt Keating of NAMIC in his article "Management Perpetuation Crucial for Future Success" states that, "To the extent that the organization has a succession process in place, a company manager is the keeper of the succession keys. The manager is in the best position to work with and judge successor candidates in a variety of circumstances, have contact with high potential talent at other locations and know the unique challenges and pressures of the job. Although the manager is involved with perpetuation and the successors on a day-to-day basis, ultimately the board must retain oversight and veto power."

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(RESPONSIBILITIES—continued from page 8)

to succeed?" Succeeding the next 100 years cannot rely solely on the way we did business the last 100 years.

Most managers fail to think about succession until it needs to be implemented and then there is no plan to follow. Suddenly there is a void at the top and no one has been primed to fill that position. Few events have such an impact on a company as the loss of key leaders, in particular the CEO/President/Manager. How that replacement is handled could have a lasting effect on the organization.

Henry H. Gibbel is president and CEO, Lititz Mutual Insurance Co., Lititz, PA. This is a company that the leadership has been handed down generations. Lititz Mutual was founded in 1888, and Henry's Grandfather was the CEO beginning in 1890. Henry's father was the next CEO, now Henry, and Henry's son is the executive vice president, which is being groomed to take over someday.

Mr. Gibbel states in Matt Keating's article: "Our board still talks about succession planning. It is important to have the right people in the right positions at the right time. Perpetuation of a mutual is critical for the continuing and success of the company. It takes a certain type of person to fully understand and be committed to the principles of mutuality."

Too often organizations address the succession challenge through the rearview mirror. Too often they wait for someone to step down or even worse, be removed, then and only then they entertain thoughts of who or what should happen next. One of the reasons little forethought is given to successions is evident in the fact that it rarely shows up in corporate business plans or strategic planning. Companies are quite diligent in forecasting out 3, 5, or even 10 years but most of what they plan has more to do with financials or product enhancements and little or no emphasis on who or how future leaders will guide the corporate ship.

In Missouri, the Department of Insurance has very little regulation authority over the mutual industry outside of financial examinations. However, they have been requesting that some companies submit a business plan that includes management

succession. The directors of these companies have been in the dark and are now being put in the spotlight by the Department.

Bruce Thomas, president/CEO, Heartland Mutual Insurance Association, Algona, Iowa, says that his company has a long-term vision, which includes working with their board of directors to find a valuable replacement that will guide the organization in the future. "We try to do a lot of cross-training so that the employees know how to do many different things," Thomas said. "Right now, the board would have to replace me with someone from the job market because no one on staff has been here long enough to take over."

There are only 2 options – Groom or Recruit

There is a great need to develop management talent among the mutual industry today. One of the things that we in the state of Missouri have done is to develop a scholarship program. That program has been in place for several years and is now able to help with the finances of 8 different college students. It is our hope that some of these bright kids will not forget which industry helped them out during those struggling college years. I believe that the lack of management depth will be a major constraint to some company's future profitability. Passing the torch is one of the most challenging maneuvers in corporate America today as well as in the mutual industry. And though some large companies fumble at the transfer, proper planning helped Wal-Mart and others to make a smooth transition. As a director, I have been involved in both — a successful transition and a fumble transition. And I can assure you that the fumble cost us more than just a monetary value. (Employee morale, agents respect, and respect among the insurance industry.)

Succession planning grooms firms for success. Succession should be a process, not a horse race. With so much at stake, politics and emotions can come into play even in our small mutual company. That is why a well-planned and executed process is essential for making transition from one manager to the

Annual Convention Strategic Partners

We would like to express our appreciation to the following companies for so generously donating funds to help sponsor our 124th Annual Convention.

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Boone County Fire Protection District #2 Named IAMIC Fire Department of the Year

The 2005 recipient of the Fire Department of the Year award embodies all that we value in our fire departments – courageousness, determination and dedication. It is with great pleasure therefore that we presented the 2005 Fire Department of the Year award to the Boone County Fire Protection District #2.

District #2 is one of the largest volunteer Fire Departments in the state—covering 144 square county miles. Currently there is the Fire Chief, one Assistant Chief, five Captains, four Engineers, three Trustees and 33 Linemen who continually receive the proper training on equipment and procedures in order that fire protection at the volunteer level is always maintained at the standards of today's professional units. The department has two stations strategically placed within their district in order to serve over 10,500 county residents.

In their beginning years, volunteers were paid \$2.00 per call, with many giving back their earnings to help support and sustain the district. Today, 50+ years later, the men and women volunteers are paid only slightly better, at \$5.00 per call, with a waiting list of prospective volunteers.

Belvidere Mutual, the company who nominated the District, experienced a house fire in early 2004. District #2 was instrumental in helping save the dwelling before it became a total loss. Within just a few minutes of the initial page, many of the firemen were already on the scene taking the necessary steps needed while waiting for the trucks to arrive. This

particular fire was a challenge for the firefighters. Not only did they have a major fire blazing, but they also had to deal with the winter elements as heavy ice had formed from a previous snow/ice storm, making it very difficult to get around. Walking on pure ice with all their gear proved to be a challenge; despite this, they still managed to get control of the fire and were able to keep the house from becoming a total loss.

With 57 years of dedicated and committed community service behind them, they continue to strive forward, ever looking for better equipment and more advanced training for their crew in order to bring the best possible service to their community.

The dedication and determination that this department has diligently put toward the betterment and safety of their community earns them badges of honor with every service call.

Fire Chief Melvin Johnson with members of the Boone County Fire Protection District #2 was presented with the award at the IAMIC Annual Convention on August 21 in Springfield. Congratulations to everyone at the Fire Protection District for being named the Fire Department of the Year! ❖



This year marks the sixth that IAMIC has recognized an Illinois Fire Department for their contributions to their communities. The award was established in 2000 because of the importance of fire departments in preserving life and property in our local communities.

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Roger Needham Named IAMIC Volunteer of the Year



Where would we be without our volunteers? Our Annual Convention could not happen, neither could any other education program. Our newsletter would be rather bare and our lobbying efforts greatly diminished. Volunteers are the lifeblood of IAMIC.

The Volunteer of the Year Award was designed to recognize

one of the many individuals that step forward to serve. Roger Needham, AIC, AIS of Forreton Mutual Insurance Company in Forreton, IL was named our very first recipient of this award and was recognized at

the Annual Convention for his many contributions to IAMIC and the industry.

Roger is an amazing volunteer. He does so much for the association it is hard to think of a week that goes by without there being contact between him and the association's office or an event over the last year that hasn't had his fingerprints on it. He is always willing to volunteer and has spent innumerable hours working on IAMIC projects and events.

He has served on a number of committees—in Illinois, Missouri and for NAMIC, has delivered many different speeches for us and was elected at our Annual Convention to serve as the Vice Chairman in 2006.

Roger Needham is a tremendously dedicated volunteer and a great asset for the association. Congratulations Roger on being named the very first IAMIC Volunteer of the Year and thank you so much for all that you have done and continue to do on our behalf! ❖

Mutual News

Obituaries

- **Delmar Guebert of Township Mutual Insurance Company**, Sparta recently passed away. Mr. Guebert was Vice President and director for the mutual. He had served as a volunteer for the mutual for eight years.
- **Roger Krenz** passed away in August 2005. Mr. Krenz was a former manager of **Mendota Mutual Insurance Company** and served as a director for **Rockford Mutual Insurance Company** and **Bradford Mutual Insurance Company**. Roger was also a past IAMIC Chairman as well as a former board and committee member. He was the 1992 Lautum Award winner.

Mutual Changes

- **Mendota Mutual Insurance Company** announced recently that **Cindy Engels** is no longer with the company. **Deb Geuther** has been named Manager for the company.

The Board in Review

The IAMIC Board of Directors met July 27, 2005. The following board members were present: **Chairman Mike Davis, Chairman-Elect Harry Fehrenbacher, Vice Chairman David Campbell, Secretary/Treasurer Ronette Payne, and directors Cindy Theis, Joe Reid, Kathie Cobb, Jackie Rakers and Becky Deters.** Also present were **President Sandra Wulf and Roger Needham.** Absent from the meeting was **Steve Prosser.**

Meetings of the Board and Executive Committee

The Board approved increasing from 4 to 6, the number of Board meetings to be held during our fiscal year. The Executive Committee, which normally meets quarterly, will only meet as needed.

Membership Directory

The IAMIC Membership Directory will be available only through the IAMIC website, www.iamic.org. Paper copies of the directory will be provided only to those members without Internet access.

Scholarships

The Board approved reducing the dollar amount or number of scholarships presented by the association. This decision will not affect the Robert Meier Scholarship or the David L. King Educational Claims Scholarship programs.

Planning Conference

The Board approved eliminating the Planning Conference and will instead do strategic planning at a Board Retreat. Recommendations and suggestions from members

on the strategic course the association should follow are requested.

Budget Committee

The Board approved changing the makeup of the Budget Committee to the members of the Executive Committee and the in-coming Vice Chairman.

FMPAC Donation

The Board approved a Farm Mutual Political Action Committee donation to Representative Terry Parke for \$1,000.

New Members

The Board approved the membership applications of CRDN of Greater St. Louis and Donan Engineering Company, Inc. Their contact information is as follows:

CRDN of Greater St. Louis

Dan Sims – Division Manager
Mark Jansen – Main Contact
804 East Broadway
Trenton, IL 62293
618-224-9211, F: 618-224-7924
Service/Product: Garment & Textile Restoration

Donan Engineering Company, Inc.

JP Thompson, SE – Senior Forensic Engineer
Beverly Thompson – Main Contact
1701 East Empire St., Suite 360, PO Box 281
Bloomington, IL 61704
217-636-7522, F: 217-636-7523
E: jpthompson@donan.com
Service/Product: Engineering investigations, fire and explosion origin and cause, roofing investigations, vehicle accident reconstruction, component testing laboratory.

Membership Elects Officers & Directors

IAMIC members elected the following individuals to the IAMIC Board of Directors at the Annual Business Meeting, August 22, 2005.

Chairman-Elect
David Campbell

Magnolia Evans Mutual, McNabb

Vice Chairman

Roger Needham, AIC, AIS
Forreston Mutual, Forreston

Secretary/Treasurer

Ronette Payne
Frontier Mutual, Lincoln

Northern Region Director

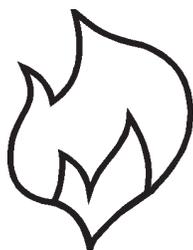
Tricia Mickley, CPA
Mt. Carroll Mutual, Mt. Carroll

Central Region Director

Jim Wright
Industry Mutual, Macomb

Southern Region Director

Bill Peck
Horse Prairie Mutual, Red Bud



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Jefferson County Mutual Insurance Company Recognized with Company Achievement Award

The association annually recognizes a company who has demonstrated an ability to improve their company and service to policyholders. It is with great pleasure that we recognized Jefferson County Mutual Insurance Company as the 2005 recipient of the Company Achievement Award.

Jefferson County Mutual, like most other mutual companies, has seen many changes over its 100+ year history.



Though recent years have proven very challenging, their board of directors has shown a willingness and ability to adapt to an ever-changing market allowing it to continue to serve its policyholders. Several years ago, the board of directors

took a hard look at the overall financial condition of the company and adopted a detailed budget that is closely adhered to and reviewed quarterly. This has allowed the company to nearly double its surplus over the past three years after several years of decreasing surplus.

Jefferson County Mutual has taken a pro-active position with regard to loss prevention. A comprehensive property survey program was implemented for renewing policies and continues with the result that the entire book of business is being aggressively re-evaluated. Hand in hand with the survey program is a strict standard for underwriting new business. This policy is expected to pay

off in fewer and smaller claims in the years to come.

The mutual also has an Agency Evaluation program in place to monitor agents for quality of business, loss ratio, and level of compliance with office procedures. It has been necessary in the past to make the difficult decision to discontinue an agency relationship when performance standards were not being met. The company feels this policy ultimately benefits the agents as well as the company and its policyholders.

Jefferson County Mutual recently upgraded their entire computer system, allowing for better service to their customers and better access to the latest underwriting tools. A company website was also recently started with plans to further use this as a marketing tool to potential and existing customers.

In the words of the mutual's secretary, Cara Ham, "I believe that Jefferson County Mutual serves as a great example of a small company rising to meet the challenges many mutuals face while competing with larger and more well-known companies to continue serving its policyholders in the most efficient manner."

Jefferson County Mutual has worked hard to overcome challenges that the changes over the last few years have presented. The company has weathered these changes and has become stronger because of them.

Congratulations to the directors, staff and agents of Jefferson County Mutual Insurance Company! ♦

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Rick Terrones

Thanks to Our Volunteers

We are proud to have had the following individuals volunteer to serve the association in its mission. Special thanks go to them as they leave service on our board or committees.

Sandy Bear	Watseka Mutual – Public Relations Committee
Maxine Bussan	Jo Daviess Mutual – Convention & Public Relations Committees
David Campbell	Magnolia Evans Mutual – Education Committee
Kathie Cobb	Woodford County Mutual – Board of Directors
Jackie Cook	Frontier Mutual – Education Committee
Mike Davis	Forreston Mutual – Chairman of the Board and Budget Committee
Pam Drew	Bradford Victor-Adams Mutual – Education Committee
Jeff Edwards	Green Garden Mutual – Education Committee
Cindy Engels	Public Relations Committee
Bev Fick	Bradford Victor-Adams Mutual – Convention Committee
Chuck Jones	PLN Mutual – Convention Committee
John Leezer	Elmira Mutual – Education Committee
Larry Leffelman	Bradford Victor-Adams Mutual – Government Relation scommittee
Tony Marvin	Grinnell Mutual Reinsurance – Education Committee
Les Mehrrens	Heartland Mutual – Budget Committee,
Shirley Moen	Lanark Mutual – Convention & Public Relations Committees
Steve Prosser	Central Illinois Mutual – Education Committee
Jackie Rakers	Nokomis Farmers Mutual – Board of Directors
Harold Read	Berlin Mutual – Budget Committee
Malcolm Rowland	Rockford Mutual – Budget Committee
Doug Sullivan	Svea Mutual – Convention Committee
Cindy Theis	Kane County Mutual – Board of Directors and Convention Committee
Mary Lou Wernz	Marshall Mutual – Convention Committee
Patricia Widolff	Buckeye Mutual – Convention Committee
Patrick Widolff	Buckeye Mutual – Education & MAP Committees
Judy York	Enfield Farmers Mutual – Nominating Committee

*Volunteerism is the voice of
the people put into action.
These actions shape and
mold the present into a
future of which we can all
be proud.*

—Helen Dyer

(RESPONSIBILITIES—continued from page 9)

next with a positive outcome for all concerned.

Maury Abens, secretary/manager of Humboldt Mutual Insurance Association, Humboldt, Iowa, feels a manager has to remember that perpetuation is about maintaining and enhancing the bottom line. He stresses that too many managers and board members wait until retirement age and discover that a family member or longtime employee is not interested in taking over.

My first management experience came very suddenly and at a very early age. I was a part-time writing agent and went into the home office to help out as well on a part-time basis. The manager of our company was 73 years old, had been employed with our company 50+ years, and suddenly developed health problems. Because of the health situation, resignation and retirement announcement was made giving two (2) weeks notice. There was a full time older gentleman that filled the position as Treasurer for the company and was ask if he would accept the management duties. To everybody's surprise, he too walked out the same day as the

manager giving the company just a few days notice. I was twenty-six (26) years old when I was approached by a couple of board members to see if I would be interested in management, because they had nobody. (I can tell you that they were scrapping the bottom when they came to talk to me. The only thing I had was a little experience as a part-time agent and a college degree.) Consequently, it worked out very good for me as I managed for seventeen years. I must report to you however, the first three years were very difficult. I was faced with many challenges, not to mention the fact I immediately had to hire some staff. When I left the company, it was in extremely good financial condition and had become one of the larger farm mutuals in the state of Missouri. (I left because of church involvement and to pursue the agency.)

When the time comes to find your company's next manager, you have two options: promote from within, or go out, and find fresh blood. Both have their upsides, but also their downsides. The Board needs to be in tune with the industry to know when to

A badly managed succession can be the beginning of the end for a good business.

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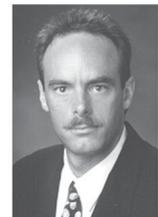
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pursue which approach. It will make the difference. In our small companies, it is no small task to find someone who is willing and content to complement the current manager—with the skills to take your job over later. But a good manager will groom such a person and then step out of the way when the time comes.

Thinking About Tomorrow Today

A few simple guidelines can go a long way toward ensuring a good choice and a smooth leadership transition. A badly managed succession can be the beginning of the end for a good business. I had a person tell me one time, that any good company will manage itself for a period of time, and then it will begin to fail. It is my opinion that no director wants his/her company to fail; therefore, you must manage succession and not just let it happen. Managing succession means that it requires some planning.

Succession planning should be part of the strategic planning process. These decisions are often postponed until the last moment, and that is often too late. The idea of backing up key files on a company's computer system is nothing new. But how many companies are identifying potential backups for key positions in management?

One such board that I served on looks at succession planning not just for the "top management" as being important, but also under management. If your company is large enough for middle management, succession planning is an ongoing process. I recall several years ago we as a board went thru this agonizing process and instructed our President/CEO to spend money to hire middle management to groom individuals to take over key positions in the operation of the company. It was not long after, that our President/CEO announced his retirement in two years and that the Board start the search for a successor.

It is my recommendation that the board make a "shopping list" or guidelines for qualifications, and then appoints a committee to run the process of interviewing and narrowing down the field of candidates. This shopping list could include the following: (There may be core competencies that your company

is specifically looking for that I have not listed.) These are not in any order of importance.

1. Business knowledge—insurance-related knowledge.
2. Community involvement. Has a good balance of values. (We ask that our manager reside in the town of the home office and get involved in the community, church, school, civic organizations, etc.)
3. Insurance or management experience.
4. Knowledge of technology.
5. The ability to hold people accountable for their actions. Is receptive to feedback, listens, and learns from his/her board or others.
6. Experience in developing strategic plans and in implementing such plans.
7. Familiarity with accounting issues. Not a degree, but familiar with tax matters, ratios, etc.
8. Leadership skills—team building. (Has the motivation to lead, brings out the best in people.)
9. Decision making abilities. Can tackle complex issues. Practices adaptability and conceptual thinking.
10. Salesmanship, in the sense of being able to represent themselves and therefore the company well.
11. Marketing ability—not in the sense of being a marketing manager, but in terms of understanding that skill. And in your company, the manager may be the marketing manager as well.
12. Willingness to attend seminars and meeting to further his/her knowledge.
13. Try to get a feel of their values, work ethics, integrity, etc.

Putting Someone New in the Driver's Seat

Let us call him Mr. Rogers. He is the manager of an Illinois Mutual. He is 62, and he has been employed by this mutual for 23 years, 17 as the manager. He hopes to work until he turns 65. Mr. Rogers has not formally addressed the matter yet, but he knows that before too long he and his board ought to talk about management succession. Rogers

A good succession process anticipates changes in management, rather than just filling empty positions as they occur.

—continued on next page

knows what he wants to see in a successor and he also knows how he will handle it. Rogers can offer his advice to the board, but it is truly the board's responsibility.

Mr. Rogers told his board, that when he retires, he retires. He will not stay on as a director either, because staying on would not be fair to my successor, he explains. Every time a major decision had to be made, people would be looking out of the corner of their eyes to see what Rogers thinks about the new guy's decision.

Not everyone agrees with this approach. Some feel that they should stay on the board for a period of time such as a couple of years. I have seen those that stay on the board, after stepping down from management, constantly second guessing the current manager. This does not tend to give way for good board meetings.

I agreed to stay on the Billings Mutual Board for a period of time. Not only did I agree to stay on the board, I agreed to continue in a paid position as "Advisor to the new Manager." I did not have a successor on staff; therefore, we hired an individual outside of the employment of the company. This person had some experience, but not in Mutual management. In my capacity as "advisor", the new manager would use me for a sounding board as well as my expertise to the company for investments, audits, claims handling, etc.

The board should first figure out what kind of person it is looking for. They may find this person from inside the organization or outside. They may even engage a consultant to help with a full-blown search.

Filling the Shopping List

Being able to define the skills, experience, knowledge, attitude etc. needed for your management position is highly important.

Having decided what you are looking for, you may want to do the looking yourself, or may want to contract with a human resources consultant. With the consultant doing much of the screening of resumes, including those of the insiders. Usually after making several follow-up calls, the initial selection of candidates is turned over to a committee of the board. This subcommittee

interviews and then takes to the full board two or three qualified candidates for full board interviews.

During the interview process ask a lot of questions such as: How do you influence people over whom you have no direct control? How do you create change that others will accept? How do you get people to move from A to B when they don't want to? (How do you handle those that resist change?)

As a board, you must be alerted that usually you will be paying more for a new manager than what the exiting manager is receiving. The skills required today simply require more compensation. I think you should consider a very good bonus plan of which I will address shortly.

Most likely a company will not find an individual that will meet all their "shopping list" of qualifications. So then you will begin to sort out the weaknesses and strengths of the candidates. Most companies enter into the succession process "flying blind". In this uncertain, fast-moving, and increasingly competitive industry, choosing the right replacement is important.

As you interview, look for weaknesses and listen carefully to see if that particular individual is willing or capable of turning their weakness into strength. Example, we hired an individual that when he came to us, he explained to us up-front that he knew very little about reinsurance, but would rely on those in the company that had some reinsurance experience to help in every contract negotiation. Today, this person is as knowledgeable in reinsurance as most reinsurance specialist and understands our contracts inside and out.

Be nervous about prospective candidates that appear unperceptive, arrogant, volatile, and self-promoting.

A good succession process anticipates changes in management, rather than just filling empty positions as they occur. A strategic business plan can only be realized when the right people are at the right place at the right times to do the right thing.

Having a management succession committee is just good corporate governance.

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A POLICY OF WORKING TOGETHER

(RESPONSIBILITIES—continued from page 20)

Your company should review and look at "Corporate Governance" if you have not already done so. Gregg Dysktra with NAMIC has a good program that I would recommend for a state meeting or for a few companies to get together for a local meeting. We had Gregg come to one of our quarterly board meetings where we stayed over night and spent four hours with him. Every board member came away appreciating Gregg's material and comments.

Bonus Thoughts for Management

An involved board of directors will reward people for doing an excellent job managing their company. Do not totally depend upon one item to offer a bonus. Most companies offer a bonus to the manager if the company has an underwriting profit and that is it—plain and simple. (I had an experience back in the late 1980's. Our company had several years of underwriting loss. Obviously, during that period of time we also had a

decrease in policyholder surplus. I recommended that the board implement a bonus for myself and staff. They offered a bonus to us if and only if the company would make an underwriting profit. Year-end 1987, we made a sizable underwriting profit, received our bonus checks, and the board did away with any bonus program. One comment from the board was, "You did not have any thing to do with underwriting profits, only the agents did, therefore, we should implement an agent's profit sharing program.") I recommend a bonus program that allows a target for several goals. These may include:

1. Underwriting Profit or a combined ratio of 99% or less. This can be moved from year to year. (Our company had not had an underwriting gain since the mid-1980's. We set as one of the goals for our president to decrease the combined ratio to 99%. We started at a combined ratio of 105%, and began lowering it each year.)

—continued on next page

(RESPONSIBILITIES—continued from page 21)

2. Part of the plan might be to establish an acceptable expense ratio. The management of claims is only one piece of the corporation. Management of expenses and more specifically the expenses he has control over. (Excluding commissions, reinsurance, investments, taxes, etc.)
3. As part of the business plan, the board should determine premium growth.
4. AM Best rating or Surplus to Premium ratios might be important to your company and you would want to tie points to the improvement as part of the bonus.
5. Policy Count – Retention. As the market became tight, premium writings were easy to increase due to rate increases, but in our company, policy count started to decline and did so for several years in succession. One of the goals we set for our President/ Manager was to increase policy count.
6. Employee morale, communications, and informing the board could be assigned as a discretionary point(s) from the board.

An example bonus program might be as follows (based on a percentage of salary): 5% for underwriting profit, 5% for expense management, 5% for policy count increase, 5% for improved AM Best rating, 1% for communications and 1% for employee morale.

To conclude my remarks, there are many factors that go into the mix for a company's success or failure. I have only scratched the surface. Do not ignore the fact that companies need good management from the top down to succeed in today's insurance environment. Whatever plan of succession and how you compensate does affect your company's future. After all, the farm mutual industry has a long history and I trust that each of you have the same foresight to be successful as that of your founding fathers. This is a great industry having served policyholders for generations and there is a good future for those that manage well and treat people with fairness and honesty. ♦

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e. Free Distribution Outside the Mail (Carriers or other means)		
f. Total Free Distribution (Sum of 15d, and 15e)	40	40
g. Total Distribution (Sum of 15c, and 15f)	985	985
h. Copies not Distributed	115	115
i. Total (Sum of 15g, and h.)	1,100	1,100
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16. Publication of Statement of Ownership <input checked="" type="checkbox"/> Publication required. Will be printed in the 3rd Qtr issue of this publication. <input type="checkbox"/> Publication not required.		
17. Signature and Title of Editor, Publisher, Business Manager, or Owner <i>Sandra Wulf</i>	Date September 7, 2005	
I certify that all information furnished on this form is true and complete. I understand that anyone who furnishes false or misleading information on this form or who omits material or information requested on the form may be subject to criminal sanctions (including fines and imprisonment) and/or civil sanctions (including civil penalties).		
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5. If the publication had Periodicals authorization as a general or requester publication, this Statement of Ownership, Management, and Circulation must be published; it must be printed in any issue in October or, if the publication is not published during October, the first issue printed after October.		
6. In item 16, indicate the date of the issue in which this Statement of Ownership will be published.		
7. Item 17 must be signed. Failure to file or publish a statement of ownership may lead to suspension of Periodicals authorization.		

PS Form 3526, October 1999 (Reverse)

IAMIC 2005-6 Calendar of Events

October	26	Board Meeting, IAMIC Office, Springfield
	25-26	Manager's Retreat, Eagle Creek Resort, Findlay
November	15	Director's School, Radisson Hotel, Bloomington
	24-25	Thanksgiving Holiday - IAMIC Office Closed
December	13	Board Meeting, IAMIC Office
	23-26	Christmas Holiday - IAMIC Office Closed
January	1	New Year's Day - IAMIC Office Closed
February	21	Board Meeting, IAMIC Office
	21-22	IAMIC/NAMIC Claims Seminar, Crowne Plaza
March	21	Southern Regional Meeting, Rend Lake Resort & Conference Center, Whittington
	22	Central Regional Meeting, Doubletree Hotel (formerly the Radisson Hotel), Bloomington
	23	Northern Regional Meeting, Ramada Inn & Rockford Conference Center, Rockford
April	11	Underwriting Seminar, Location TBA
	12	Forms Seminar, Location TBA
	18	Board Meeting, IAMIC Office

LAUTUM *news*

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