

2015 ANNUAL REPORT

CREATING
SOLUTIONS.
DELIVERING
RESULTS.

AMERICAN AGRICULTURAL INSURANCE COMPANY



Accomplishing Goals

AAIC achieved strong results through hard work and planning.

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A Note From the President & CEO

We are pleased to report good financial results in 2015, bringing American Ag our fourth straight year of underwriting gain and surplus growth.

American Ag added over \$15M to policyholders' surplus and produced an underwriting gain of over \$28M. We have added \$111M to surplus over the past four years. Our 2015 loss ratio was 71.4%, with a 90.4% combined ratio. American Ag's corporate goal is to have a three-year rolling combined ratio at or below 96%. Our three-year combined ratio for 2013-2015 is 88.6%, well below our goal. While we benefited from lower than expected catastrophe losses in 2015, our non-catastrophe business also performed well, and Multiple Peril Crop was the only major line of business to produce a loss in 2015.

Our Farm Bureau companies have had good results the past three years as well. The total group had a combined ratio of 96.2% in 2015, very consistent with the combined ratios of 96.4% in each of the prior two years, and their strongest combined ratio since 2004. The group added just over \$1B to surplus in 2015, bringing the total growth in surplus over the past three years to more than \$3B.

In addition to good financial results, American Ag continued to make strides in developing innovative tools and solutions for our customers. As you will see in this report, we offered turnkey solutions, delivered

opportunities for product differentiation, and provided sophisticated exposure management and growth evaluations. As the world around us continues to change at a rapid pace, American Ag and our clients work hard to keep up with that pace. We couldn't be prouder of our employees and their dedication to providing responsive service and innovative solutions, and their continued focus on the success of our customers.

The 2015 year also ended with a change in leadership at American Ag. Bob Stallman stepped down after 16 years as President and Chairman of the Board of American Ag. He spent an additional six years prior to his role as President and Chairman as a member of the American Ag Board of Directors through his role as President of the Texas Farm Bureau. When President Stallman first became involved in American Ag, we had \$122M of surplus and wrote \$170M of net earned premium; those numbers have grown to \$541M and \$320M, respectively, at the end of 2015. Our broker assumed book was only a very small portion of our business and we had not yet acquired and built up our Columbus, Ohio office, which wrote \$165M of reinsurance assumed premium in 2015. President Stallman saw us through many major events and changes,

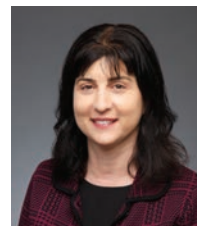
from the World Trade Center event in 2001; to Hurricanes Katrina, Rita, and Wilma in 2005; to the financial crisis in 2008; and through a series of catastrophes in 2011. With his support, American Ag made significant strides in recent years in the areas of strategic planning, diversification, exposure management, and innovation. We are grateful for his leadership and wish him well in all his future endeavors.

Our strong 2015 results are reflective of the hard work on the part of many people. We are thankful for the dedication of our employees, who foster a culture of innovation and empowerment at American Ag, and recognize that continuous improvement needs to be embedded in our corporate DNA. We are also thankful for the leadership and support provided by our board of directors.

To all of our customers, we sincerely value your business and will continue to work hard every day to make sure we are earning that business.



Zippy Duvall
President and
Chairman of
the Board



Janet Katz
Executive VP and
Chief Executive
Officer



Strategy. Execution. Success.

Our 2015 numbers tell a compelling story. These results are a direct outcome of the dedication of our AAIC team and the unique and powerful culture to which we adhere. We believe in empowerment and accountability. We believe strategic thinking leads to success. We believe we owe our customers our all. These traits are ingrained in our daily work, allowing us to provide innovative reinsurance solutions that our clients have come to rely on. From the numbers, to our culture, to our industry-best services, our 2015 story is one we are proud to impart.

90.42%

2015 COMBINED RATIO

The combined ratio in 2015 once again reflected our strong overall performance, due to good experience in almost all major lines of business.

\$541.16M

2015 SURPLUS

The surplus increase of \$15,466,572, or 2.94%, was a result of positive underwriting and investment income in 2015.

\$28.34M

NET UNDERWRITING GAIN

The net underwriting gain of \$28.34M was the fourth largest in AAIC's history and made 2015 the fourth consecutive year of underwriting gains.

\$1.15B

2015 ASSETS

Assets increased by \$47,461,275, or 4.29% in 2015. Continued positive underwriting results led to a substantial rise in cash and invested assets, which increased by \$59,916,616, or 6.18%.

The Proof Is in the Numbers

Our numbers are a manifestation of the hard work our team puts in day after day. This year's success was achieved by countless hours of careful planning to employ resources and maximize our potential. We put our clients first and challenge our people to provide exceptional products and services.

Actionable and measurable targets are embedded into each of our company priorities, supporting an effective and strategic path to overall corporate success. Through these efforts, we are pleased to report a 90.4% annual combined ratio in 2015. Additionally, we exceeded our goal to achieve a three-year rolling combined ratio at or below 96%, coming in at 88.6% for the three-year period.

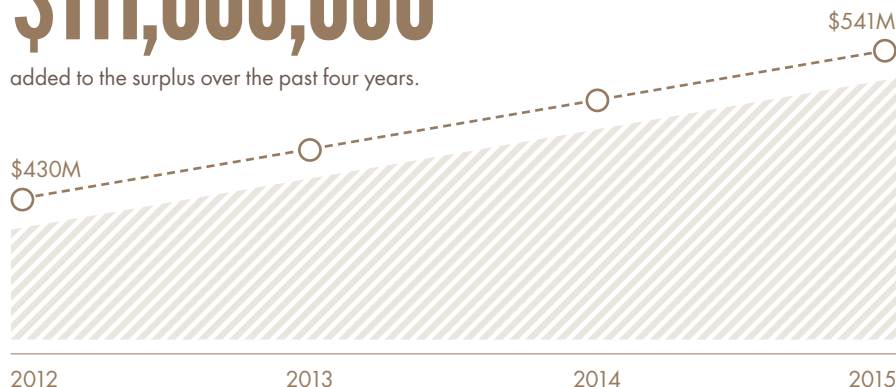
Not to be outdone by the combined ratio, our underwriting gains and growth in surplus also exceeded

expectations. In 2015 we added \$15,466,572 to surplus, and over the past four years we have added \$111M to surplus.

AAIC is passionate about continuously improving everything we do. We set internal targets to drive our company's performance. Given our complex environment, we understand results can fluctuate from year to year. However, a sharp focus on the important goals is the foundation for our long-term success.

\$111,000,000

added to the surplus over the past four years.



\$171.7M

AAIC reached \$171.7M in written premium, which is a 14.92% growth from 2014.

A Culture of Empowerment

AAIC empowers our team by providing an autonomous work place and offering the freedom to take on challenges and leverage our diverse experience.

We believe that fulfillment inspires the best outcomes, and so we ask our team to take ownership of their projects. In our organization, all individuals have ultimate responsibility for their work and the opportunity to steer their future. Allowing our team so much independence increases productivity and innovation, not to mention we have one of the lowest turnover rates in the industry.

35%

Employees with
**advanced
degrees**

38%

Employees with
**professional
industry
designations**

56%

Employees actively
**involved in
continuing
education**



"The relationships we have with the Farm Bureaus allow us to dig in and provide real solutions instead of guessing what they need.

We communicate collaboratively with our customers because we know the history and we care about the outcomes."

—**Dawn Shultz**
Actuary

"We love getting in front of our customers because we truly value the long-term relationships we have. We also take pride in the reputation we have earned for being responsive, and for being a top performer when it comes to paying claims quickly."

—**Kevin Scarlett**
*Vice President and Managing
Director, Broker Assumed
Reinsurance*



"I feel true passion for my work and sincerely want to see our customers succeed. It makes me proud when all the work we do at AAIC helps our customers grow."

—Andy Martin
Casualty Treaty
Underwriting Manager

Cultivating Innovation

In 2015 AAIC continued to showcase our ability to compete effectively and provide solutions. In a year of progress, we listened to what our clients wanted and provided results. We offered turnkey solutions, opportunities for product differentiation, and the analyses needed to make informed decisions. Additionally, we planned and invested for the future, building opportunities for success.

Solving Concentration Exposures

One of our most noteworthy solutions in 2015 was providing different ways to assess and respond to concentration of risk. AAIC developed an innovative Exposure Intensity Quota Share to address the highest concentrated areas of a company's property book. This reinsurance solution also drives significant savings on a company's catastrophe reinsurance, which makes it possible to expand and grow into areas where growth was previously limited.

if they can drive future growth, at what cost, and how to reflect those costs in primary rates. The decision is theirs, but they are armed with all the information and analyses they need to make a risk-informed choice.

Determining Growth Strategies

Our customers are deserving of big solutions, so when asked for strategies on how to determine their growth opportunities, we acted. Our growth impact analyses provided compelling information for management to understand the effect of growth strategies on their reinsurance needs. We assisted our clients in determining

"I really enjoy working with AAIC. They are professional, thorough, and solution oriented. The actuarial team has been particularly innovative, with the exposure intensity index and quota share treaty. AAIC's entire team is always willing to present us with a variety of options and ideas."

— **Dan Bleak**

Vice President Operations and Underwriting, Mountain West Farm Bureau



Differentiating Risk

Another strategic objective for us was to provide innovative reinsurance solutions that are beyond ordinary. With our property-coded excess product, we are better able to increase capacity and refine reinsurance pricing for segments of property business. With more specific pricing, we are able to better match reinsurance costs to reinsurance exposures, which saves companies money.

Responding to Customer Demand

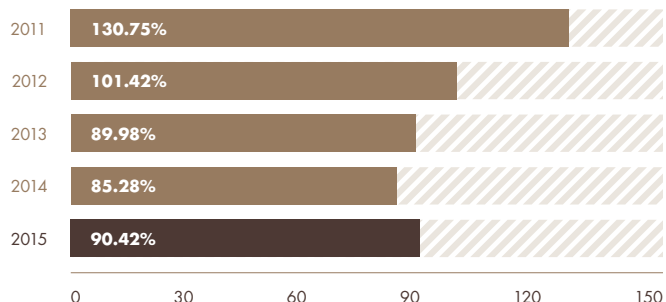
We are building on our strong foundation to provide reinsurance solutions for the changing needs of our customers. Through our Farm Initiative, we heard that an expanding exposure for agricultural operators is farm pollution. We created a turnkey product that provides coverage forms, underwriting guidelines, primary pricing, and more. We are strengthening and extending our research and product development resources to respond to our customers' evolving needs.

In 2015 we once again delivered strong results and responded to customer demand with innovative and robust solutions. Our team showcased their ingenuity and dedication at every turn and we continue to be a long-term player in an industry where longevity and relationships matter.



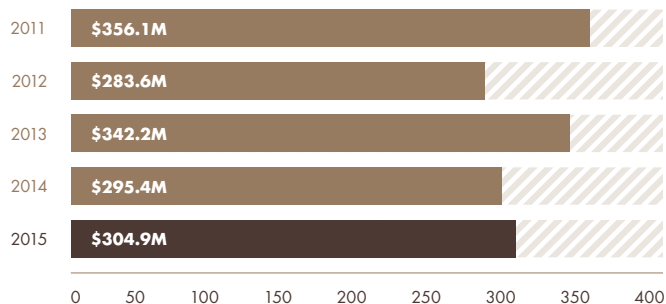
AAIC Summary Charts and Commentaries

Combined Ratio 90.42%



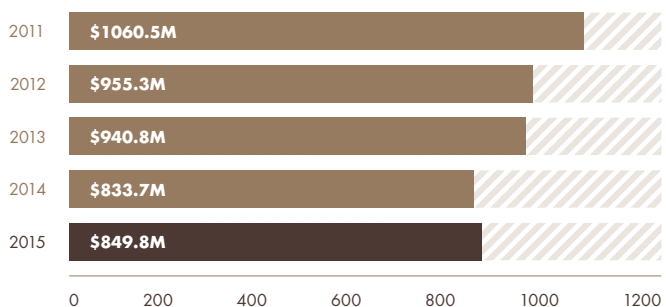
The combined ratio in 2015 once again reflected our strong overall performance, due to good experience in almost all major lines of business. Both our Farm Bureau and broker assumed books of business experienced positive underwriting gains. The result was a loss ratio of 71.43%, up slightly from 65.75% in 2014. The expense ratio was down from the previous year due to an increase in premiums written and a reduction in expenses, ending 2015 at 18.99%.

Net Written Premium \$304.94M

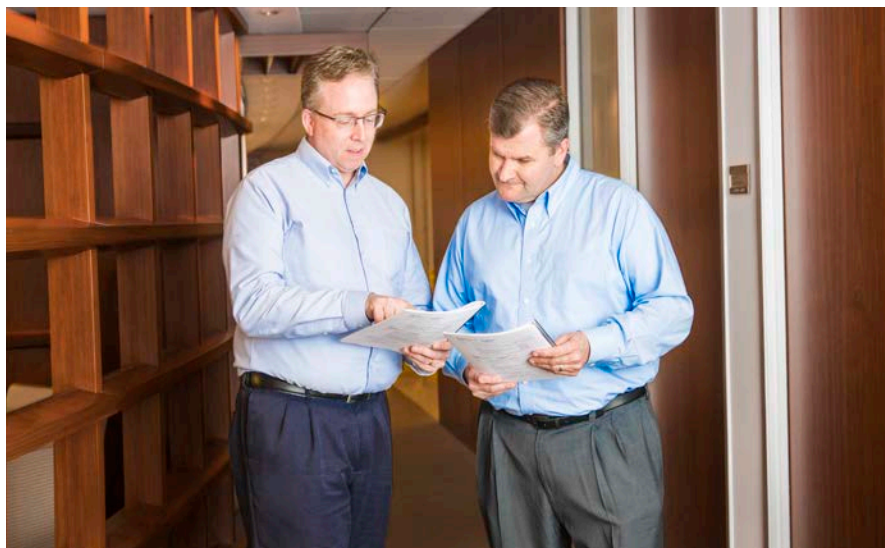


Net written premium increased from 2014 by \$9,531,005, or 3.23%. The increase was primarily attributable to additional premium written on our broker assumed book of business.

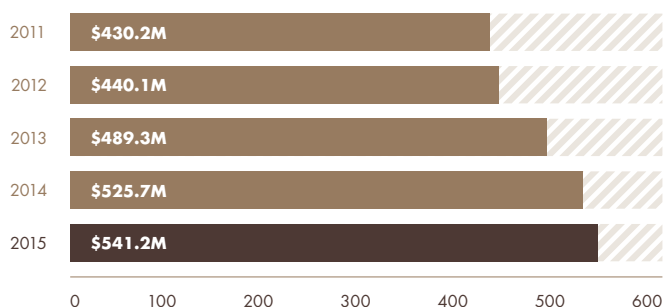
Gross Written Premium \$849.75M



Gross written premium increased from 2014 by \$16,089,729, or 1.93%. As with net written premium, the increase was a result of the additional premium written on our broker assumed book of business.

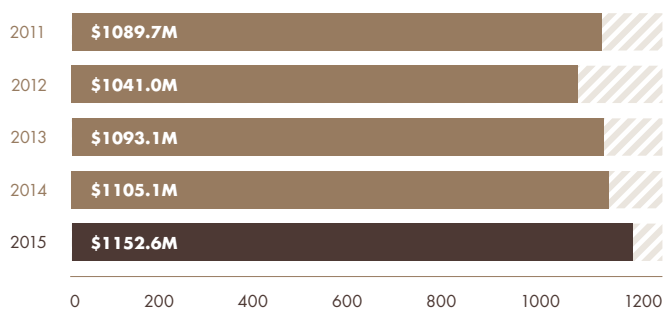


Surplus \$541.16M



The surplus increase of \$15,466,572, or 2.94%, was a result of positive underwriting and investment income in 2015. We had net income of \$38,487,581, which was offset by decreases in the unrealized capital losses, unrealized foreign exchange losses, and a decrease in deferred taxes. American Ag has now experienced fourteen consecutive quarters of underwriting income and surplus growth.

Assets \$1.15B



Assets increased by \$47,461,275, or 4.29%, in 2015. Continued positive underwriting results led to a substantial rise in cash and invested assets, which increased by \$59,916,616, or 6.18%. This growth was partially offset by decreases in reinsurance recoverables and the deferred tax asset. Since the end of 2011, American Ag has increased invested assets by almost 35% and we have nearly doubled our bond portfolio.

\$265M

Since the end of 2011, AAIC has added \$265M to our cash and invested assets.

AAIC Written Premium Charts and Commentaries

Gross Written Premium

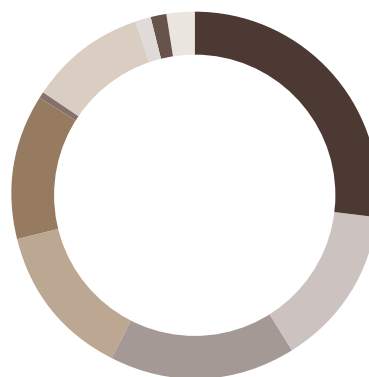
By Major Class



48.83%	Catastrophe
12.76%	Property Pro Rata
10.00%	Crop
0.21%	Quota Share
8.40%	Casualty Excess
6.74%	Property Excess
6.22%	Casualty Pro Rata
0.48%	Marine
5.37%	Other
0.99%	Broker Assumed Crop

Net Written Premium

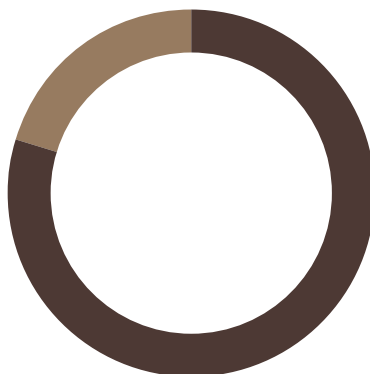
By Major Class



27.16%	Property Pro Rata
14.01%	Catastrophe
16.43%	Casualty Excess
13.77%	Property Excess
12.74%	Casualty Pro Rata
0.52%	Quota Share
10.36%	Crop
1.37%	Other
1.19%	Marine
2.45%	Broker Assumed Crop

Gross Written Premium

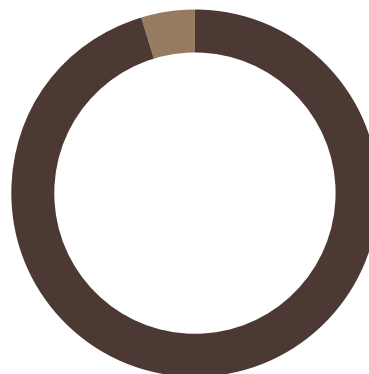
*Direct Reinsurance vs.
Broker Assumed Reinsurance*



79.79%	Direct
20.21%	Broker Assumed

Gross Written Premium

*U.S. Reinsurance vs.
Non-U.S. Reinsurance*



95.34%	U.S.
4.66%	Non-U.S.

"We had a strong 2015 and we are excited to continue to plan for the future and accomplish our goals."

– August Tripi

Senior Vice President and Treasurer

AAIC Direct Reinsurance

Gross Written Premium

By Major Class



53.95%	Catastrophe
5.54%	Property Pro Rata
12.53%	Crop
0.26%	Quota Share
10.25%	Casualty Excess
5.47%	Casualty Pro Rata
5.28%	Property Excess
6.72%	Other

Net Written Premium

By Major Class

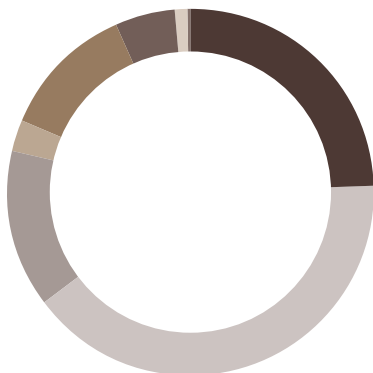


18.45%	Property Pro Rata
5.78%	Catastrophe
26.41%	Casualty Excess
14.09%	Casualty Pro Rata
0.86%	Quota Share
17.25%	Crop
14.89%	Property Excess
2.27%	Other

Broker Assumed Reinsurance

Gross Written Premium

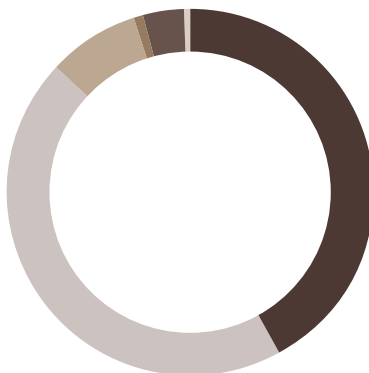
U.S. Reinsurance



24.61%	Catastrophe
40.20%	Property Pro Rata
13.83%	Property Excess
2.99%	Marine
11.90%	Casualty Pro Rata
5.22%	Broker Assumed Crop
1.22%	Casualty Excess
0.03%	Other

Gross Written Premium

Non-U.S. Reinsurance



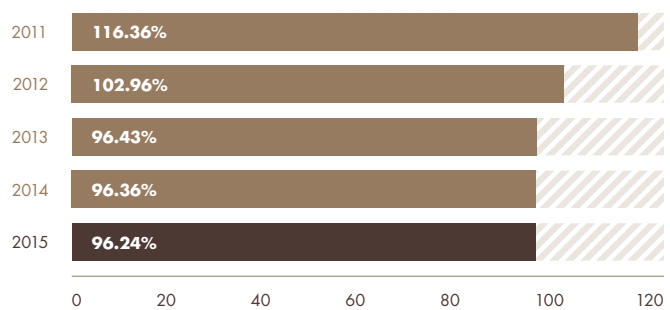
42.14%	Catastrophe
44.84%	Property Pro Rata
0.02%	Casualty Pro Rata
8.06%	Property Excess
0.79%	Casualty Excess
3.80%	Broker Assumed Crop
0.35%	Marine

Farm Bureau Insurance Companies

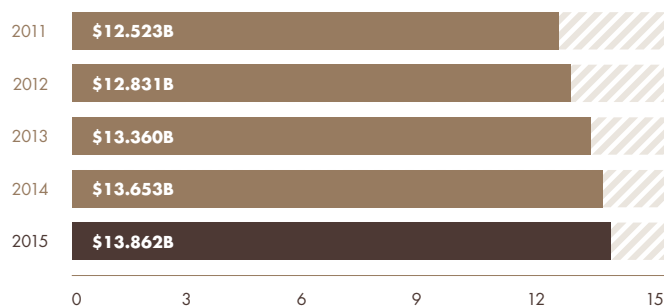
The following charts show the last five years' composite Annual Statement results for all Farm Bureau Property and Casualty companies as a group, not including AAIC.

These are based on annual statement data available prior to the filing of the combined annual statements.

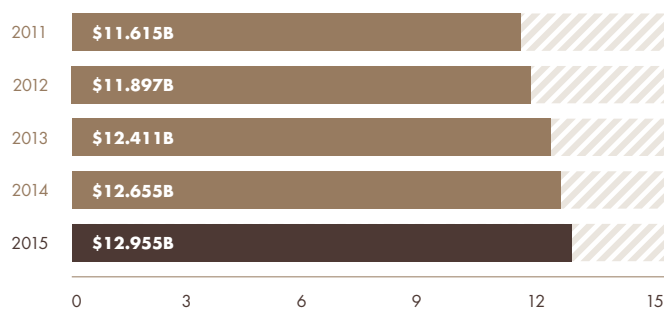
Combined Ratio
96.24%



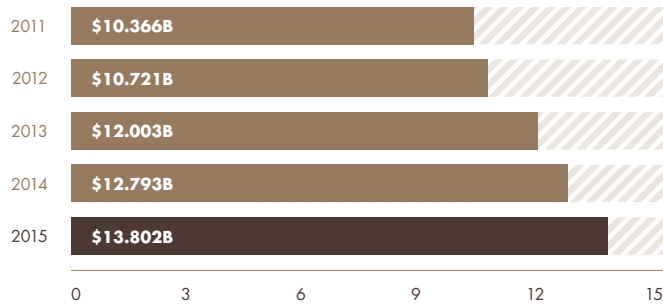
Direct Written Premium
\$13.86B



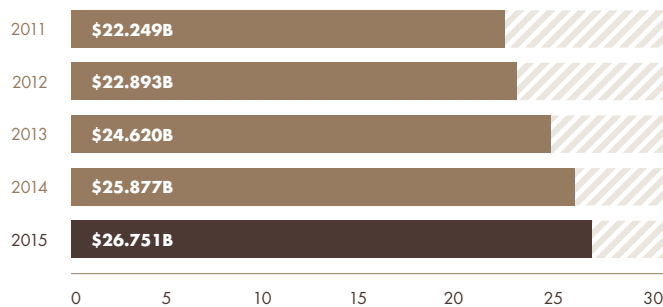
Net Written Premium
\$12.96B



Surplus \$13.80B



Assets \$26.75B



AAIC Financial Results

Consolidated Balance Sheet

Assets	2015	2014	Increase (Decrease)
Bonds	\$737,846,400	\$659,525,081	\$78,321,319
Stocks	143,298,814	134,724,348	8,574,466
Other Invested Assets	13,979,471	14,770,206	(790,735)
Cash and Short-Term Securities	133,835,512	160,023,946	(26,188,434)
Total Cash and Investments	1,028,960,197	969,043,581	59,916,616
Premiums Receivable	94,986,276	88,443,847	6,542,429
Reinsurance Recoverable on Loss Payments	16,579,012	35,797,941	(19,218,929)
Interest and Dividends Receivable	4,347,536	3,824,907	522,629
Other Assets	3,279,600	578,530	2,701,070
Deferred Federal Income Taxes	4,423,951	7,426,491	(3,002,540)
Total Other Than Cash and Investments	123,616,375	136,071,716	(12,455,341)
Total Assets	\$1,152,576,572	\$1,105,115,297	\$47,461,275
Liabilities and Stockholders' Equity			
Unpaid Losses and Loss Adjustment Expenses	\$488,833,966	\$457,939,730	\$30,894,236
Reinsurance Payable on Paid Loss and LAE	20,502,579	21,863,611	(1,361,032)
Ceded Reinsurance Premiums Payable	21,689,044	22,473,992	(784,948)
Unearned Premium Reserve	61,878,241	58,753,194	3,125,047
Other Liabilities	18,516,449	18,395,049	121,400
Total Liabilities	611,420,279	579,425,576	31,994,703
Total Stockholders' Equity	541,156,293	525,689,721	15,466,572
Total Liabilities and Equity	\$1,152,576,572	\$1,105,115,297	\$47,461,275

Consolidated Statement of Operations

	2015	2014
Premiums Written	\$304,943,936	\$295,412,931
Premiums Earned	301,818,889	304,762,255
Losses and Loss Adjustment Expense	215,577,349	200,366,223
Commission Expense	37,588,159	36,713,402
Underwriting Expense	20,317,616	20,996,197
Net Underwriting Income	28,335,765	46,686,433
Net Investment Income	12,755,176	11,957,862
Gain From Sale of Investments	836,084	2,563,538
Net Investment Gain	13,591,260	14,521,400
Other Income (Loss)	(1,260,280)	(1,034,190)
Net Income Before Taxes	40,666,745	60,173,643
Federal Income Tax	2,179,164	4,025,244
Net Income	\$38,487,581	\$56,148,399

Consolidated Statement of Stockholders' Equity

	2015	2014
Net Income	\$38,487,581	\$56,148,399
Change in Value of Investments Owned	(4,676,016)	5,629,265
Other Changes in Equity	(16,321,608)	(23,322,151)
Dividends to Stockholders	(2,023,385)	(2,023,385)
Change in Stockholders' Equity	15,466,572	36,432,128
Beginning Stockholders' Equity	525,689,721	489,257,593
Ending Stockholders' Equity	\$541,156,293	\$525,689,721



2015 AAIC Officers & Directors

2015 AAIC Corporate Officers

Bob Stallman
*President and
Chairman of
the Board*

**Donald B.
Villwock**
First VP

Julie Anna Potts
Second VP

Janet S. Katz
*Executive VP and
Chief Executive
Officer*

Andrew S. Boris
Secretary

August J. Tripi, Jr.
Treasurer

**Thomas M.
Pavelko**
Corporate Secretary

2015 AAIC Senior Management

Janet S. Katz
*Executive VP and
Chief Executive
Officer*

Jenny Adams
Chief Audit Officer

James W. Beckley
Senior VP, Claims

Andrew S. Boris
*General Counsel and
Secretary*

Graham Nelson
*Senior VP,
Administration*

Darnell Pettengill
*Senior VP, Business
Development*

Kevin Scarlett
*VP and Managing
Director, Broker
Assumed
Reinsurance*

Timothy W. Smith
*Senior VP,
Underwriting*

August J. Tripi, Jr.
*Senior VP and
Treasurer*

**Charles E.
Van Kampen**
*Senior VP and
Chief Actuary*

2015 Board of Directors

Bob Stallman
*American Farm
Bureau Federation*

Jimmy Parnell
*Alfa Mutual Fire
Insurance Company*

Don Shawcroft
*Colorado Farm
Bureau Mutual
Insurance Company*

**Richard
Guebert, Jr.**
*COUNTRY Mutual
Insurance Company*

Randy Veach
*Farm Bureau Mutual
Insurance Company
of Arkansas, Inc.*

Frank Priestley
*Farm Bureau Mutual
Insurance Company
of Idaho*

Carl Bednarski
*Farm Bureau Mutual
Insurance Company
of Michigan*

Richard Felts
*Farm Bureau Property
& Casualty Insurance
Company*

Blake Hurst
*Farm Bureau Town &
Country Insurance
Company of Missouri*

John L. Hoblick
*Florida Farm Bureau
Casualty Insurance
Company*

Zippy Duvall
*Georgia Farm
Bureau Mutual
Insurance Company*

Mark Haney
*Kentucky Farm
Bureau Mutual
Insurance Company*

Ronnie Anderson
*Louisiana Farm
Bureau Mutual
Insurance Company
and Southern Farm
Bureau Casualty
Insurance Company*

Mike McCormick
*Mississippi Farm
Bureau Casualty
Insurance Company*

Perry Livingston
*Mountain West Farm
Bureau Mutual
Insurance Company*

Doyle Johannes
*Nodak Mutual
Insurance Company*

Larry B. Wooten
*North Carolina Farm
Bureau Mutual
Insurance Company*

Tom Buchanan
*Oklahoma Farm
Bureau Mutual
Insurance Company*

James A. Holte
*Rural Mutual
Insurance Company*

**David M.
Winkles, Jr.**
*South Carolina Farm
Bureau Mutual
Insurance Company*

Lacy Upchurch
*Tennessee Farmers
Mutual Insurance
Company*

Russell Boening
*Texas Farm Bureau
Casualty Insurance
Company and Texas
Farm Bureau Mutual
Insurance Company*

**Donald B.
Villwock**
*United Farm Family
Mutual Insurance
Company*

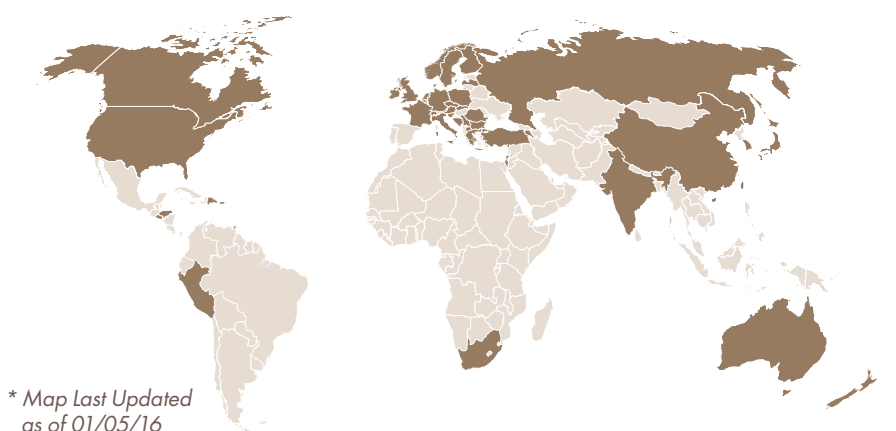
Wayne F. Pryor
*Virginia Farm Bureau
Mutual Insurance
Company*

Kevin Rogers
*Western Agricultural
Insurance Company*

AAIC Description of Operations

	Schaumburg, IL	Columbus, OH
Primary Operations	Direct Reinsurance	Broker Market Reinsurance
Primary Markets	Farm Bureau Insurance Cos.	Reinsurance Brokers
Territory	U.S.	Worldwide
Began Operations	1948	1999*
2015 GWP	\$ 678,018,081	\$ 171,735,122

AAIC Ceding Partner Countries for U/W Year 2015



Australia	Dominican Republic	Japan	Russian Federation
Austria	El Salvador	Latvia	Slovakia
Bahrain	Finland	Luxembourg	Slovenia
Barbados	France	Netherlands	South Africa
Belgium	Georgia	New Zealand	Sweden
Bermuda	Germany	Norway	Switzerland
Bosnia and Herzegovina	Gibraltar	Peru	Taiwan,
Bulgaria	Greece	Poland	Province of China
Canada	Honduras	Puerto Rico	Trinidad and Tobago
Cayman Islands	India	Republic of Korea	Turkey
China	Ireland	Republic of Macedonia	United Kingdom
Czech Republic	Israel	Republic of Serbia	United States
Denmark	Italy	Romania	

AMERICAN AGRICULTURAL INSURANCE COMPANY

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Columbus Office

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