

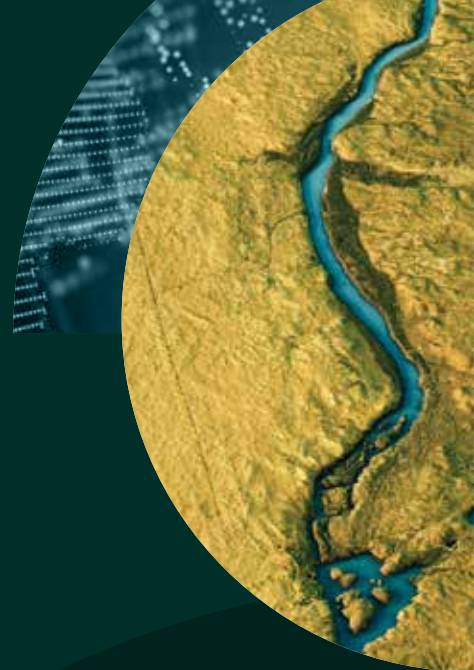


**INNOVATE.
EVOLVE.
SUCCEED.**

2016
ANNUAL REPORT

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Annual Report Letter From the President and CEO

In 2016 American Ag remained on course to fulfill our long-term strategy.

Building on previous momentum, we achieved a fifth consecutive year of positive underwriting results and strong surplus growth, with an underwriting gain of \$22M, a combined ratio of 92.8%, and \$35M of growth in surplus. Catastrophe losses returned to a more normal level for us and were very close to the catastrophe budget for the year. The largest event impacting American Ag was from wildfires in the town of Fort McMurray in Alberta, Canada, in May. As a result of robust risk management and strong financial discipline, we have been able to add \$148M to policyholders' surplus since the beginning of 2012!

Our owners, the Farm Bureau® insurance companies, had favorable results in 2016 as well, although not quite as strong as the past few years. Deterioration in auto results and localized storm activity drove the combined ratio up a couple points from where it was the last three years, and surplus grew at a slightly lower rate. The group had a combined ratio of 98.9% and added \$739M to surplus in 2016, a growth of 5.4%. This is the fifth year in a row the group has added to surplus, with an average growth of 7.2% per year over the last five years.

Beyond financial success for American Ag, 2016 also provided us the opportunity to continue developing innovative products, services, and solutions for our customers. In this report we share some of the ways we have furthered our long-term strategy, used data

to drive our innovation, and provided research and emerging issues insights. All of these actions stem from our desire to provide our clients with a reinsurance partner who is dedicated to furthering their financial success, and we look forward to continuing on this path.

We are proud of this innovation and our results and recognize that they belong to every employee of American Ag. We are grateful for their commitment to the company and our customers and for the entrepreneurial spirit they bring to their jobs every day. We are also thankful to our Board of Directors for the leadership they provide.

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



Furthering Our Long-Term Strategy

Throughout our history as a trusted, dedicated, and innovative reinsurer, AAIC has worked hard to execute strategy that leads to financial stability.

We deliver analytical capabilities, innovative solutions, industry insight, and devoted people to help our customers prosper. Our hard work continues to position us as the Farm Bureau® reinsurer of choice.

AAIC's success is a culmination of years of strategic thinking and implementation that has led us to five straight years of profitable growth.

Financial upheaval in global markets, the rise of big data, new ways to apply technology, and new risks from businesses driven by technology are all combining to reshape the reinsurance landscape. Amid uncertainty, AAIC continues to stand out and succeed in our goals.





Five Years of Success

92% 5-YEAR ROLLING
COMBINED RATIO

41% INCREASE IN CASH AND
INVESTED ASSETS

34% INCREASE IN
SURPLUS

We look towards the future and will continue to take practical steps to further strengthen our financial position. Our success is due to years of dedication and diligence. We continuously work towards our goals, using our determination to take us to where we want to be.



A Sharp Focus on Customer Needs

At AAIC, we understand that one of the main strengths of our business lies in our dedication to customer service.

As technology changes at a rapid pace, and data and analytics transform the way we think about business, our commitment to our customers has never wavered. It's why we have long-term customers and why we continue to add to our book of business.

A Collaborative Effort

We collaborate with each customer to create a solution that best suits their needs, drawing on our intimate customer knowledge, transparent communications, and culture of responsiveness. When working with our insurance company partners, every project we complete is company specific, providing a level of customization that is not available elsewhere.

“We collaborate with the Farm Bureau® insurance companies to design and customize tools to fit their specific needs. This enables us to deliver value to all of our customers by offering them sought-after solutions rather than ready-made products.”

Mike Knuth, AAIC Catastrophe Analytics Manager



We are fortunate to have customers who are also our champions.

“ Using strategy, hard work, and their decades of reinsurance knowledge, American Ag focuses on bringing value to Georgia Farm Bureau, which we consider an essential quality in a reinsurance partner. They truly have a genuine interest in our success and are supportive of all our goals. We are proud to be a partner of American Ag.”

**Al Barnett, General Manager,
Georgia Farm Bureau Insurance Companies**

“ We use American Ag as our reinsurer because we trust their knowledge and their ability to help us create the best reinsurance program for our needs. They add value to our organization through their cat modeling program, BCAR analysis, ERM, emerging issue research, and much more. We know that we can always count on American Ag to provide expertise in situations in which we have questions, and we take full advantage of them as an available resource to Idaho Farm Bureau.”

**Paul Roberts, Executive Vice President and CEO,
Farm Bureau Mutual Insurance Company of Idaho**

Deeply Loyal

We take the time to know and understand our customers and what they need to succeed. We emphasize personal communication, multiple touchpoints, and ongoing transparency. The result is enduring, long-term relationships that benefit everyone involved. Our people know this business inside and out, always providing nimble and knowledgeable responses with a fast turnaround.

A Legacy of Success

From our decades in reinsurance, we understand that our success is inextricably tied to those of the Farm Bureau® insurance companies. That's why we take the time to understand the nuances of the business and collaborate with our customers. It's also why we've had loyal customers who have been with us since our inception.

Driving Innovation with Data

The amount of available data is increasing daily. Knowing how to understand, manipulate, and analyze this data is an important part of our business.

We find new ways to analyze challenging information, develop increasingly sophisticated catastrophe solutions, create innovative, forward-thinking reinsurance solutions, and invest in new technology for our customers.

Our projects don't stop when the data is analyzed; instead we stay involved. We listen to what our customers need and stay engaged for the length of the project.

Navigating Hurricane Matthew Using AAIC's Exposure Management Solutions

Hurricane Matthew hit on October 7, 2016. The Category 4 storm caused devastation and impacted the business of many Farm Bureau® insurance companies. As part of AAIC's Exposure Management team, Phillip Jagielo utilized SpatialKey, the exposure management mapping tool, to make a difference in how some of our catastrophe customers handled the devastating storm.

Using a proactive, responsive method, Phillip began updating the maps days before the storm actually hit. He created custom dashboards in SpatialKey to show potential financial implications and provided the most real time information possible to our customers.

Updating the information as quickly as possible, the customized information was used in numerous ways, including:

- Predicting the financial impact
- Visualizing where the storm was predicted to hit, allowing the team to get ahead of the rush of adjusters and secure places to stay during the hectic time following the storm
- Identifying potential fraud by having precise information about the storm's trail and where the hail hit

Using SpatialKey in conjunction with AAIC's Exposure Management team allows Farm Bureau® insurance companies to anticipate and assess the situation and provide accurate reports. It's a new way of doing business that delivers value that our customers don't want to live without.

“ We used SpatialKey and GC Advantage Point® to forecast the storm and provide rough pre-storm estimates. We presented it in a way that you could immediately see where the potential losses may be, allowing Farm Bureau® insurance companies to communicate with their customers, and their employees to be able to handle the fallout of the storm as efficiently as possible.”

Phillip Jagielo, AAIC Catastrophe Analytics Analyst





Insights That Matter

AAIC is an international, diversified provider of reinsurance products and services across the insurance spectrum.

With more than 65 years of experience, we offer unique industry knowledge to our customers. As the reinsurance marketplace evolves, we respond by providing insights to our customers that inspire loyalty and confidence.

Leading Emerging Trends Research

Over the past 100 years, our industry has remained much the same. However, this last decade has revealed a stunning array of new innovations and business models. At AAIC, we understand how vital it is to recognize and plan for the dramatic changes we are seeing in customer expectations, and the pace of technological innovation, startups, and the regulatory environment.

We dig deep for the facts. In our research we:

- Seek trusted sources
- Conduct research and analysis on emerging trends
- Share those findings with our customers
- Assist in identifying and evaluating important future trends and developments

The information we research is synthesized into white papers, presentations, and training sessions. By developing information and best practices, AAIC can anticipate and respond to emerging issues as they unfold.

Collaboration with the Farm Bureau® insurance companies allows us to gain different perspectives of emerging trends and develop solutions that fit the way they do business.

“Our ERM team has benefitted enormously from our partnership with American Ag. In the past year, they have helped us with risk monitoring, the role of the Board, and overall ERM education. We also use their Emerging Issues papers—they are very thorough and timely—and particularly helpful when we were developing unmanned aircraft systems (drone) coverage for our Farmowners policy.”

**Dawn Elzinga, Vice President PC Underwriting & Actuarial,
Farm Bureau Mutual Insurance Company of Michigan**

2016 RESULTS

AAIC Summary Charts
and Commentaries

AAIC Written Premium Charts
and Commentaries

AAIC Direct Reinsurance

Broker Assumed Reinsurance

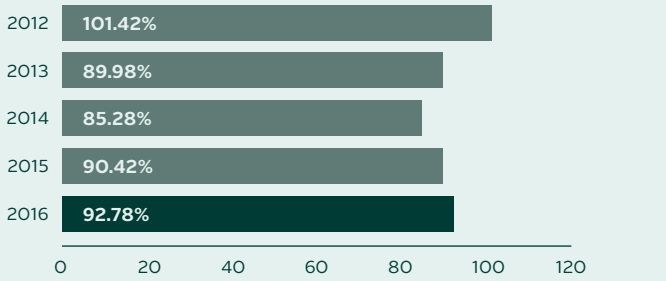
Farm Bureau® Insurance Companies

AAIC Financial Results



AAIC Summary Charts and Commentaries

Combined Ratio: 92.78%



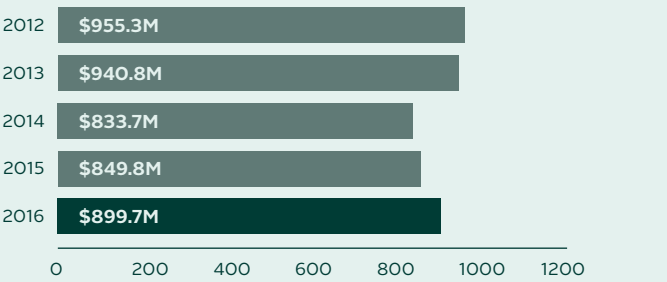
The combined ratio in 2016 once more reflected American Ag's solid overall performance due to good experience on almost all major lines of business. The Farm Bureau® insurance company and Broker Assumed business both experienced positive underwriting gains even with the substantial Broker Assumed Canadian wildfire catastrophe event. The result was a loss ratio of 73.75%, up slightly from 71.43% in 2015. The expense ratio remained flat from the previous year due to an increase in premiums written, as well as close management of administrative expenses, ending 2016 at 19.03%.

Net Written Premium: \$340.60M



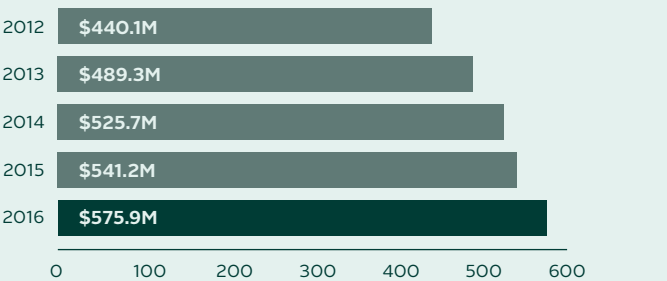
Net written premium increased from 2015 by \$35,653,797, or 11.69%. The growth was primarily attributable to additional auto liability premium written on the Broker Assumed business.

Gross Written Premium: \$899.69M



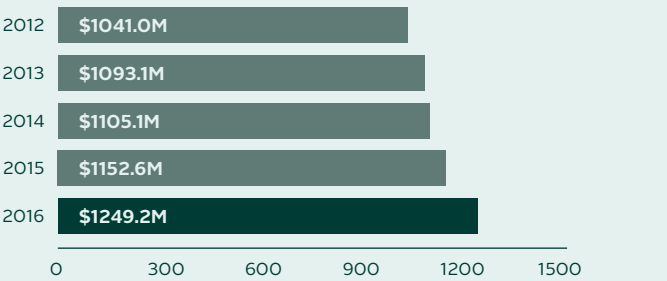
Gross written premium increased from 2015 by \$49,938,216, or 5.88%. As with net written premium, the increase is attributable to the additional premium written on the Broker Assumed business.

Surplus: \$575.91M



The surplus increase of \$34,759,739, or 6.42%, was a result of positive underwriting and investment income in 2016. Surplus was impacted by net income of \$29,252,657, as well as unrealized capital gains from common stock, and unrealized foreign exchange gains. American Ag has now attained five consecutive years of underwriting income and surplus growth.

Assets: \$1.25B

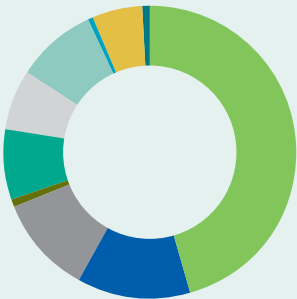


Assets increased by \$96,657,003, or 8.39% in 2016. Very positive underwriting results contributed to a substantial rise in cash and invested assets which increased by \$48,626,559, or 4.73%. Assets were also influenced by an increase in reinsurance recoverables. Over the past five years, American Ag has increased invested assets by more than 41% and nearly doubled the bond portfolio.

AAIC Written Premium Charts and Commentaries

Gross Written Premium

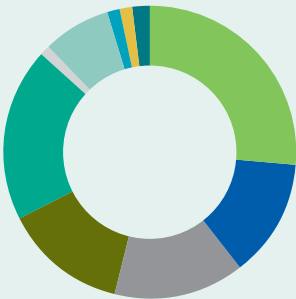
By Major Class



- 45.72% Catastrophe
- 12.45% Property Pro Rata
- 10.90% Crop
- 0.76% Quota Share
- 7.77% Casualty Excess
- 6.76% Property Excess
- 8.82% Casualty Pro Rata
- 0.51% Marine
- 5.51% Other
- 0.80% Broker Assumed Crop

Net Written Premium

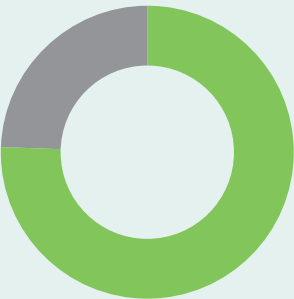
By Major Class



- 26.51% Property Pro Rata
- 13.21% Catastrophe
- 14.31% Casualty Excess
- 13.62% Property Excess
- 19.02% Casualty Pro Rata
- 1.37% Quota Share
- 7.50% Crop
- 1.29% Other
- 1.24% Marine
- 1.93% Broker Assumed Crop

Gross Written Premium

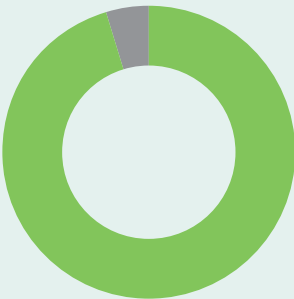
Direct Reinsurance vs. Broker Assumed Reinsurance



- 75.82% Direct
- 24.18% Broker Assumed

Gross Written Premium

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

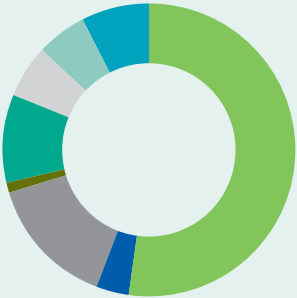


- 95.35% U.S.
- 4.65% Non-U.S.

AAIC Direct Reinsurance

Gross Written Premium

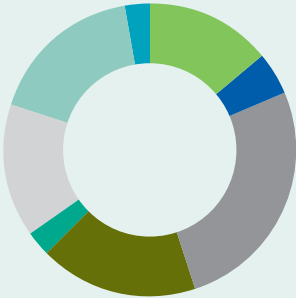
By Major Class



- 52.43% Catastrophe
- 3.66% Property Pro Rata
- 14.38% Crop
- 1.01% Quota Share
- 9.78% Casualty Excess
- 5.95% Casualty Pro Rata
- 5.52% Property Excess
- 7.27% Other

Net Written Premium

By Major Class

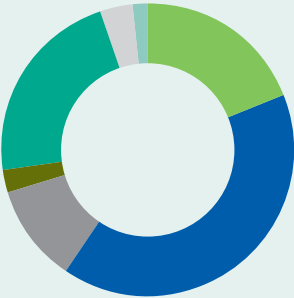


- 14.06% Property Pro Rata
- 4.60% Catastrophe
- 26.51% Casualty Excess
- 17.46% Casualty Pro Rata
- 2.71% Quota Share
- 14.80% Crop
- 17.31% Property Excess
- 2.55% Other

Broker Assumed Reinsurance

Gross Written Premium

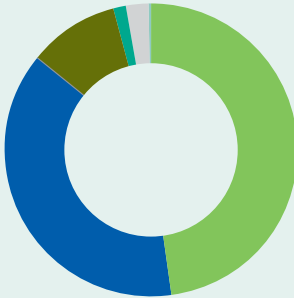
U.S. Reinsurance



- 19.11% Catastrophe
- 40.46% Property Pro Rata
- 10.77% Property Excess
- 2.57% Marine
- 22.08% Casualty Pro Rata
- 3.48% Broker Assumed Crop
- 1.53% Casualty Excess

Gross Written Premium

Non-U.S. Reinsurance



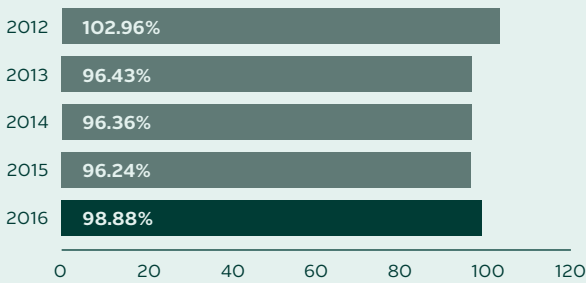
- 47.96% Catastrophe
- 38.01% Property Pro Rata
- 0.01% Casualty Pro Rata
- 10.06% Property Excess
- 1.22% Casualty Excess
- 2.50% Broker Assumed Crop
- 0.24% Marine

Farm Bureau® Insurance Companies

The following charts show the last five years' composite Annual Statement results for all Farm Bureau® Property & 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.

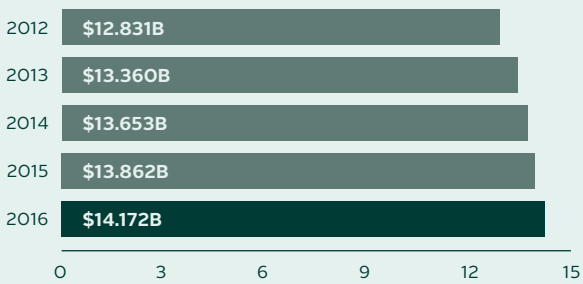
Combined Ratio: 98.88%



Surplus: \$14.54B



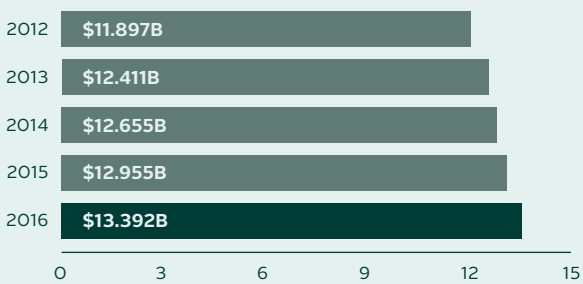
Direct Written Premium: \$14.17B



Assets: \$27.74B



Net Written Premium: \$13.39B



AAIC Financial Results

Consolidated Balance Sheet

Assets	2016	2015	Increase (Decrease)
Bonds	\$736,318,905	\$737,846,400	(1,527,495)
Stocks	155,079,688	143,298,814	11,780,874
Other Invested Assets	14,469,675	13,979,471	490,204
Cash and Short-Term Securities	171,718,487	133,835,512	37,882,975
Total Cash and Investments	1,077,586,755	1,028,960,197	48,626,558
Premiums Receivable	107,388,899	94,986,276	12,402,623
Reinsurance Recoverable on Loss Payments	58,926,518	16,579,012	42,347,506
Interest and Dividends Receivable	4,901,444	4,347,536	553,908
Other Assets	429,959	3,279,600	(2,849,641)
Deferred Federal Income Taxes	—	4,423,951	(4,423,951)
Total Other Than Cash and Investments	171,646,820	123,616,375	48,030,445
Total Assets	\$1,249,233,575	\$1,152,576,572	\$96,657,003

Consolidated Statement of Operations

	2016	2015
Premiums Written	\$340,597,733	\$304,943,936
Premiums Earned	331,332,742	301,818,889
Losses and Loss Adjustment Expense	244,367,264	215,577,349
Commission Expense	43,208,727	37,588,159
Underwriting Expense	21,611,141	20,317,616
Net Underwriting Income	22,145,610	28,335,765
Net Investment Income	13,513,686	12,755,176
Gain From Sale or Maturities of Investments	2,406,867	836,084
Net Investment Gain	15,920,553	13,591,260
Other Income (Loss)	(429,320)	(1,260,280)
Net Income Before Taxes	37,636,843	40,666,745
Federal Income Tax	8,384,186	2,179,164
Net Income	\$29,252,657	\$38,487,581

Consolidated Balance Sheet

Liabilities and Stockholders' Equity			
Unpaid Losses and Loss Adjustment Expenses	\$525,591,095	\$488,833,966	36,757,129
Reinsurance Payable on Paid Loss and LAE	31,878,847	20,502,579	11,376,268
Ceded Reinsurance Premiums Payable	29,007,469	21,689,044	7,318,425
Unearned Premium Reserve	71,143,232	61,878,241	9,264,991
Other Liabilities	15,696,900	18,516,449	(2,819,549)
Total Liabilities	673,317,543	611,420,279	61,897,264
Total Stockholders' Equity	575,916,032	541,156,293	34,759,739
Total Liabilities and Equity	\$1,249,233,575	\$1,152,576,572	\$96,657,003

Consolidated Statement of Stockholders' Equity

	2016	2015
Net Income	\$29,252,657	\$38,487,581
Change in Value of Investments Owned	9,296,511	(4,676,016)
Other Changes in Equity	(1,766,044)	(16,321,608)
Dividends to Stockholders	(2,023,385)	(2,023,385)
Change in Stockholders' Equity	34,759,739	15,466,572
Beginning Stockholders' Equity	541,156,293	525,689,721
Ending Stockholders' Equity	\$575,916,032	\$541,156,293

AAIC Officers, Executive Leadership Team, and Directors

2016 AAIC Corporate Officers

Zippy Duvall

*President and Chairman
of the Board*

Ronnie Anderson

First VP

Julie Anna Potts

Second VP

Janet S. Katz

*Executive VP and
Chief Executive Officer*

August J. Tripi, Jr.

Treasurer

Andrew S. Boris

Secretary

Thomas Pavelko

Corporate Secretary

2016 AAIC Executive Leadership Team

Janet S. Katz

*Executive VP and
Chief Executive Officer*

Andrew S. Boris

General Counsel and Secretary

Patrick Larsen

*Senior VP, Broker Assumed
Reinsurance*

Graham Nelson

Senior VP, Administration

Darnell Pettengill

Senior VP, Business Development

Timothy W. Smith

*Senior VP, Claims and
Underwriting*

August J. Tripi, Jr.

Senior VP and Treasurer

Charles E. Van Kampen

Senior VP and Chief Actuary

2016 Board of Directors

Zippy Duvall

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.*

Bryan Searle

*Farm Bureau Mutual Insurance
Company of Idaho*

Carl Bednarski

*Farm Bureau Mutual Insurance
Company of Michigan*

Kevin Rogers

*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*

Gerald Long

*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*

Daryl Lies

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

Harry Ott

*South Carolina Farm Bureau
Mutual Insurance Company*

Jeff Aiken

*Tennessee Farmers
Mutual Insurance Company*

Russell W. Boening

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

Randall C. Kron

*United Farm Family Mutual
Insurance Company*

Wayne F. Pryor

*Virginia Farm Bureau
Mutual Insurance Company*

Richard Felts

*Western Agricultural
Insurance Company*



AAIC Executive Leadership Team

L-R: Patrick Larsen, Graham Nelson, Darnell Pettengill, Andrew S. Boris, Janet S. Katz, Timothy W. Smith, Charles E. Van Kampen, August J. Tripi, Jr.

AAIC Description of Operations

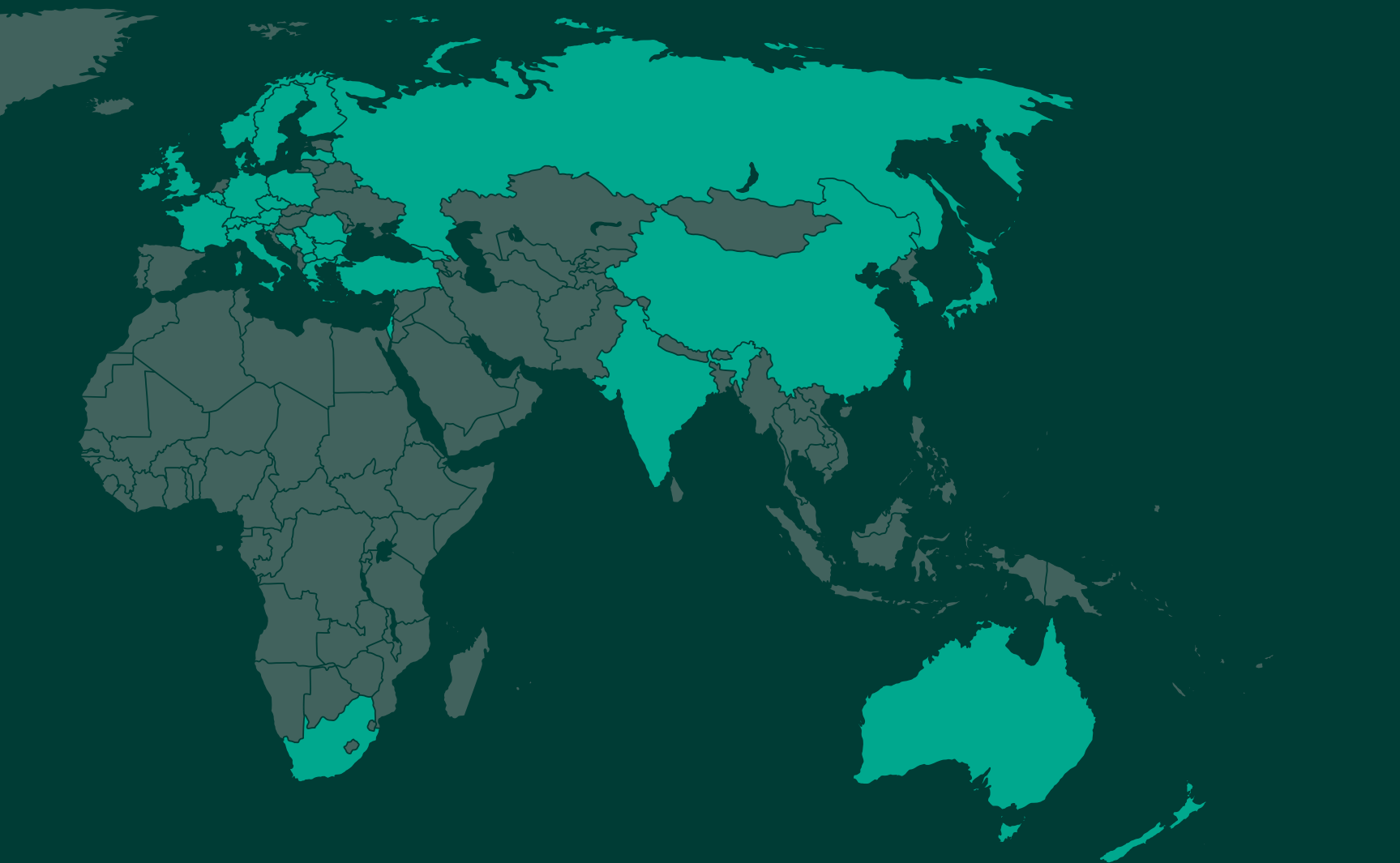
	<u>Schaumburg, IL</u>	<u>Columbus, OH</u>
Primary Operations	Direct Reinsurance	Broker Market Reinsurance
Primary Markets	Farm Bureau® Insurance Cos.	Reinsurance Brokers
Territory	U.S.	Worldwide
Began Operations	1948	1999
2016 GWP	\$682,111,497	\$217,579,912

AAIC Ceding Partner Countries for U/W Year 2016*

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

* Map Updated as of 01/03/17





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