

MARYSVILLE MUTUAL INSURANCE COMPANY

February 14, 2006

To: All Agents

RE: 2005 Annual Report

Enclosed is your copy of our 2005 Annual Report. Marysville Mutual Insurance Company had good results in 2005 adding \$2,285,161 to policyholder surplus. Written premiums were up slightly to a record high of \$16,079,766. Assets increased to \$21,468,623, another first time milestone. Year-end policyholder surplus was \$11,037,311, another record year-end amount. 2005 marks the third consecutive year that Marysville Mutual Insurance Company has added significantly to policyholder surplus!

On behalf of the board of directors and employees of Marysville Mutual Insurance Company I would like to thank each of our agents for providing the good business that allows us to grow and prosper. The result being we are able to provide a stable market for property insurance to our customers throughout the State of Kansas.

I will also take this opportunity to ask you for more of your good business. Kansas is a great state in which to be in the insurance business. For several years there have been profits earned. This fact has not gone unnoticed by our competitors. Everyone seems to want property insurance business in Kansas. Please think of us when you have good homeowners, farmowners or fire applicants to insure. We need your new business to continue our success. We can't do it without you!!

Regards,

THE MARYSVILLE MUTUAL INSURANCE COMPANY



Trent Moser
President

MARYSVILLE MUTUAL
INSURANCE COMPANY

2005
ANNUAL REPORT

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STATEMENT OF INCOME AND SURPLUS

December 31, 2005 and 2004

	2005		2004	
Premiums Written	\$16,079,766		\$15,934,335	
Premiums Earned	\$12,700,717	100.0	\$12,186,616	100.0
Losses Incurred	5,596,659	44.1	5,642,004	46.3
Direct Adjusting Exp.	<u>713,742</u>	5.6	<u>787,594</u>	6.5
Gross underwriting income	6,390,316	50.3	5,757,018	47.2
Other underwriting expenses	<u>4,031,154</u>	31.7	<u>3,950,010</u>	32.4
Net underwriting gain (loss)	<u>2,359,162</u>	18.6	<u>1,807,008</u>	14.8
Other income (expenses)				
Investment Income	621,282	4.9	415,147	3.4
Policy issuing fee	26,475	0.2	28,050	0.2
Direct bill service fee income	134,941	1.1	128,697	1.1
Miscellaneous	<u>767</u>		<u>(3,294)</u>	
Total Other Income (expense)	<u>783,465</u>	6.2	<u>568,600</u>	4.7
Income before provision for Income Tax	<u>3,142,627</u>	24.7	<u>2,375,608</u>	19.5
Provision for Income Taxes	<u>1,034,920</u>	8.1	<u>828,266</u>	6.8
Net Income	<u>\$2,107,707</u>	16.6	<u>\$1,574,342</u>	12.7

POLICYHOLDERS' SURPLUS

Policyholders' surplus beginning of year	\$ 8,752,150	\$ 6,950,137
Net Income	2,107,707	1,547,342
Change in non-admitted assets	(14,746)	(768)
Change in market value-stocks	<u>192,200</u>	<u>255,437</u>
Policyholders' surplus end of period	<u>\$ 11,037,311</u>	<u>\$ 8,752,148</u>

ADMITTED ASSETS, LIABILITIES AND SURPLUS

December 31, 2005 and 2004

ADMITTED ASSETS	2005	2004
Investments		
Bonds	\$13,019,716	\$11,085,282
Stocks-market value	3,454,660	3,465,967
Home office bldg, net	<u>63,603</u>	<u>49,505</u>
Total Investments	<u>\$16,537,979</u>	<u>\$14,600,754</u>
Cash and Short Term Inv.	<u>2,402,154</u>	<u>1,875,294</u>
Other Assets		
Agents Balance	246,719	267,975
Direct Bill Balance	1,981,620	1,928,698
Reinsurance Recoverable	54,846	100,552
Accrued Interest & Dividends	124,648	105,286
Fixed assets, net	69,190	22,451
Other assets	<u>85,889</u>	<u>117,325</u>
Total Other Assets	<u>2,562,912</u>	<u>2,542,287</u>
Total Assets	21,503,045	19,018,335
Less: Non-Admitted Assets	<u>(34,422)</u>	<u>(19,675)</u>
TOTAL ADMITTED ASSETS	<u>\$21,468,623</u>	<u>\$18,998,660</u>
LIABILITIES AND POLICYHOLDERS' SURPLUS		
Liabilities		
Unearned Premiums	\$8,080,618	\$ 8,041,396
Unpaid Claims	1,213,568	1,186,148
Unpaid Adjusting Expense	63,705	58,368
Reinsurance Premium Payable	126,284	65,764
Other accrued liabilities	947,137	894,836
Total Liabilities	10,431,312	10,246,512
Policyholders' Surplus	<u>11,037,311</u>	<u>8,752,148</u>
TOTAL LIABILITIES AND POLICYHOLDERS' SURPLUS	<u>\$21,468,623</u>	<u>\$18,998,660</u>

EXECUTIVE OFFICERS

Eugene Houtz	Chairman, CEO
Harold Dorssom	President, COO
Trent Moser	Asst. General Manager
Susan Craig	Claims Manager
Lori Scheibe	Corporate Secretary/ V.P. Administration

BOARD OF DIRECTORS

Eugene Houtz, Chairman	Marysville
Donald McDow, Vice Chairman	Lawrence
Donald Kramer, Treasurer	Marysville
Ila Fritzler	Ness City
Terry Jelinek	Munden
Robert Malir, Jr.	Wilson
L. R. McKibben	Hutchinson
Scott Stuckey	Junction City
Melvin Roepke	Topeka