

## Minnesota Association of Farm Mutual Insurance Companies

## Mutual LINK



## 113th Annual NAMIC Convention

By Lindsey Schuler, MAFMIC

The 113th annual NAMIC Convention was held in Philadelphia, Pennsylvania from September 28 through October 1. The event kicked off with the 19<sup>th</sup> Annual IEI Golf Classic and featured 45 speakers and panelists including Ben Stein and Newt Gingrich.

Before this year's convention came to a close, many MAFMIC members were recognized.

**Jerry Zenke**, Manager of Mount Prairie Mutual was elevated to the position of Chairman of the NAMIC Farm Mutual Conference Board of Directors.

**Paul Stueven**, Manager of Fairmont Farmers Mutual Insurance Company, was elected to the board of the Farm Mutual Conference.

The NAMIC Merit Society elected **Steve Knutson**, President of RAM Mutual Insurance Company, and **Rick Tjarks**, Assistant Vice President of Grinnell Mutual

Reinsurance Company, to their board of directors.

Merit Awards were presented to eight members: **Christine Adams**, Manager of Palo Mutual Fire Insurance Association; **Ronald Berning**, Manager of Lake Park and Cuba Insurance Company; **Kelly Drengson**, Manager of Vine-land-Huntsville Mutual Insurance Company; **Leon Kirchner**, Director of Madelia-Lake Crystal Mutual Insurance Company; **Brad Kullot**, Vice President of Spring Valley Mutual Insurance Company; **Bill Minks**, Director of McPherson Minn Lake Mutual Insurance Company; **Dean Kerfeld**, Manager of Loss Control at RAM



*Jerry Zenke, Mount Prairie Mutual, elected to Chairman of Farm Mutual Conference Board of Directors.*

Mutual Insurance Company; and **Errol Stillings**, Manager of Mower County Farmers Mutual Insurance Company.

The Professional Farm Mutual Manager designations were awarded to four members: **Colleen Anderson**, Manager of Corn Belt Mutual Insurance Company; **Harlan Rise**, Manager of Halstad Mutual Fire Insurance Company; **Gary Swearingen**, Manager of Has San Lake Mutual Insurance Company; and **Muggs**

**Zabel**, Manager of McPherson Minn. Lake Mutual Insurance Company.

Congratulations to those mentioned above and let's hope for another great year ahead!

## Making Good Things Happen; How to Make Dreams Come True

Bryan Townsend, Master Keynote Speaker



Bryan Townsend

Bryan Townsend says, "Good things do not happen by accident, they happen on purpose." This presentation has been described as a colorful blend of humor, inspiration and motivation. You will be entertained and challenged as Bryan present the four cornerstones for Making Good Things Happen in the world of people.

**The 2009 MAFMIC Convention is coming up in February. No one should miss Keynote Speaker, Bryan Townsend, Jacqueline Gardner, Judy Janish, Gary Metz, Frank Whitcomb or any of the other informative events!**  
**Your Registration is in this Mutual Link!**

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# Financial Impact on the Mutuals

By Wayne Schluchter, Schluchter Investment Advisors

I could write chapters on the markets but I will highlight and summarize in 425 words or less.

Equity markets declined by 10% or more in September. The demise of Fannie Mae, Freddie Mac, Merrill Lynch, Lehman Brothers, AIG, Washington Mutual and Wachovia all occurred in September. Global stock markets accelerated their declines in the first two weeks of October establishing the worst weekly decline in history of 20%. Fear and anxiety dominate the global equity markets.

Credit and bond markets have slowed dramatically and corporate yield spreads are historically high. 30 day T-bills yield approximately .15%. That's right, "safe" money just returns your principal. There is literally no return on your money in short term Treasuries. This is an example of the fear and risk aversion in investors today.

To address the fear and risk aversion ailing the credit and bond markets, Congress

passed a \$700 billion aid bill. The following week, the US and European Central Banks announced sweeping initiatives to lower rates, guarantee bank to bank lending, add dollars to the system, and more. At the time of this writing, the markets reactions are positive to the support announced over the weekend of October 11<sup>th</sup>.

Record levels of fear and volatility have been achieved in September and October of 2008. We expect those levels to relax modestly in the next several months and years. Turbulent markets have a historical precedent of bottoming in October during an election year, no matter which candidate wins.

What impact does this have on Township Mutual Companies? In addition to the emotional roller coaster policy holders, board members and company employees are going through there are direct impacts to the companies themselves.

First, the slow down in available credit has created short term liquidity problems in some areas of the bond market. It is difficult to sell certain bonds today. Companies should be certain to have adequate capital available for company operations and claim paying ability.

Secondly, companies with excess cash will find excellent yields when looking for reinvestment opportunities. The liquidity challenges of selling bonds today are a benefit to bond buyers.

Thirdly, statement evaluations of bonds held for investment will reflect lower prices on some securities. Any bonds reflecting significant price declines should be reviewed and discussed with your investment advisor.

In this environment, it is most important to discuss any and all emotions that run through all of us. Making sound, rational, long-term, decisions is critical at these times. Please consult your advisor with questions.

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## Norwegian Mutual Welcomes New Manager

Norwegian Mutual is pleased to announce that Mark Nelson of Marshall, MN has been hired as the Manager of Norwegian Mutual. Mark graduated from SMSU with a Business Degree with concentrations in Administration and Finance. Mark has been working with US Bank in Marshall as a Credit Manager.



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## Member Profile

### McPherson Minn Lake Mutual Insurance Company

*Muggs Zabel, Manager*

McPherson Minn Lake Mutual was founded on June 6, 1881 by farmers from McPherson, Medo, Decoria and Beauford Townships of Minnesota. These farmers met in the Village of Hilton, which is now commonly known as the City of St. Clair. McPherson Farmers Mutual and Minnesota Lake Mutual merged on January 1, 2006 to form the new company McPherson Minn Lake Mutual Insurance Company. The new company writes business in 14 counties.

The company writes insurance for fire, wind, liability, and inland marine. North Star Mutual, Ram Mutual and Spring Valley Mutual work closely with our profiled company by packaging together.

McPherson Minn Lake Mutual employs four full time employees including a Manager, an Inspector/Adjuster and two ad-

ministrative assistants. We have twenty seven agencies and about thirty agents writing business for the company.

The company philosophy is to give our policyholders the very best service and coverage at an affordable rate. That is our goal for the next five years and beyond, as well as continue to grow and keep our financial strength.

The biggest challenge facing our company is increasing risk, especially with the high cost of farm machinery and livestock confinement buildings. The homeowner's policies continue to see high valuations.

McPherson Minn Lake Mutual is actively involved in our community by making numerous donations for our local school events, scouting and area town celebrations.

# HAPPY HOLIDAYS!

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## Home Safety Update

By Jim Faber, RAM Mutual Insurance Company

A new law took effect on August 1, 2008 requiring all single-family homes in Minnesota to have a carbon-monoxide detector within 10 feet of each bedroom. A battery-operated detector starts around \$20 each.

The goal of this law is to reduce the amount of carbon monoxide related deaths; there were 92 in Minnesota from 2002 to 2006 from the colorless, tasteless, odorless gas.

Carbon Monoxide, or CO, is commonly associated with car exhaust but any inefficient or malfunctioning fuel-burning device can produce it including gas furnaces, water heaters and power generators.

Minnesota's law is being implemented in three phases:

Phase I: requiring alarms in all newly

constructed single-family homes and multi-family dwellings took effect Jan. 1, 2007.

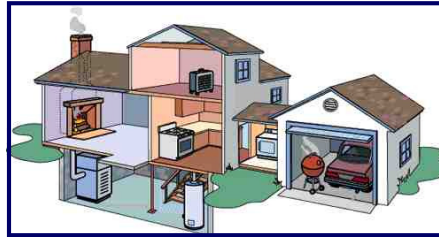
Phase II: requiring alarms in all existing single-family homes starting Aug. 1, 2008.

Phase III: requiring all existing multifamily or apartment dwelling units to have alarms goes into effect in August 2009.

Colder weather is upon us, which brings to mind safety concerns associated with home heating devices including solid-fuel fired stoves, furnaces and fireplaces.

Threats of even higher fuel costs this win-

ter will very likely bring about more use of wood heating devices.



Home appliances possible for Carbon Monoxide

Several township mutual insurance companies are alerting their policyholders. Before any wood heating devices are installed, their agent and/or company must be notified.

Other mutual insurance companies are restricting coverage unless wood heat systems are inspected and approved for safety and underwriting purposes.

Whatever method you use in communicating with your policyholders is sure to help reduce the likelihood of fire losses resulting from solid fuel burning systems.

## President's Letter

By Wes Gainey, MAFMIC President

Whether it's warnings about global climate change, presidential candidates' promises that "change is coming," anxiety surrounding the changing financial markets, or something else... CHANGE seems to be a popular topic of conversation lately. But speaking as someone who has experienced quite a few life changes in recent years, especially in the last three, I am ready for some constant.

I know what you're thinking... the only constant is change. Whether we like it or not, things change.

"Change is inevitable – except from a vending machine," wrote author Robert Gallagher.

Granted, in many cases change is good. I really thought it was a **great** change when my parents finally relented and got rid of that old black and white in favor of a color television set.

Winston Churchill is credited with saying, "There is nothing wrong with change, if it is in the right direction."

We are still, at times, resistant even to good change, for a variety of reasons. Maybe it's because of the effort or anxiety that accompanies it.

It can also be argued that there are things that don't, or shouldn't, change. So how do we know when or what to change? I think Dr. John Maxwell explains it well...

*"Policies are many, Principles are few.  
Policies will change, Principles never do."*

Excellent coverage at a fair premium, coupled with hometown service, has been the hallmark of our Minnesota farm mutual insurance companies for nearly 150 years. Although the "how" may change, the fact remains that our companies will continue to take very good care of their policyholders for years to come.



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## Modernization Act Proposition

The Minnesota Department of Commerce and a MAFMIC Task Force appointed by MAFMIC Chairman Doug Oachs has been meeting through the summer and early fall on the proposed Township Mutual Modernization Act.

MAFMIC has enjoyed a good relationship with the Department of Commerce and the meetings were very cordial, however they were aimed at coming up with the best possible solution to various concerns by the Department, our member companies and the policyholders.

The Department wants in statute a minimum surplus and in this proposal it is \$500,000. For the seven companies under this minimum, a ratio of 2 dollars of premium for 1 dollar of surplus would be required. With these numbers none of our member companies would be negatively affected and there would be a minimum surplus requirement in statute to protect from future regulations.

The Assessment language would be removed for Township Mutuals in the statutes which MAFMIC Companies have asked for. In a member survey in 2007, 87.1% of companies that responded wanted assessments repealed because competitors are using this against us. We previously have passed legislation, (at members request), allowing Township Mutuals to sell insurance in cities of the second class if not grandfathered into a particular second class city. Second class cities are 20,000 to 100,000 in population. Township Mutuals are prohibited from selling in cities of the first class (100,000 population or more). In this proposal the references to first or second class cities are

deleted in statute and replaced with a population number. To sell insurance in cities with a population of 25,000 to 150,000 Township Mutuals would need approval of the Department. However, you would be grandfathered into these cities if you were selling insurance in that city on or before December 31, 2007.

The Department of Commerce has to spend a great deal of time and cost reviewing requests when member companies change territory by townships. The Department feels strongly that we in Minnesota need to change to county boundaries but in our discussions with them, they did not want any company to loose territory. So under this proposal for any county in which you have a presence, even if it is only one or two townships, you would change your articles at your annual meeting to list that entire county, and all your service area would be by counties.

Depending on the amount of surplus, there would be a process to add counties after getting approval from the Dept. of Commerce.

The effective date of this proposal would be January 1, 2010.

District Meetings have been completed in all seven MAFMIC Districts. There will be an optional informational meeting at the Short Course on Thursday, November 6 following lunch.

A vote will be taken on this proposal at the MAFMIC Convention at the Annual Meeting. Jacqueline Gardner, Assistant Commissioner of the Minnesota Department of Commerce answers some commonly asked questions below.

## Ask The Department

*Jaki Gardner, Assistant Commissioner,  
Minnesota Dept. of Commerce*

**Q. What happens if you are above \$500,000 of surplus but fall below because of a high number of claims, and the second part of the question, your ratio is at two to one or better?**

**A.** Under this scenario, the company would have to file a Corrective Action Plan for how they planned to correct the deficiency. The 2:1 ratio would not be applicable.

**Q. If the MAFMIC membership votes down this proposal what will the Department do in response?**

**A.** The Department would continue with presenting this proposal in the 2009 legislative session.

**Q. What is the procedural process for my company to follow to go to counties under this proposal and how much does it cost?**

**A.** The Department charges \$86 per hour for the analysis time to review a filing. Additionally, the filing fee is \$10 to amend and restate bylaws. The Department of Commerce will instruct the Township Mutuals that we prefer to have a full restatement rather than an amendment. This will put the articles on a fresh slate for going forward and clean up any past inconsistencies.

## THE MAFMIC CHOIR IS BACK!

The MAFMIC Choir is looking for members to perform at the 2009 MAFMIC Convention. The performance will be held at the prayer breakfast and possibly the opening session. Please contact the MAFMIC office if you interested.

**Phone:** (320) 271-0909

**Email:** [info@mafmic.org](mailto:info@mafmic.org)

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This is our last print before the holiday season and we wanted to wish everyone a Merry Christmas and Happy New Year. Enjoy this crossword puzzle to get the Christmas bug a little early!

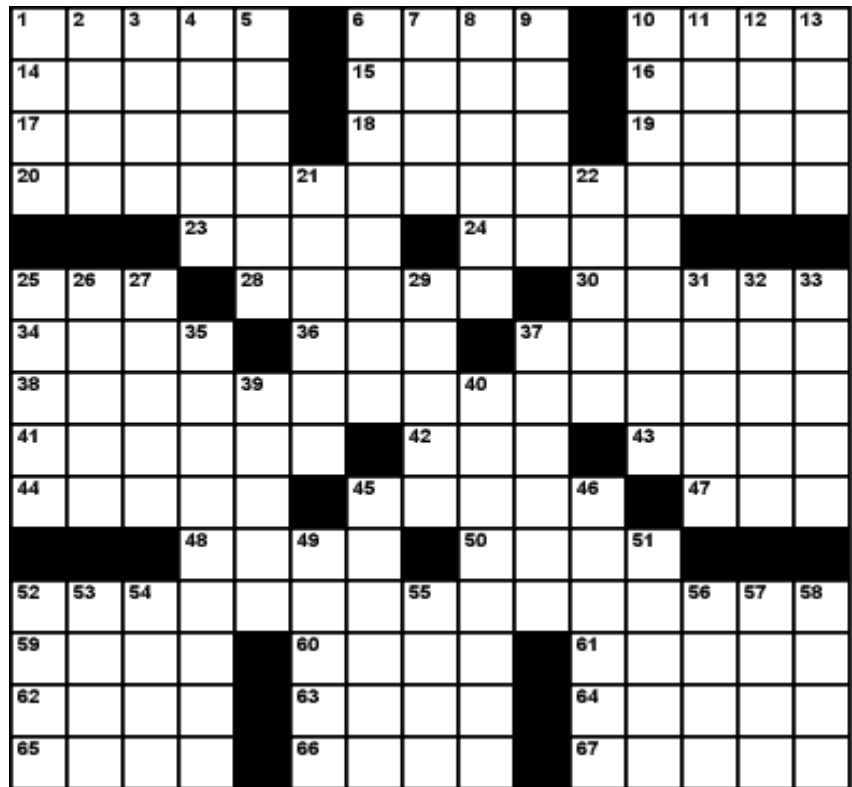
Christmas Crossword Puzzle by Dave Fisher

Across

1. Holiday pie
6. Santa's load
10. With 'the', syndrome causing missed putts
14. Key or corner
15. "Holiday In Harlem" singer
16. Young land?
17. Paper money
18. It may be found in 25 down
19. Blue-collar name?
20. Creche figures
23. Longest division of geological time (var.)
24. No ice
25. Dot's follower, often
28. Homeless ones
30. Panorama
34. West Point, i.e. (abbr.)
36. Big \_\_\_ (Cal.)
37. Lots
38. Holiday decoration
41. Holdups
42. Rangers' org.
43. Dam's opposite
44. Wipe out
45. Time before life
47. Indian bread
48. Organic compound
50. Anthem opener
52. Holiday song, "Oh, little..."
59. Go over a manuscript
60. Big name in detergent
61. Mountain ridge
62. Penny \_\_\_
63. Tech. grad.
64. Girders
65. One who ogles
66. Negatives
67. Fills

Down

1. Attention getter
2. Engrave
3. Heart
4. With 53 down, singer from Chicago
5. Sibling's son



6. Element found in photocells
7. Succulent plant
8. Performers with a lot of makeup
9. "Dawson Creek" actor, Holmes
10. Holiday seasons
11. Detail
12. Coat
13. Tibia locale
21. Good natured teasing sessions
22. Enjoy
25. Place for 18 across
26. Earthy color
27. West Side Story gal
29. \_\_\_ Kafka
31. Killed
32. Aquarium fish
33. Very pale
35. Objector
37. Wise-looking (like Harry Potter, perhaps)
39. Office worker
40. Quick drinks
45. White elephant, for instance
46. Chunnel town
49. Many times
51. \_\_\_ Buena (evergreen plant)
52. Distant prefix
53. See 4 down
54. Kir ingredient
55. Slight advantage
56. Miami hoopsters
57. French 101 verb
58. GI's chow

Answers at

<http://z.about.com/d/puzzles/1/0/v/1/xmasxwso.gif>

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### Mutual Link

## MAFMIC 2009 CALENDAR OF EVENTS

Nov	5-6	<b>MAFMIC Short Course</b> St. Cloud Civic Center
Feb	1-3	<b>114th Annual Convention</b> Sheraton Bloomington Hotel
Feb	24-26	<b>Central MN Farm Show</b> Civic Center, St. Cloud
March	19-21	<b>Owatonna Farm Show</b> Steele County Fairgrounds, Owatonna
April	21-24	<b>Spring Agents Seminar</b> Bemidji, St. Cloud, Morton, Rochester
June		<b>Congressional Contact Visit</b> Washington D.C.
July	15	<b>Manager &amp; Director's Seminar</b> Holiday Inn, St. Cloud
July	16	<b>Education Scholarship Golf Outing</b> Little Crow Country Club, Spicer

## IN SYMPATHY



**Elizabeth Gainey**, the mother of Wes, passed away peacefully on September 12, 2008 in Indianapolis, Indiana. Wes is the President of MAFMIC in St. Joseph, Minn.

**Allan Kruse**, husband of Nancy, passed away August 4, 2008 at the age of 67. Allan served as director of Fairmont Farmers Mutual for 25 years.



**Walter Schultz** passed away September 21, 2008. Walter served as a board member to Long Lake Mutual for 44 years and continued for six years after Long Lake merged to form Pioneer Lake Mutual.

**Jerry Vagle**, husband of Dannielle, passed away after battling cancer on June 14, 2008. Jerry served on the Westbrook Mutual Insurance Company board.



*MAFMIC wishes to express its sympathy to the friends and families of Elizabeth, Allan, Walter and Jerry.*