

Minnesota Association of Farm Mutual Insurance Companies

Mutual LINK

"It's the People" is the 2008 Convention theme

By Peter Hellie

I would like to invite you to attend the 2008 MAFMIC Convention. My theme for this year's convention is "*It's the People.*" I feel this represents the common purpose throughout our industry and our association.

Local people formed the Township Mutual Industry in Minnesota to provide protection for themselves and their neighbors. They had the foresight and resourcefulness to create companies that could adapt and excel in today's environment even though they were formed over 100 years ago. They knew local people would respond to their neighbors in times of need. They knew electing local people to their Boards of Directors would represent them well to provide a vision for their companies because just like today, they had a common purpose, "*It's the People.*"

The same can be said about MAFMIC. MAFMIC was also formed over 100 years ago to support the Township Mutual Industry. MAFMIC continues to serve companies and their agents through quality educational events, continually updated policy forms, and an active and diligent government affairs program. This would not be possible without you. It takes "People" from our companies to make it work. These volunteers combine with the talented

MAFMIC staff to provide value to all of our companies. A prime example was your participation in the 2007 legislative process. It took all of us to make our voices heard and we were successful because of it.

It has been an honor for me to serve as your chairman this past year. The Township Mutual people are the best. We all have the same goal and it shows, to protect and help our neighbors in times of hardship.



Peter Hellie, Chairman

Again, the common theme for our Companies, our Boards of Directors and our Customers... "*It's the People*" who make it worthwhile!

Joy and I are very much looking forward to seeing you at the 2008 MAFMIC Convention.

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**The MAFMIC Board and Staff invite
you to join us!**

113th Annual Convention - February 3-5, 2008
Sheraton Bloomington
See page 5 for registration

Letter from the President

By Wes Gainey, MAFMIC President

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Happy New Year! In retrospect it appears that 2007 was a good year for our industry. We faced challenges and overcame them in 'mutual' fashion. Of the various challenges, two stand out.

Our industry banded together to stop the passage of a new bad faith statute in Minnesota. Since then, we have focused on educating legislators and the public about the bad faith statute that already exists – "Unfair Claims Practices Act" – and about the harm that would befall both consumers and our industry if the trial lawyers' version would become law. I expect the trial lawyers to continue pursuing this effort making it as important as ever that each of us do our part by maintaining contact with our legislators and sending letters to local papers.

Another major challenge included the threatened repeal of exemptions afforded our industry under the McCarran Ferguson Act. A record number of MAFMIC members went to Washington, DC in June to help convince our members of the U.S. House and Senate not to support such legislation. As of now, what appeared to have a great deal of momentum seems to be going nowhere fast. However, the industry remains vigilant.

I appreciate all the individuals in our farm mutual industry that played a role in our successes this year. I encourage each of you to stay involved. I wish you and your company much success in 2008 and encourage you to kick it off in great fashion by attending the 113th Annual Convention.



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Member Profile

Wilmington Mutual Insurance Company

Kari Johnson, Manager

Wilmington Mutual Insurance Company was organized on April 1, 1876 as the Wilmington Fire Company of the towns of Wilmington, Spring Grove, Black Hammer, Caledonia and Winnebago in Houston County, Minnesota. It was the foresight of "neighbor helping neighbor" in the Norwegian community that set this company in motion. The Articles of Incorporation were effective on June 15, 1876.

Fire, lightning and additional lines are the perils that Wilmington Mutual writes. Over the years the company has added the additional lines as needed for the further protection of their policyholders. Wilmington also writes combination packages with North Star Mutual Insurance Company and RAM Mutual Insurance Company.

Kari Johnson serves as the company Manager and Krista Klug serves as the Office Assistant; both have a property and casualty insurance license. In addition, the company has thirteen agents who represent eight independent agencies.

Kari states, "Our business philosophy is to provide quality customer service to our policyholders from people that they know and trust; including our agents, directors and office staff. The nature of our company makes us commit-

ted to our community, and we feel that the people come first. It is also important to our company to provide coverage for farms, homes and personal property at a reasonable cost."

Goals for Wilmington Mutual Insurance Company include continued growth in both policy count and insurance in force. However, they do not want to sacrifice quality service to their policyholders as a result of growth.

Wilmington's biggest challenge is their location. The company can write insurance in Houston, Fillmore and Winona Counties, but to the South is Iowa and to the East is Wisconsin, so they have limited room for growth.

Wilmington Mutual donates to many of the events, schools and organizations in their community. Also, they pay an extra premium to youths who exhibit at the fair as part of their 4-H project. Wilmington also serves an appreciation dinner with musical entertainment as part of their annual meeting.

To describe Wilmington Mutual in one word it would be dependable.

Wilmington Mutual is located in Spring Grove.



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REMINDER

Due to the risk of personal information and credit card theft, the Sheraton will no longer be taking convention registrations via the postal mail or fax. If you have any questions, please call MAFMIC at (320) 271-0909 or the Sheraton at (952) 835-7800 or (866) 837-4278

Statutory Accounting for Impaired Assets and Fair Value Disclosures

By Michael J Kuefler, CPA



Minnesota township mutual insurance companies report investments in bonds and brokered certificates of deposit (debt securities) on their Statement of Admitted Assets and Liabilities at amortized cost. However, in their audited financial statements, they are required to disclose the fair value, unrealized gains and unrealized losses of those debt securities. Furthermore, any debt securities that have a fair value that is less than its reported amortized cost are deemed to be “impaired”.

There are two types of impairments. A debt security may be “temporarily impaired” or “other than temporarily impaired”. A temporary impairment is simply a decrease in value that is expected to be recovered prior to the sale or maturity of the bond. An example would be the declining bond values in your portfolios due to interest rate increases. These declines in value do not alter the ability of the bond issuer to honor its commitment to pay interest and principle as contractually obligated when the bond was issued. At maturity of the bond, your principal returned will equal your amortized cost. There will be no gain or loss despite the fluctuations of interest rates in the interim. Statutory accounting rules allow these debt securities to continue to be reported in the financial statements at amortized cost, subject to the fair value disclosures stated above.

An “other than temporary impairment” is considered to have occurred if it is probable that the township mutual

will be unable to collect all amounts due according to the contractual terms of the debt security in effect at the date of its acquisition. If it is determined that a decline in the fair value of a debt security is other than temporary, the cost basis of the debt security must be written down to fair value as a new cost basis and the amount of the write down shall be recorded as a realized loss. The new cost basis shall not be changed for subsequent recoveries in fair value. Future declines in fair value which are determined to be other than temporary, shall be recorded as realized losses. It should be noted that the realized loss recognized is for financial reporting purposes only. **You will not be allowed to recognize the loss for tax purposes until the debt security is disposed of.**

In making the assessment that an impairment of a debt security is other than temporary, one must consider:

- The severity of the impairment
- The duration of the impairment
- The forecasted recovery of fair value
- The township mutual’s ability and intent to hold the security until recovery

Consultation with your investment advisor will most certainly be required. Judgments about your ability and intent to hold the debt security until recovery should be honestly evaluated.



Gillford Mutual Opens New Office

Gillford Mutual Fire Insurance Company of Lake City, MN opened for business in it’s new building the first week of September—this was a long term goal for Gillford Mutual’s Board of Directors. When the former Subway building became available with its convenient location right on Highway 61 and with eight off street parking spaces, the Gillford board knew they had found their permanent office building. Gillford has been in business since 1893 and now currently has 3 staff members and 11 agencies. Congratulations, best wishes and continued success to Gilford!

What is Mediation Anyway?

By Jason J. Bartlett of Willenbring, Dahl, Wocken and Zimmerman, PLLC



Mediation has emerged over the years as a significant part of the American legal system. This is largely due to the fact that most states, Minnesota included, have laws or rules which require that some form of Alternative Dispute Resolution (“ADR”) be considered and/or attempted by the parties before a lawsuit is allowed to proceed to trial. For most types of civil cases in Minnesota, the court can unilaterally order the parties to participate in some form of non-binding ADR, such as mediation, and can appoint a specific person to serve as the mediator.

ADR is generally thought of as any method of resolving a dispute other than litigation. Mediation is one commonly used form of ADR involving a third-party neutral, the “mediator”, who facilitates negotiations between two or more parties to promote settlement of a dispute. The mediator does not have the authority to resolve the dispute in favor of either party. Instead, the participants control the outcome of the mediation.

Mediation has both strengths and weaknesses. The upside is that mediation is more informal, more private, cheaper, and quicker than a trial. The downside is that mediation encourages both parties to compromise, even though one side may have a very strong claim or defense. For such cases where one party has little incentive to settle, mediation may be a waste of time and money.

When mediation is elected or ordered, the parties usually agree on the selection of a qualified mediator. Agreeing on a mediator, even if that person would not be your first

choice, is generally preferable to having a judge select the mediator. For purposes of mediating a lawsuit, the chosen mediator will often be a practicing or retired lawyer or judge who has experience with the legal issues that are being disputed, and has completed the necessary training to be included on the State Court Administrator’s roster of qualified neutrals.

Prior to the mediation, the mediator will often request that the parties provide him or her with background information concerning the dispute and each of the parties’ respective positions regarding the matter. The mediation is usually held at the mediator’s office, or some other neutral meeting place such as a courthouse. The mediator begins the mediation by setting the ground rules and describing the mediation process with the parties. The parties and their attorneys are then typically separated and seated in their own rooms. The mediator then begins the process of going back and forth between the parties, discussing the issues and encouraging settlement. This back and forth process is called “caucusing”.

The caucusing primarily involves obtaining and conveying settlement offers and counter-offers to the parties as well as conveying reasons why each party should compromise. Additionally, the mediator can convey factual information and legal analysis to the other parties, as well as requests for the same. Further, the mediator can convey to the parties how the adverse facts and law could affect their claims at trial.

More than 90% of all cases that are mediated result in settlement agreements. For the majority of cases where the parties reach an agreement through mediation, the terms of the agreement are committed to writing and become binding upon the parties just like any other written contract. For the remaining cases that result in a stalemate, the mediation ends and the parties continue on towards trial.

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Reminder!

Remember to bring your questions for your Legislatures for the Legislative Panel. Also, there will be no Legislature visit for the 2008 Convention

2008 Legislative Session Starts in February

By Marcus Marsh

The 2008 Legislative Session starts on Tuesday, February 12th at 12:00 noon.

We at MAFMIC will have two bills that we will present to the Legislature for action. The first is a very minor change to MS 67A.161 changing the word arbitration to appraisal. The second bill is to repeal MS 67A.17 Assessments. Township Mutual's currently have both the protection of the Guarantee Fund and Accessibility. We have received numerous comments from our members about other insurance companies using accessibility against our mutuals. Township Mutual's are the only insurance companies that have this statutory authority to assess.

The other big issue for us will again be the Bad Faith Legislation. The Minnesota Trial Lawyers as most of you

know changed their name to Minnesotans for Justice. They will be back and coming after us with everything they got. Remember, this legislation is not about doing what is right for the citizens, the public good or as in their name now, justice, this is about one thing and that is money for trial lawyers. A law professor I know who read the bill as introduced said, "this bill is worth millions and millions and millions of dollars for the trial lawyers".

We will all have to work together to stop this Legislation by writing letters to the editor, calling and meeting with our Representatives and Senators as well as getting as many people as we can working with us. The bottom line on this legislation is it will do great harm to the insurance industry and raise rates dramatically on Homeowners and Farm Policies, hurting our policyholders.

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Company News & Notes

IN SYMPATHY

Waldo Johnson, husband of Virginia, passed away on December 1st. Waldo was an insurance agent with Holmes City Insurance Agency.



Archie Ihle, husband of Shirley, passed away on October 19th. Archie served on the board for South Central Mutual Insurance Company for 30 years and was an adjuster for Austin Mutual Insurance Company for 20 years.

MAFMIC wishes to express its sympathy to the family and friends of Waldo and Archie.



Let's Tailgate at the Convention!

The Chairman's Reception theme is a "Tailgate Party"! Don't forget to wear your favorite team apparel!

Farm Show Donations

Anyone interested in donating items for the Farm Show can drop them off at the MAFMIC office, or contact Steve Schwieters at (507) 421-8615

MAFMIC 2008 Calendar of Events

Feb.	3-5	Annual Convention The Sheraton Hotel, Bloomington
	26-28	Central MN Farm Show St. Cloud Civic Center, St. Cloud
March	13-15	Owatonna Farm Show Steele County Fairgrounds, Owatonna
April	21-24	Spring Agents Meeting Rochester, Morton, St. Cloud and Mahanomen
July	16	Manager & Directors Seminar St. Cloud Civic Center, St. Cloud
	17	Educational Scholarship Golf Outing Little Crow Country Club, Spicer
Aug.	5-7	Farm Fest 2008 Gilfillan Estates, Redwood County
	7	Mutual Support Staff Seminar Holiday Inn, St. Cloud
	12	Adjuster & Inspector Seminar Holiday Inn, St. Cloud
Nov.	5-6	Short Course St. Cloud Civic Center, St. Cloud



To submit an article to be published in the Mutual Link please send them to Mutual Link, PO Box 880, St. Joseph, MN 56374, or email them to info@mafmic.org.

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