

# 2007 Annual Report



*Safe. Sound. Secure.®*

*Auto-Owners Insurance*

## COMMENTS FROM R. L. LOOYENGA, CHAIRMAN & CEO, AUTO-OWNERS INSURANCE GROUP



*“2007 was a year of changes and challenges for the Auto-Owners Insurance Group. We saw our policy count increase to almost 4.5 million policies, yet our premium decreased by \$37 million from 2006. We also had our second-highest number of weather-related losses, behind only 2004, the year of four hurricanes.*

*Nonetheless, we also had many positive results last year. We completed a number of Web-related projects in 2007 that have made the ease of doing*

*business with us significantly better for both agents and policyholders. The Life Company reached a milestone with \$3.5 billion in life insurance, the most ever issued in one year. And, we continued to be listed among the Fortune 500 (No. 444) for the fifth straight year.*

*We began construction on a 95,000-square-foot building that will house our data center operations. Once completed in 2009, this facility will protect our computer operations from the threat of the most severe tornadoes and ensure our agents and policyholders that we will be able to provide uninterrupted service.*

*As a mutual company, Auto-Owners has three customers: our 2-million plus policyholders, our 36,000-plus agents, and our 3,300-plus associates. By working together, we continue to provide Safe. Sound. Secure.<sup>®</sup> protection to our policyholders, Super Outstanding Service to our agents, and continued secure employment to our associates as we have for over 90 years.”*

A handwritten signature in blue ink that reads "R. L. Looyenga". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

R.L. Looyenga, chairman & CEO

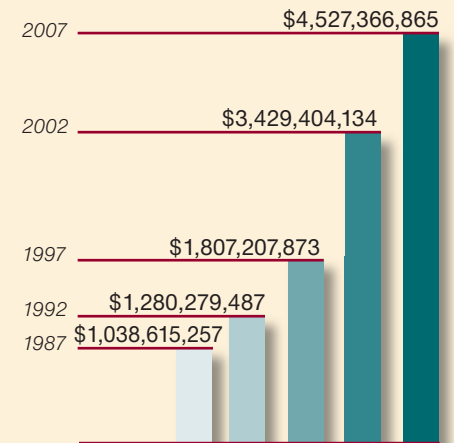
# FINANCIAL REPORT

<b>ASSETS</b>	<i>Life Company</i>	<i>Property &amp; Casualty Consolidated</i>
Cash in Banks	\$ 915,173	\$ 29,757,005
Accounts Receivable		
Premiums in Process of Collection		874,736,032
Life Insurance Premium Deferred and Uncollected	24,929,538	
Bonds (Amortized Value)	1,643,354,383	8,721,498,197
Stocks (Statement Value)	58,424,177	1,795,214,669
Mortgages - Real Estate First Mortgages	178,073,886	24,687,056
Real Estate Owned	64,131,088	82,506,437
Miscellaneous Assets	40,092,338	414,539,549
<b>Total Assets</b>	<b>\$2,009,920,583</b>	<b>\$11,892,938,995</b>

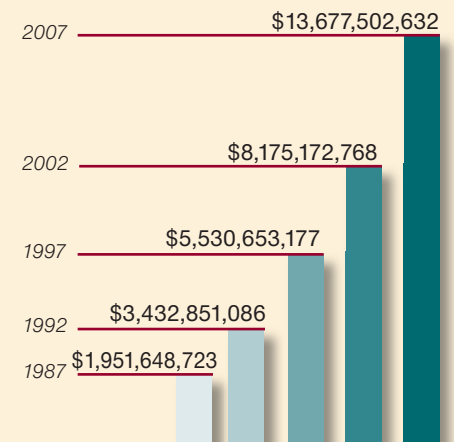
<b>LIABILITIES</b>		
Claim Reserves		
All Claims in Process of Adjustment	8,130,465	3,923,184,341
Aggregate Reserve for Life, Accident and Health Policies	1,735,735,543	
Reserve for Unearned Premiums		1,938,383,148
Reserve for Miscellaneous Accounts and Taxes Payable	41,386,953	695,385,210
<b>Total Liabilities</b>	<b>\$1,785,252,961</b>	<b>\$6,556,952,699</b>

<b>CAPITAL</b>	<b>\$ 3,450,000</b>	
Contingency Reserve		
Excess of Assets over Liabilities. Provides policyholders additional assurance of the Companies' abilities to withstand catastrophic occurrences.	221,217,622	5,335,986,296
<b>Total Liabilities and Surplus</b>	<b>\$2,009,920,583</b>	<b>\$ 11,892,938,995</b>

## NET WRITTEN PREMIUM (SALES)



## COMBINED ASSETS



## SUMMARY OF COMBINED ASSETS

Auto-Owners is unwavering in its commitment toward maintaining a high-quality investment portfolio. We remain loyal to the proven investment principles that have guided us along a steady path throughout the years.

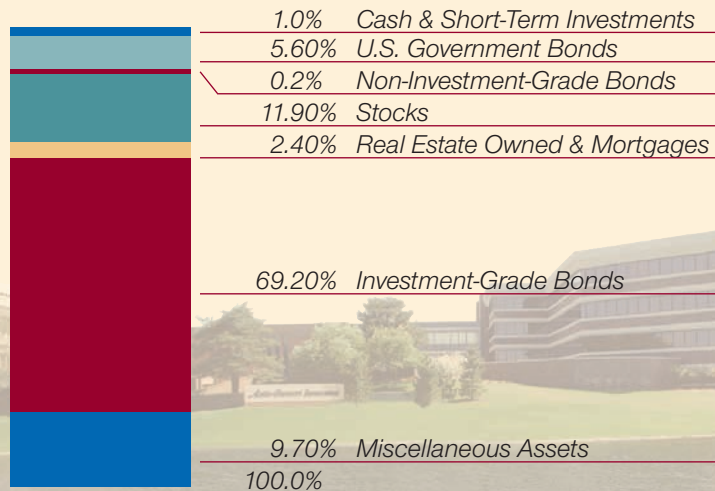
Depicted is a breakdown of the combined assets of the Auto-Owners Insurance Group as of December 31, 2007. The combination of U.S. Government Bonds and investment-grade bonds represents 74.80 percent of assets. Non-investment-grade bonds represent only 0.2 percent of assets.

*“The road to investment success has many potholes. One such pothole that appeared during 2007 was subprime mortgages, an asset in which Auto-Owners has made no direct investment. Our adherence to a Safe. Sound. Secure.® investment portfolio helps assure that when you need us the most, Auto-Owners will be there.”*

*Comments from R. H. Simon,  
president, Auto-Owners Insurance Group*

### *Auto-Owners Insurance Group*

#### Combined Assets as of December 31, 2007



# PROFIT & LOSS STATEMENT

<b>REVENUE</b>	<i>Life Company</i>	<i>Property &amp; Casualty Group</i>
Net Premiums Written	\$ 205,538,069	\$ 4,321,828,796
Net Premiums Earned	205,538,069	4,333,356,919
Net Investment Income	109,451,947	468,604,911
<b>Total Income Earned</b>	<b>\$ 314,990,016</b>	<b>\$ 4,801,961,830</b>
<b>EXPENSES</b>		
Claims Related Expenses	250,483,327	3,078,683,804
Operating Expenses	30,128,562	1,127,494,878
<b>Total Expenses</b>	<b>\$ 280,611,889</b>	<b>\$ 4,206,178,682</b>
<b>Net Income Before Income Taxes</b>	34,378,128	595,783,148
<b>Income Taxes</b>	14,213,167	149,180,951
<b>NET INCOME</b>	<b>\$ 20,164,961</b>	<b>\$ 446,602,197</b>

## Auto-Owners Companies Earn A.M. Best Superior Ratings

Auto-Owners property and casualty companies are rated A++ (Superior) by A.M. Best Company, a nationally recognized independent insurance company rating organization. Auto-Owners Life Insurance Company is rated A+ (Superior) by A.M.



Best. According to A.M. Best Company, “Auto-Owners operating

results were achieved due to its well-established independent agency relationships, relatively low loss adjustment expenses, diversified product offerings and adherence to strict underwriting fundamentals. The ratings also acknowledge Auto-Owners strong market presence as **one of the 25 largest property casualty insurance organizations in the United States** with more than \$4.3 billion in net written premium as of year-end 2006.” In A.M. Best’s opinion, companies in the A++ and A+ classifications—their highest classifications—have a superior ability to meet ongoing obligations to policyholders.

## Auto-Owners Companies Earn Position On TheStreet.com Recommended List of Companies

Auto-Owners Insurance Company and Home-Owners Insurance Company were each rated A Excellent by TheStreet.com (formerly Weiss Ratings, Inc.). Owners Insurance Company and Property-Owners Insurance Company each earned a rating of B+ Good. Auto-Owners Insurance Company was ranked as the sixth strongest auto insurer in the country and the fifth strongest home insurance company, and Home-Owners Insurance Company was ranked 10th for home insurance. Auto-Owners Life Insurance Company also received an A Excellent rating. According to TheStreet.com, companies in these categories offer “excellent financial security.”

## Auto-Owners Property Casualty Group Companies Earn Top Marks from Demotech, Inc.

Auto-Owners Insurance Company, Owners Insurance Company, Property-Owners Insurance Company, Home-Owners Insurance Company, and Southern-Owners Insurance Company earned Demotech’s Financial Stability Rating® A” (Unsurpassed) for 2007. The A” rating recognizes unsurpassed financial stability, achieved by only the top companies evaluated. Demotech, Inc. is a financial analysis and actuarial services firm whose Statements of Actuarial Opinion meet or exceed the professional actuarial requirements established by the National Association of Insurance Commissioners.

## Ward Financial Group Ranks Auto-Owners Among Its Top 50

Auto-Owners Insurance Group was named to the 2007 Ward’s 50 Benchmark Group for achieving outstanding financial results over the past five years (2002 - 2006). Auto-Owners is one of only 11 companies named to both the property and casualty and the life/health Ward’s 50 Benchmark Groups; and one of only five companies named to the property and casualty Ward’s 50 Benchmark Group for 16 consecutive years. The objectives of the analysis are to recognize the 50 companies that have *excelled* at balancing safety, consistency and performance over five years, and to then benchmark their performance with the industry overall.



Ward Financial Group is a Cincinnati-based management consulting and investment banking firm specializing in the insurance industry, and is recognized by *Fortune* magazine, the *New York Times*, *Reuters* news service and others as an authoritative source for insurance industry financial analysis.

## Auto-Owners Life Insurance Company Introduces APP-CELERATOR®

Auto-Owners Life Insurance Company introduced the APP-CELERATOR® application process for all of its operating states in 2007. Agents now have a choice in using the traditional paper application with a full medical question section or the new APP-CELERATOR® application. APP-CELERATOR® is filled out partially by the agent and then the applicant receives a telephone call to review the medical questions in the privacy of his home from a medical specialist. The Life Company also released a Decreasing Term life insurance product with lower rates.

## NEW FACILITIES OPENED IN 2006

### Two New Offices Opened

Due to continued growth, success, and to better serve its customers, Auto-Owners Insurance Group opened two additional offices. The new Virginia regional office, located in Forest, opened in September 2007. This “full facility” branch office houses underwriting, claims, and marketing operations for the company’s Virginia region.

In August 2007, Auto-Owners opened a claims branch in Newnan, Georgia.

### New Construction

In October 2007 construction began on a 95,000-square-foot data center adjacent to a Company-owned warehouse approximately 2.5 miles south of the Auto-Owners Insurance Company headquarters. The facility, which will also house the document processing and premium payment processing departments, is scheduled for completion in fall 2009.

## COMPANIES' REPORTS

**Auto-Owners Insurance Group** enjoyed continued asset growth in 2007 and is recognized for exceptional financial strength and stability among the nation's largest insurers. Comprised of five property and casualty companies and one life/health/annuity insurer, the Group had combined assets of \$13,677,502,632 at year-end 2007, up \$850 million from 2006. Net written premiums totaled \$4,527,366,865, down \$37 million from the previous year. Over 4.4 million personal, commercial, and life insurance policies were in force at year-end 2007. Seventy-four underwriting, claims and marketing offices serve customers in the Group's 25-state marketing territories.

**Auto-Owners Insurance Company** ranks among the leading property and casualty insurers in the United States with recorded net written premiums of over \$2.4 billion at the end of 2007. This mutual insurance company is represented by

approximately 36,223 agents in more than 6,000 agencies, and is the Group's largest insurer.

**Auto-Owners Life Insurance Company** experienced another excellent year; over 46,000 applications were received. The Company recorded \$20.6 billion of life insurance in force at year-end, an increase of 11.6 percent over the previous year. In addition, annuity reserves for this stock company increased nearly 9.1 percent to over \$1.2 billion. Assets were up 9.2 percent to \$2 billion and total Life Company written premium was \$205.5 million.

**Owners Insurance Company** recorded another strong year with written premiums of over \$1.15 billion at year-end 2007, up 4 percent from the previous year. This stock company is the second largest property and casualty insurer in the Auto-Owners Insurance Group and operates in 24 of the 25 states that make up the Auto-Owners regional market.

**Home-Owners Insurance Company** recorded written premiums of \$852.7 million at year-end 2007. This property and casualty stock company writes business in Michigan and Ohio.

**Property-Owners Insurance Company** had another fine year with written premiums of \$68.9 million in 2007, an increase of 3.5 percent over the previous year. This stock insurer writes property and casualty products in Indiana and Michigan.

**Southern-Owners Insurance Company** completed its 13<sup>th</sup> year of operation in 2007, with written premiums of \$135.9 million at year-end. This stock insurer writes property and casualty products in Florida.

AUTO-OWNERS  
INSURANCE COMPANY  
Lansing, Michigan

HOME-OWNERS  
INSURANCE COMPANY  
Lansing, Michigan

AUTO-OWNERS LIFE  
INSURANCE COMPANY  
Lansing, Michigan

PROPERTY-OWNERS  
INSURANCE COMPANY  
Marion, Indiana

OWNERS  
INSURANCE COMPANY  
Lima, Ohio

SOUTHERN-OWNERS  
INSURANCE COMPANY  
Lansing, Michigan

Administrative offices of all companies are located at  
6101 Anacapri Blvd., Lansing, MI 48917

***Auto-Owners Insurance***

Life Home Car Business

*The "No Problem" People®*