



## S A F E .   S O U N D .   S E C U R E.®

### Comments from R. L. Looyenga, CEO, Auto-Owners Insurance Group



"Two thousand five was a year of great pride and accomplishment for the Auto-Owners Insurance Group. We distinguish ourselves as a company that understands our product is the protection and security we provide to our customers and not a commodity easily purchased 'off-the-shelf.'

Auto-Owners was cited for the second consecutive year by a nationally recognized consumer magazine as one of the top companies in customer satisfaction in the handling of insurance

claims. We were one of only five companies named for showing 'consistent performance' by repeatedly making it to the top of their list. Customers rewarded us for this service by making us their company of choice.

Auto-Owners financial strength is attributed to our dedicated associates and agents, to our consistent measured growth, and to our conservative investment philosophy. We continue to receive the highest ratings available in the industry. Auto-Owners improved to number 407 in the Fortune 500 rankings. In spite of the ominous hurricane activity throughout the Gulf states last year, Auto-Owners enjoyed one of the best underwriting years with

an 88.3 percent combined operational and claims expense ratio.

Dedicated to the independent agency system, we bring our products to you only through caring, knowledgeable professionals, who live and work right in your communities. We are proud of our reputation for outstanding customer service and being recognized as one of the nation's largest and most successful insurance carriers. Auto-Owners Insurance, The "No Problem" People®."

R.L. Looyenga, CEO

# Financial Report

ASSETS			NET WRITTEN PREMIUM (SALES)
	Life Company	Property & Casualty Consolidated	
Cash in Banks	\$ 1,096,377	\$ 17,689,456	2005 \$4,588,731,107
Accounts Receivable			
Premiums in Process of Collection		897,395,798	
Life Insurance Premium Deferred and Uncollected	21,156,699		
Bonds (Amortized Value)	1,386,686,794	7,487,414,224	
Stocks (Statement Value)	45,790,059	1,347,463,289	
Mortgages - Real Estate First Mortgages	130,856,195	6,728,866	
Real Estate Owned	66,695,893	64,141,860	
Miscellaneous Assets	34,123,128	404,247,835	
<b>Total Assets</b>	<b>\$1,686,405,145</b>	<b>\$ 10,225,081,328</b>	
LIABILITIES			
Claim Reserves			
All Claims in Process of Adjustment	8,315,814	3,472,040,741	
Aggregate Reserve for Life, Accident and Health Policies	1,451,846,042		
Reserve for Unearned Premiums		1,931,525,791	
Reserve for Miscellaneous Accounts and Taxes Payable	42,438,495	691,942,114	
<b>Total Liabilities</b>	<b>\$1,502,600,351</b>	<b>\$ 6,095,508,646</b>	
CAPITAL			
Contingency Reserve	\$ 3,450,000		
Excess of Assets over Liabilities. Provides policyholders additional assurance of the Companies' ability to withstand catastrophic occurrences.	180,354,794	4,129,572,682	
<b>Total Liabilities and Surplus</b>	<b>\$1,686,405,145</b>	<b>\$ 10,225,081,328</b>	
COMBINED ASSETS			
2005			\$11,726,900,372
2000			\$6,820,942,960
1995			\$4,588,891,980
1990			\$2,778,129,214
1985			\$1,342,976,652

# SUMMARY OF COMBINED ASSETS

Auto-Owners is committed to a SAFE.SOUND.SECURE.<sup>®</sup> investment portfolio. This strategy has contributed to the financial stability and consistency that the Company enjoys.

Depicted is a breakdown of the combined assets of Auto-Owners Insurance Group as of December 31, 2005. The combination of U.S. Government Bonds and investment grade bonds represents 75.0 percent of assets. Non-investment grade bonds [junk bonds] represent only 0.4 percent of assets.

*We are convinced that a straightforward, steady, balanced approach is the key to long term investment success. We trust you will too!*

## Auto-Owners Insurance Group

Combined Assets as of December 31, 2005



## PROFIT & LOSS STATEMENT

REVENUE	Life Company	Property & Casualty Group
Net Premiums Written	\$ 224,411,554	\$ 4,364,319,553
Net Premiums Earned	224,411,554	4,295,409,123
Net Investment Income	88,402,989	392,843,673
Total Income Earned	\$ 312,814,543	\$ 4,688,252,796
EXPENSES		
Claims Related Expenses	266,856,720	2,667,356,727
Operating Expenses	24,744,961	1,120,370,741
Total Expenses	\$ 291,601,681	\$ 3,787,727,468
<b>Net Income Before Income Taxes</b>	21,212,862	900,525,328
<b>Income Taxes</b>	8,817,683	289,772,611
<b>NET INCOME</b>	<b>\$ 12,395,179</b>	<b>\$ 610,752,717</b>

# Year in Review

## 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,

"The [Auto-Owners] Group achieved strong operating results as a result of its well-established independent agency relationships, competitive expense structure, diversified product offerings and adherence to strict underwriting fundamentals. The rating also acknowledges Auto-Owners strong market presence as **one of the 20 largest property casualty insurance organizations in the United States** with more than \$4.2 billion in net written premium as of year-end 2004." 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 Weiss Recommended List of Companies

Auto-Owners Insurance Company and Home-Owners Insurance Company were each rated A Excellent by Weiss Ratings, Inc. Property-Owners Insurance Company earned a rating of B+ Good. These ratings place our companies on the Weiss Recommended List, an elite group of 114 property and casualty insurance companies. Auto-Owners Life Insurance Company also received an A Excellent rating. According to Weiss, 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 2005. 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 2005 Ward's 50 Benchmark Group for achieving outstanding financial results over the past five years (2000 - 2004). Auto-Owners is one of only eight companies named to both the property and casualty and the life/health Ward's 50 Benchmark Group; and one of only eight companies named to the property and casualty Ward's 50 Benchmark Group for 15 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 Lowers Rates on Term and Universal Life Products

Due to improving life expectancies, Auto-Owners Life Insurance Company lowered rates on its Universal Life – Perma Term 2 and 3 products – and on its 10 and 20 Year Term products. Additionally, these new term products (10 & 20 Year Term) offer a *guaranteed premium* for the entire term of the policy. These enhancements provide better value and greater consistency to policyholders.

## Auto-Owners Insurance Company Enters Arkansas Market

Auto-Owners Insurance Company began writing business in Arkansas, its 24<sup>th</sup> state, in August 2005. Arkansas policyholders and agents are assisted by associates located in the company's Brentwood, Tennessee regional office. At year-end 2005, 20 local independent agencies represented Auto-Owners and premium writings for the Group Companies exceeded \$900,000.

## NEW FACILITIES OPENED IN 2005

### 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 Tallahassee regional office opened October 3, 2005. This "full facility" branch houses underwriting, claims, and marketing operations for the northern Florida region.

On December 5, 2005 Auto-Owners opened Twin Cities West, a claims branch serving customers in the Twin Cities, Minnesota area.

### New Construction

The H. Max Tanner Building, new home of the Traverse City regional office, was opened on February 28, 2005. Named for Max Tanner, retired Auto-Owners CEO, this newly constructed 45,574-square-foot state-of-the-art building brings Auto-Owners underwriting, claims, and marketing associates together under one roof from which they serve the company's northern Michigan region.

Construction continues on a 17,821-square-foot regional branch office in Columbia, South Carolina. Occupancy is expected mid-2006.

# Companies' Report

**Auto-Owners Insurance Group** enjoyed continued premium growth in 2005 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 \$11,726,900,372 at year-end 2005. Net written premiums totaled \$4,588,731,107, up more than \$112 million from the previous year. Nearly 4.2 million personal, commercial, and life insurance policies were in force at year-end 2005. Sixty-nine underwriting, claims and marketing offices serve customers in the Group's 24-state marketing territories.

**Auto-Owners Insurance Company** ranks among the leading property and casualty insurers in the United States with recorded net premiums of over \$2.7 billion at the end of 2005. This mutual insurance company is represented by approximately 33,700

agents in more than 5,600 agencies, and is the Group's largest insurer.

**Auto-Owners Life Insurance Company** experienced another excellent year; nearly 47,000 applications were received. The Company recorded \$16.9 billion of life insurance in force at year-end, an increase of 8.7 percent over the previous year. In addition, annuity reserves for this stock company increased nearly 13.5 percent to over \$1.1 billion. Assets were up 11.8 percent to \$1.7 billion and total Life Company written premium was \$224.4 million, a 9.4 percent increase over 2004.

**Owners Insurance Company** reached an exciting milestone with written premiums climbing over \$1 billion at year-end 2005, a 6.5 percent increase over 2004. This stock company is the second largest property and casualty insurer in the Auto-Owners Insurance Group and operates in 23 of the 24 states that make up the Auto-Owners regional market.

**Home-Owners Insurance Company** had another fine year with written premiums of \$880.9 million at year-end 2005, a 4.4 percent increase over 2004. This property and casualty stock company writes business in Arkansas, Michigan and Ohio.

**Property-Owners Insurance Company** recorded written premiums of \$62.2 million in 2005, an impressive increase of 8.5 percent over the previous year. This stock insurer writes property and casualty products in Arkansas, Indiana and Michigan.

**Southern-Owners Insurance Company** recorded written premiums of \$141.0 million at year-end, an increase of 2.5 percent over 2004. This stock insurer writes property and casualty products in Arkansas and Florida.

AUTO-OWNERS  
INSURANCE COMPANY  
Lansing, Michigan

PROPERTY-OWNERS  
INSURANCE COMPANY  
Marion, Indiana

HOME-OWNERS  
INSURANCE COMPANY  
Lansing, Michigan

OWNERS  
INSURANCE COMPANY  
Lima, Ohio

AUTO-OWNERS LIFE  
INSURANCE COMPANY  
Lansing, Michigan

SOUTHERN-OWNERS  
INSURANCE COMPANY  
Lakeland, Florida

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®*