

FCCI MUTUAL INSURANCE HOLDING COMPANY AND SUBSIDIARIES

Summarized Balance Sheet Information (in thousands)

Assets	2009	2008
Bonds and other investments	\$ 1,230,143	1,135,297
Cash and cash equivalents	7,942	25,367
Amounts due from policyholders	191,316	193,815
Amounts recoverable from reinsurers	174,319	216,485
Amounts due from Florida Special Disability Trust Fund	11,693	16,765
Land, building, and equipment, net of depreciation	49,928	51,991
Other assets	112,465	130,558
Total assets	<u>\$ 1,777,806</u>	<u>1,770,278</u>
Liabilities and Members' Equity		
Liabilities:		
Loss and loss adjustment expenses	\$ 878,215	931,737
Unearned and advance premiums	219,845	222,627
Debt	59,750	44,000
Other liabilities	115,639	120,012
Total liabilities	1,273,449	1,318,376
Members' equity	504,357	451,902
Total liabilities and members' equity	<u>\$ 1,777,806</u>	<u>1,770,278</u>

As of December 31, 2009 and 2008, policyholders' surplus of the Company's insurance subsidiaries as determined in accordance with statutory accounting practices was \$427,390 and \$376,794, respectively.

Summarized Statements of Earnings Information (in thousands)

	2009	2008
Revenues:		
Net premiums earned	\$ 438,379	476,166
Net investment income	44,743	48,212
Net realized investment gain (loss)	12,996	(15,488)
Service fees and other income	2,966	3,022
Total revenues	<u>499,084</u>	<u>511,912</u>
Costs and expenses:		
Loss and loss adjustment expenses incurred	292,711	330,959
Policy acquisition expenses	81,234	89,602
Underwriting, general and administrative expenses	74,458	71,424
Policyholders dividends	7,701	7,504
Other	1,488	3,176
Total costs and expenses	<u>457,592</u>	<u>502,665</u>
Income before income taxes	41,492	9,247
Income tax expense (benefit)	13,902	(44)
Net income	<u>\$ 27,590</u>	<u>9,291</u>

The summarized financial information of the Company is derived from financial statements prepared in conformity with accounting principles generally accepted in the United States of America which are audited by an independent public accounting firm.



PROTECTING BUSINESS, PROPERTY AND PEOPLE

The FCCI Insurance Group includes FCCI Insurance Company, National Trust Insurance Company, Monroe Guaranty Insurance Company, FCCI Commercial Insurance Company, FCCI Advantage Insurance Company, and Brierfield Insurance Company.

While the Great Recession continues to take its toll on the American landscape, FCCI is holding fast to the core business principles that helped shape our organization for the past 50 years. In particular, our commitment to financial strength and stability produced outstanding results in 2009, the most striking of which I want to share with you here in this Annual Report.

For the first time in history, FCCI's equity*, or the difference between our assets and liabilities, eclipsed one-half billion dollars. This important measure of an insurance company's financial strength demonstrates our ability to fulfill our promise to the policyholder and reflects a positive variance of \$52.5 million over 2008. In addition, our statutory surplus (regulatory equivalent of equity) grew by \$51 million to \$427.4 million, and we continue to comfortably meet all regulatory capital requirements.

The substantial increase in FCCI's equity can be attributed to improvements in two other important measures of an insurer's financial stability. First, FCCI's net income, or profitability, rose from \$9.3 million in 2008 to \$27.6 million in 2009; and second, FCCI's investment portfolio, which remains conservative while maximizing returns, responded well to the rebound in the investment markets, adding \$25 million to equity through appreciation in value.

In 2009, FCCI wrote \$471.8 million in direct written premiums, a \$41.9 million decrease from 2008. At first glance, this result may appear contradictory to the otherwise positive news I am reporting, but as it turns out, the current economy, including its reduced insurable exposures and an 18.6 percent state-mandated decrease in Florida workers' compensation rates, proves no match for FCCI's ability to attract and retain business.

In fact, FCCI increased our policy count by 11 percent in 2009, a testament to the growing number of independent agents who recommend us over our competitors and to the discriminating business owners in 14 states who believe FCCI represents the best value for their insurance dollar.

FCCI will continue to invest in our people and our infrastructure, producing tangible results for our customers, not the least of which was the introduction of one combined bill for all lines of business in 2009.

On behalf of FCCI, thank you for your business and for the privilege of being your First Choice in Commercial Insurance.

G. W. Jacobs
President and Chief Executive Officer

*As measured using Generally Accepted Accounting Principles (GAAP)