



TO : Members of Alliance Mutual Insurance Company  
FROM : Robert A. White, CIC, ARM, AAI, ARe  
President and CEO  
DATE : December 11, 2006  
SUBJECT : President's Report to the Members

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As I reflected on the last two years in preparation for writing this report to be presented at the Substitute Annual Meeting of Alliance Mutual, I was reminded of the opening line of Charles Dickens classic story "A Tale of Two Cities". For Alliance Mutual, 2005 and 2006 were certainly not the worst of times, but in retrospect they may have been the best of times.

As Alliance Mutual nears completion of its 30th year of operation, I can easily say that for me the last two years have been the most challenging period of my twenty-six year insurance career. Alliance Mutual has experienced two years of continuous change that has affected every aspect of the Company's operations. While these changes were difficult, they were required to address significant underwriting exposure and regulatory issues and to modernize the Company's automation systems.

I am pleased to report to the membership that the majority of the underwriting exposure and regulatory issues are now behind us. Over the last two years Alliance Mutual has successfully addressed the past regulatory and governance issues the Company has faced, has attracted and retained a terrific staff, has nearly completed a grueling overhaul of its entire automation systems, and has developed the Company's first ever short term strategic plan. The last two years have indeed been a busy and challenging period.

As Alliance Mutual prepares to begin its 31st year in 2007, I would like to share with the members the core values, core goals, and core vision that the Company has identified and adopted as a part of its strategic planning process. These "core" values, goals and vision will form the bedrock on which Alliance Mutual will build its foundation for its next 30 years.

Core Values:

Alliance Mutual Insurance Company will operate in an ethical, fair and socially responsible manner with the specific intent to provide insurance and insurance related products and services for the benefit of its members, investors, and the citizens within its area of operation through a financially secure and growing organization.

## Core Goals:

To accomplish its mission, Alliance Mutual Insurance Company will:

- Increase the surplus of the company by maximizing financial results;
- Provide fair, equitable, and professional underwriting, policy services, claims, and customer services for members, agents, third parties, and employees;
- Develop and provide insurance and insurance related products and services desired or required by members, agents, and third parties;
- Participate in legislative, regulatory, and trade association activities and processes that will promote, support, benefit, or enhance the mission of the company;
- Hire and retain highly qualified employees who believe in the company's mission and adhere to the company's policies and procedures;
- Select professional and ethical business partners to provide desired or required services to the company, members, agents, employees, and third parties;
- Comply with all regulatory and legal requirements;
- Provide transparency to regulators, members, investors, agents, and the public for all financial, regulatory and operational activities; and
- Support the mission of non-profit and civic organizations that provide services within the company's areas of operation consistent with the mission of the company.

## Core Vision:

By working toward its mission and goals, Alliance Mutual Insurance Company will seek to engage diverse people and organizations to bring the best available collective strength and creativity to bear on the work of providing a secure and growing financial organization and operating in an ethical, fair and responsible manner. Alliance Mutual Insurance Company will be pro-active in its efforts to achieve its financial and operational objectives, and will serve as a catalyst in building a member focused mutual insurance company environment within its areas of operation. To accomplish this vision, Alliance Mutual Insurance Company will build a strong and vital network of employees, agents, members, and business partners to carry out the work of the organization.

In conjunction with these core items, Alliance Mutual has identified five critical success factors that are necessary to accomplish its strategic plans.

## Critical Success Factors:

- Increase the commitment and involvement of the Board of Directors, management, employees, and agents in the strategic and business planning process and to the goals developed.
- Build the organization's internal capacity to achieve its goals and to successfully accomplish its mission.
- Maximize the financial resources of the company to increase the company's surplus so that the company's members, agents, and the public will be served more efficiently and effectively.

- Improve Alliance Mutual Insurance Company's name recognition with and promote the strategic goals to the members, agents, businesses and the public within the company's area of operation.
- Determine a balance between Alliance Mutual Insurance Company's goals and the implementation of appropriate actions to move toward real solutions.

On behalf of the management and staff of Alliance Mutual, I would like to thank the members and investors for their support and cooperation. Together, we look forward to Alliance Mutual's next thirty years.