



AGENCY PHILOSOPHY

The following principles will guide Farmers Mutual of Tennessee in its relationship with independent agency appointments:

1. The company will establish and revise underwriting requirements and premium rates with the objective of writing business, which is profitable for both the agency and the company.
2. The company will attempt to review new and renewal business in order to encourage adherence to the underwriting standards. The agency must share the responsibility for writing new and renewal business, which is consistent with the company's underwriting requirements.
3. Questionable losses resulting from suspected moral hazard have historically been a major source of claim problems. The company recognizes that only the agency has control, and therefore the responsibility for this facet of underwriting.
4. The ability to successfully produce and underwrite business will be reflected in the agency's loss ratio. Loss ratio will therefore be a primary factor in evaluation an agency's performance.
5. The company recognizes that total losses are inherent exposures when writing primarily unprotected properties. Since annual premium volumes are generally small with single agencies, loss ratios will be reviewed on the basis of three to five years of experience to gain significant statistics.
6. The company will attempt to reward favorable experience through a contingency program. Although trends will be taken into consideration, unfavorable experience will result in the termination of the agency-company contract.

This policy statement will be reviewed and revised periodically as conditions change.