

To: All Policyholders
From: GFM Legislative Committee
Re: Germania Farm Mutual Political Action Committee

The upcoming 81st Legislative Session, which begins on January 13, 2009 and continues through June 1, 2009, promises to be a very active one. Insurance will be a focal point for this session. Critical issues, to be addressed, include (1) the proliferation of TWIA and solving TWIA's funding issues of its losses; (2) concerns about rates and the rate approval process; and (3) the TDI Sunset Commission Report. Germania will be very active in attending sessions and committee meetings. We will also be in contact with individual legislators to present our position for and against various issues and asking for their support. As a constituent, you are in a better position to discuss our issues with your elected legislators. We may enlist your aid to help us contact or present our position to your legislator.

TWIA's issue of funding its losses is most critical. TWIA is woefully under reserved for its exposures. Currently Farm Mutuals are not members of TWIA but the unlimited assessment feature in the current plan of operation could severely impact Germania's subsidiaries and the rest of the industry in Texas. The fact that a company may recoup some TWIA assessment through premium tax credits could also wreak havoc on Texas' General Revenue Fund. However, we need to be sure the cure isn't worse than the disease. The most critical piece of fixing TWIA for us is for farm mutuals to remain outside of TWIA. Still, we must find a way to remove the unlimited assessment on insurance companies.

Another advantage that GFM enjoys is the freedom from having to file and get approval of its rates from TDI. The Germania stock subsidiaries, however, must file rates with TDI. The 78th Legislature created file and use, which means a company files its rates and can use them unless, after a review, TDI determines them to be unreasonable. Forces outside the industry are trying to reinstitute a process, called prior approval, whereby the company must file and await approval from TDI before it can use a rate. Other states such as Illinois (1970), New Jersey (2003), South Carolina (2004) and Massachusetts (2007) have replaced prior approval with file and use. In every case more companies entered the market, premiums were reduced and insured complaints were reduced. We need to retain and strengthen the current file and use system.

The TDI Sunset Commission Report will result in the filing of a specific sunset bill. This bill must be passed in order for TDI to continue. The current time does not appear to be especially onerous to Germania or the industry. However, many times special interest groups attach amendments to this bill in an attempt to get bad legislation passed. We must remain vigilant so that no detrimental amendments are attached to this bill.

Other than the act of voting, it is difficult for an individual to significantly impact the legislative process. The Germania Farm Mutual Political Action Committee (GFM-PAC) provides individuals with another way to influence the political and legislative processes through monetary support of candidates and/or issues. Since we will be asking various

state level elected officials to support our cause it is appropriate for us to thank them for that support though monetary contributions to defray the cost of their last campaign and stock their war chest for their next campaign.

The Germania Legislative Committee respectfully asks that you consider donating to GFM-PAC so that we may continue to have a voice in Austin.

Below is some information about GFM-PAC and instructions on how to contribute. Please review this information and if you are so inclined please contribute.

GFM-PAC

- GFM-PAC is a general purpose PAC created to financially support candidates who support farm mutuals and industry wide insurance issues.
- Decision making body is GFM Legislative Committee
- Treasurer – Bill Boer Assistant Treasurer – Trey Hardy
- Funds are dispersed to candidates approved by the GFM Legislative Committee.
- Each Contributor will receive a report of contributions and expenditures annually.

CONTRIBUTIONS

- Only cash or *personal* checks are acceptable. ***You may not use an agency check to contribute.*** Information required on the contribution includes:
 - Full Name
 - Home Address
 - Occupation
 - Amount Contributed
 - Date Contributed
- Mail your contribution to:
GFM-PAC
P.O. Box 645
Brenham, TX 77834-0645
Attn: William Boer, Treasurer
- Contributions are not tax deductible

Thank you for your support.

Germania Farm Mutual Legislative Committee and Germania Farm Mutual Political Action Committee