

PROMISES KEPT

Stability: Our Most Important Promise

Texas Mutual Insurance Company is financially stable and prepared to fulfill its promises to Texans for years to come.

Our conservative investment philosophy has carried us through the downturn in the markets. We also experienced favorable development in our reserves, which helped keep our 2009 calendar year loss ratio low.

Our financial strength empowered us to pay policyholder dividends for the 11th consecutive year. We have paid \$742 million in individual and group dividends since 1999.

Policyholders consistently cite dividends and service as primary reasons they choose to stay with Texas Mutual. With guidance from their agents, 81 percent of our customers renewed their policies in 2009.

We are Texas' leading writer of workers' compensation insurance, and we enter 2010 on solid financial ground.

We expect the highly competitive workers' compensation market and the effects of the recession to continue into next year. Texas Mutual will closely watch both, but neither will be our primary focus. We know that market and economic conditions are temporary; our mission, values and strategic goals are permanent.

The management and staff of Texas Mutual are committed to providing a stable, competitive source of workers' compensation insurance for Texans. The company has the complete support of the board of directors as it fulfills that commitment in 2010 and beyond.



Bob Barnes
Chairman



Ron Wright
President



Chairman Bob Barnes (left)
and President Ron Wright

2009 Promises Kept:

- Paid \$93 million in individual and group dividends
- Issued \$75 million in network discounts
- Funded free safety courses for the public at three Texas colleges
- Hosted 14 free workers' compensation workshops across the state
- Launched a bilingual safety campaign in the Valley and a teen worker safety campaign in Lubbock
- Coordinated safety roundtables for the oil and gas industry
- Issued \$27,000 in college scholarships to victims of catastrophic workplace accidents, as well as their families
- Saved, identified or recovered \$16 million through our zero tolerance for fraud program

Board of Directors

Bob Barnes
Chair
Granbury

Judy Broussard
Vice Chair
Levelland

Delia Reyes
Secretary
Dallas

Richard A. Cooper
Lubbock

Jay Eisen
Beaumont

Linda Foster-Smith
Georgetown

Bernie Francis
Carrollton

Eric Oliver
Abilene

George Wesch Jr.
San Antonio

Corporate Mission

To provide a stable, competitive source of workers' compensation insurance for Texas employers, act as insurer of last resort, and help to prevent on-the-job injuries and illnesses and minimize their consequences.

Executive Officers

Ron Wright
President

Lisa Corless
Chief Operating Officer

Mike Barron
Senior Vice President
Financial Services

Lynette Caldwell
Vice President
Human Resources

Mike Dileo
Senior Vice President
Claims

Elliott Flood
Senior Vice President
Internal Audit

Terry Frakes
Senior Vice President
Public Affairs

Cecily Gallagher
Corporate Actuary and
Chief Risk Officer

Randy Johnson
Senior Vice President
Investments

Steve Math
Senior Vice President
Underwriting

Bill McLellan
Senior Vice President
Information Technology

Mary Nichols
Senior Vice President and
General Counsel

Ernest Stokey
Vice President
Premium Audit and Recovery

TexasMutual[®]
Insurance Company

HERE FOR TEXAS. HERE TO STAY.[®]

(800) 859-5995
texasmutual.com

Financial Highlights

For the year ended December 31, 2009 (in thousands)

Gross premiums written	\$645,036
Gross premiums earned	\$656,363
Net premiums earned	\$648,194
Net investment income	\$168,219
Claim benefits paid and incurred	\$374,126
Underwriting expense	\$179,129
Dividends to policyholders	\$93,114
Provision for uncollectible premiums	\$766
Other expense	\$452
Net income	\$168,826

At December 31, 2009 (in thousands, except number of policyholders and employees covered)

Admitted assets	\$3,827,253
Liabilities	\$2,513,581
Policyholders' surplus	\$1,313,671
Number of policies in force	47,927
Number of employees covered on policies in force	935,925

Key indicators, year ended December 31, 2009

Incurred loss ratio*	57.0%
Statutory combined ratio	86.0%
Combined ratio including dividends	100.7%
Premiums written to surplus ratio	0.49:1

* Ratio calculated as a percentage of gross premiums earned

Workplace Accidents Are a Pain. Work Smart.

Lubbock is the kind of place where people care about their children's safety. That made it the perfect place for Texas Mutual to launch its One Wrong Move campaign. The campaign's goal was to promote safe work behaviors among youth between the ages of 16 and 19.

"Texas Mutual is on a mission to make our state a safer place to work," said Texas Mutual President Ron Wright. "Teens represent the future of the workforce. This campaign was an excellent opportunity to help employers instill safe work behaviors that will last a lifetime."

Brady's Dairy Queen was one of 16 Lubbock-area employers and insurance agencies that co-sponsored the One Wrong Move campaign. Pat Damron joined the Brady's team in 1986. She said safety has always been a priority at Brady's, but this year was different.

"I really think it's because we stressed safety so much through the campaign," said Damron. "We presented the brochure and other training materials to employees. We hung the posters around the workplace. That helped us think about safety all day, every day."

Texas Mutual wants to help more Texas business owners make safety part of their corporate culture. We plan to extend the One Wrong Move campaign into other midsize Texas markets in 2010.



Partnering With Policyholders to Fight Fraud

Texas Mutual commits the resources necessary to protect our policyholders' premium dollars. In 2009, we saved, identified or recovered \$16 million through our claimant, health care provider and employer fraud investigations.

"Texas Mutual is certainly more aggressive than other companies in fighting fraud," said policyholder Hector Ruiz of Ruiz Protective Services, Inc. "That's important because we're in a highly competitive industry, even more so with the economy being down. To continue growing, we have to do everything we can to control our workers' compensation costs."

Our success at fighting fraud is part of the reason we have been able to pay \$742 million in group and individual dividends during the past 11 years, including \$93 million in 2009.

Participating in the Service Cycle

Texas Mutual employees are committed to living as responsible corporate citizens. In 2009, they generously donated a company-record \$148,736 to the United Way. They have donated more than \$1.6 million since 1993.

"I think it's important for each of us to help someone who is not as fortunate as ourselves," said Diane Thomas in our legal department. "Times are tough for everybody right now, so you can only imagine how much tougher it is for those who already have very little and are trying to support their families."

Our employees also lend their time and talent to charitable causes. In 2009, they donated blood, hosted food drives, collected school supplies for underprivileged students, and participated in the American Cancer Society's Relay for Life.

"I love volunteering because it gives me an opportunity for exchange," said Susan Richardson of Texas Mutual's information technology division. "I exchange my skills and time today, because tomorrow I may be the recipient of someone else's volunteer effort. It's a way for me to feel like part of the service cycle."



Policyholder Hector Ruiz
President
Ruiz Protective Services, Inc.

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