

## Minnesota Association of Farm Mutual Insurance Companies



## It's not your Grandpa's company anymore

*Ron Berning, MAFMIC Chairman*

This shouldn't be news to anyone, but the older generation is dying, and unless we start to mentor Generation **X** and Generation **Y**, our Township Mutual Companies and Association are going to die! The Township Mutual Industry and MAFMIC are too great to let that happen. Since World War II, there have been four distinct generations in Minnesota and the Nation.

Knowing the differences in these generations can help MAFMIC and our member companies accommodate change in our Companies and the Association, to obtain new policyholders and increase interest in MAFMIC. We need to attract new, younger policyholders to our companies and keep them on board, and at the correct time elect some as Board of Directors for our Companies. Each generation has its own way of dealing with leadership, communication, finances and other aspects of life.

The main source of communication for the **War Generation**, people born between 1925 and 1945 is the telephone, mail or the radio. When they were told to do something, they did it and they dealt with one another one-on-one.

Then, along came the **Baby Boomers**, born between 1946 and 1964. This generation is into social and political unrest, more divorces, but experienced financial success, and control at least eighty per cent of the national economy. The **BB's** question authority and think higher education is a birthright. They use touch tone telephones, television and answering machines to communicate. They like meetings and titles, and use consensus and team playing to find answers. They want to be important, valued and needed.

**Generation X**, are those born between 1964 and 1981. This is the first generation to have a computer in their home. Many grew up on cable television and were latch key kids, some may call you the "MTV Generation." Many in this group have a lower earning capacity than the **BB's** and make about twelve per cent less on average than the **BB's**. The divorce rate increased again, but **Xer's** look to balance work with family and recreation, and many work from their home. During this time of economic uncertainty, it is believed that change is the rule not the exception. **Xer's** like to ignore leaders, and rigid schedules. In the workplace, as long as the work gets done, forget the rules, with an attitude of skepticism and informality. **Xer's** communicate by cell phone and computer, while believing all people are the same when it comes to leadership and will question orders.

**Generation Y**, born around 1982 to 2000. Also called Trophy Kids, Generation Next, or Millennium Kids. Many experienced watching the bombing at Oklahoma City, the Columbine School shooting, 9-11 and the war in the Middle East on TV. The **Y** generation does not believe that anyone is a loser. Everyone is a Winner. There is less personal communication and talk to each other by e-mail, texting, Facebook and Twitter.

At the push of a button access to knowledge can be received. Many have less education due to the cost of higher education and tend to stay in the parent's home longer. One in eight still live at home.

There has been financial crisis after financial crisis, with this Generation having up to thirty per cent unemployment. The **Yer's** while looking for positive feedback, having fun and not waiting for anything is the rule. That doesn't mean they aren't opinionated and over-confident, with great expectations and a grasp of reality. If challenged, be ready for the facts, while pushing your buttons and challenging authority, understanding how to work together will not be a strong point. Generation **Y** likes to help but doesn't want to be in an organization, or join.

The new emerging generation is **Generation 9-11**, those born since the terrorist attack. They will again have a distinction and be different, as time rolls on.

Every generation says that the other generations haven't had to face what they had to face, and all believe that the other generations are at fault.

This may offend someone, but it was not the intent. The question is how can we stay within the Township Mutual and MAFMIC member's traditions and increase our company's policyholders and continue to operate as an Association in the future.

**Hope to see all GENERATIONS at the Director's & Manager's Seminar on July 13<sup>th</sup> at the St. Cloud Civic Center!**

### INSIDE THIS ISSUE

Board Member Profile	2
Company Profile	3
2011 CCP Overview	4
Scholarship Winners / Unemployment Insurance Audit	5
Take What the Yield Curve Gives You	6
2011 Managers Workshop	7

## Board Member Profile

*Diane Boucher, Manager, King Town Farmers Mutual*

### Personal Questions:

**1.) Where did you grow up?** I grew up on my parents farm which is eight miles north of McIntosh.

**2.) Where did you attend high school?** I attended McIntosh public school for grades 1-12.

**3.) Did you attend college - If so where & what for?** I attended a two year x-ray technology training at the Lutheran Deaconess Hospital in the cities. Half way through school my life took a major change when I traveled to Fort Sill, Oklahoma where Dennis and I were married.

**4.) Do you have children?** Yes, actually we have five children. Chris and Caren are one year apart. Eight years later our middle child came Cameo (like an only child) and then six years later came Cassandra and shortly after Callie. We were never able to actually get our boy but Chris and Cassandra followed in their fathers footsteps when it came to doing things with vehicles out in the shed. Our oldest is 42 and our youngest is 23. The boys in our family are our son in laws along with two of our eight grandchildren. Cameo is expecting in September and we are waiting until then to see if it's a boy or girl.

**5.) What are some of your favorite hobbies?** Sewing has been a passion for me however, now I have been concentrating on landscaping and flower beds. One year for our anniversary, Dennis brought home a rock (more like a boulder), of which I was thrilled with and needed to decide what flower bed would be the best spot for this rock! When I tell this story, most women look for a big rock on my finger!

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### Professional Questions:

**1.) What was your first job?** My first "real job" was after Dennis' release from the army. We lived in Brooks for seven years and at that time I worked for an independent tax consultant during the tax season. This allowed me to work and still be at home with my family.

**2.) What about the insurance industry appealed to you as you were starting out?** In 1976 my grandmother passed away. My dad asked if we would like to come and live in her house. So we decided to move back home to McIntosh. Shortly after we moved my lifetime neighbor Robert Edwards, Manager of King Town Farmers Mutual offered me a job as his bookkeeper. This was appealing to me with my previous work experience.

**3.) What do you enjoy about your job?** Everyday is different. Basically you have your usual daily tasks set before you, but when the phone rings, or someone comes in the office, who knows what will be in store for that day.

**4.) What do you strive for professionally?** Perfectionism! I know this is not possible, after all we are all human beings. However, I do like to be as thorough as possible when completing projects.

**5.) Who has been most influential to you professionally?** I don't know that there is one particular person that has influenced me in particular, but there are several professionals that I admire, respect and look up to.

**6.) What do you like about being a board member?**

I still consider myself a newcomer to the board of directors. With all the information it is easy to be overwhelmed with all the business that needs to be taken care of, but on the other hand it is awesome to see the actual mechanics of the board at work. From the actions the board sets forth, it takes a lot of volunteerism to accomplish the goals for the board and membership.

**7.) What issues do you think are most important concerning the Mutual Insurance Industry?** Competition and Regulation. Competition has always been a concern for the township mutual industry. It might be with our neighboring mutual or the large competitors. The large competitors are able to provide substantial credits in areas that are not necessarily available to township mutuals. Even though as a mutual, you try to provide credits, there is a fine line you need to consider to remain profitable in the business. Regulation is another area of concern that we need to stay on top of. We can do this with the assistance of the Government Affairs Manager's watchful eye of the legislative proceedings. Not only during session, but continuously keeping in touch with legislatures periodically throughout the year. As individuals, we can become more actively involved in legislative affairs. As a whole, the township mutual industry is strong. In my 35 years of working for King Town Farmers Mutual there has been a lot of changes. As I see it Township Mutuals are in step with and ready to compete with the other insurance companies located on the main street in your hometown, USA.

## Leenthrop Mutual

*Paul Larson, Manager*

Leenthrop Farmers Mutual Insurance Company was started as a Minnesota Township Mutual Fire Insurance Company in 1886 serving Leenthrop, Sparta and Granite Falls township's in Chippewa County Minnesota. The first company bylaws were printed in Swedish, Norwegian and English. In it's first year in business the company issued 140 policies with the first policy being issued to a resident of Leenthrop township which insured \$400.00.

Leenthrop Farmers Mutual writes those coverage's as authorized by Chapter 67A. They include fire, lightning and additional lines as authorized. Leenthrop Mutual underwrites and issues package policies for North Star Mutual and Grinnell Mutual Reinsurance Company.

Leenthrop Mutual has 3 full time employee's and 3 part time. There are 13 agencies that represent the company in 23 different communities all located in a 20 county area in Western and Southwestern Minnesota.

Leenthrop Mutual presently operates within the independent agency system in 20 counties in Minnesota. It is critical that prudent practices and procedures continue to be taken to assure that the rates remain sufficient to assure that the surplus of the company remains adequate to protect policyholders assets.

Leenthrop is in its 125th year of providing financial protection for the people of Southwest and West Central Minnesota. A conservative but realistic approach is the company goal, however, growth is needed to survive. The most important objective of the company is to provide the policyholders with a safe and

secure company to protect their assets.

While many metropolitan regions of the state are experiencing substantial population growth, the rural areas as a whole continue to decrease in population. The economies of agriculture and related industries create an environment that result in farms becoming larger and technology constantly changing. Leenthrop Mutual must be ready to accept these changes and provide the insurance coverage and technology required that these insured's and agencies need. The specific goals for the company are to increase production, underwrite and inspect properties and insured's to limit risk. So that we can continue to provide technology services for agents & insured's, all while offering a product of up to date coverage that will protect the assets of the policyholders.

The biggest challenge is to try to keep one step ahead of changing agricultural practices, providing coverage's that keep pace with the competition and the ever changing technology world. While continuing to maintain a safe, secure and satisfactory atmosphere for providing an insurance product that will continue to provide the protection that our policyholders have come to know and expect.

It's important for a Company to be involved in the local community, however with expanding territories it's difficult to be involved in the entire territory. Listed below are activities Leenthrop is involved in: Local Fiesta Day activities, sponsorship of the church softball team, sponsoring territory wide scholarships, county fair, 4-H blue ribbon auctions, Local Lions Club, donations for school activities, cancer benefits, individual benefits for catastrophic events and where ever appropriate. To describe our company in one word we would have to say **Friendly**.

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## 2011 CONGRESSIONAL CONTACT PROGRAM (CCP)

The 2011 CCP saw twenty one people attend May 11 – 13 in Washington. This year we have four Members of Congress from Minnesota receive the NAMIC Benjamin Franklin Award. This is an award given to members of Congress who vote with NAMIC/MAFMIC at least 75% of the time.

This years recipients are Senator Amy Klobuchar, Congressman Erik Paulsen (3<sup>rd</sup> District), Congresswoman Michele Bachmann (6<sup>th</sup> District) and Congressman Collin Peterson (7<sup>th</sup> District). We appreciate these members of Congress supporting our issues.

The comments from those attending was most members of Congress and their staff members were better prepared and knew our issues better then previous years. This would indicate we are making progress, plus the 2010 election might be motivating members of Congress.

There were several issues for us to talk to members of Congress about. Issues included oversight of Dodd/Frank Act, Small Company Tax and Flood Insurance Reform. NAMIC Staff covered the proposed Building Code State Incentive Act.

We again encouraged everyone to participate in the discussion but assigned lead persons on a given issue. We also prepared information booklets for each member of Congress about MAFMIC and left at least two copies at their office.

Going to Washington in May has helped us in avoiding larger crowds (students and tourists) and the weather has been cooler.

Consider going to Washington in 2012. The Congressional Contact Program (CCP) is an important part of MAFMIC and NAMIC in our effort to protect our companies and the Mutual Insurance Industry.



Chairman Ron Berning & Senator Amy Klobuchar



(L - R): Pete Hellie, Lee Gunderson, Becky Knakmuhs, Congressman Erik Paulsen, Aaron Grove, Mary Kerfeld, Mikel Nelson, Dean Kerfeld, and Kerry Knakmuhs



Pictured to the Left: Chairman Elect: Linda Jaskowiak & Congresswoman Michele Bachmann



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## Minnesota Unemployment Insurance Audit

Jim Barta, Jim Barta, CPA PA

During a recent MUI audit the MUI auditor determined that managers of Township Mutuals are “exempt officers” not subject to MUI taxes due to the following reason: *Because a manager is listed on Page 1 of the Township Mutual Blank (Yellow Book) under the section titled Officers, they are “exempt officers” under MN Statute 268.035, Subd. 20(28) for Minnesota Unemployment Tax. It doesn’t matter that they are not an Officer of the corporation according to their Articles and By Laws. Also, if a Township Mutual manager would be laid off they should not be eligible to collect unemployment compensation. That actual wording is in the Statute and a link to the Statute is below.*

### MN Statute 268-035

#### Subd. 20 - Noncovered Employment

“Noncovered employment” means:

(28) employment as an officer of a township mutual insurance company or farmer’s mutual insurance company operating under chapter 67A; <https://www.revisor.mn.gov/statutes/?id=268.035>

This is a very specific exemption and only applies to Township Mutual as noted above. It is very important to note that W-2 wages ARE subject to Federal Unemployment Taxes (Form 940). The rules that determine classification for employment at the Federal level follow common law. State unemployment insurance agencies use their own rules to determine whether to categorize an activity as employment for state UI purposes.

Due to the changes at MAFMIC over the last few years we realized that we missed some important milestones. We have sent out letters to companies recognizing 100th and 125th anniversaries for the past 5 years. If you did not receive a letter please contact the MAFMIC office. We will be recognizing your anniversary at the upcoming Fall Regional Meetings.

## 2011 MAFMIC Scholarship Winners



(L) Zachary Jenson of Appleton, received his scholarship certificate from Laurie Wellnitz, Manager of Agassiz & Odessa Mutual



(Right) Rachel Hovland of Mora, received her scholarship certificate from Carol Maciej, Manager of Mid-Minnesota Mutual



(L) Isak Kvam of Granite Falls received his scholarship certificate from Paul Larson, Manager of Leenthrop Farmers Mutual



(L) Andrea Betts of Fairmont, received her scholarship certificate from Mark Smith of Lakeside Agency of Fairmont

Be sure to check out the 2011 Support Staff Registration form inserted in this issue or go to [www.mafmic.org](http://www.mafmic.org)!

### MAFMIC Summer Hours:

Beginning May 30th and continuing through September 2nd. MAFMIC’s office hours will be:  
**Monday thru Thursday 8am - 4:30pm and  
 Fridays 8:00am to 12:00pm.**

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## Take What The Yield Curve Gives You

*Brad Hanson, Fixed Income Trading, Felt & Company, Member FINRA and SIPC  
Brandt Wendland, Sales, Felt & Company, Member FINRA and SIPC*

The tone of the fixed income market at the start of 2011 was extremely bearish, to say the least. Most economic prognosticators called for the 10 year Treasury to climb to 4.00%+ from its then current level of 3.29%. The premise for the bearish tone was rooted in the belief that the massive U.S. Government stimulus spending would, first of all, work and, second of all, lead to significant inflation as the economy overheats.

But, what has happened so far? The 10 year Treasury actually fell to the 2.90 – 3.00% range as the economy teeters on the brink of a double-dip recession. Inflation is still in check (as measured by CPI) and Treasuries continue to grind lower as the world still views the Treasury market as a safe haven. Treasuries are still the tool of choice when putting on the “flight to quality” trade.

The million dollar question: As a fixed income portfolio manager, what should you do with your maturing securities? You could stay on the short end of curve (1-year Treasuries yield 0.15%). You could go out to the very long end of the curve (30-year Treasuries yield 4.15%). The problem with the first strategy is that you’re not generating any cash flow. The second strategy, with interest rates at relative lows, exposes the portfolio to serious duration risk.

We suggest looking at the intermediate part of the curve (10 year range). Right now the yield curve is relatively steep with the difference between the 2-year Treasury (.37%) and the 10-year Treasury (2.94%) at a mind boggling 257 basis points (2.94 - .37 = 2.57).

What does this mean for you? When the yield curve is steep you are getting fairly compensated as you extend out on the yield curve. Then as time passes you end up “rolling down” the curve. If the yield curve remains unchanged, you will experience 32 basis-points of performance each year (257/8 = 32).

In the current interest rate environment we think the intermediate part of the curve (7 to 10 years) is actually the most productive part of the curve. By investing in the 7 to 10 year range, you get to capture incremental yield without taking on excessive duration risk. Think of it this way: If you stay on the very short end you miss out on precious cash flow and if you invest too far out on the yield curve you risk substantial principal loss if rates move significantly higher. The 7 to 10 year range offers the best of both worlds – a satisfactory level of income while limiting downside risk to principal.

Have you ever heard the phrase “Take what the defense gives you!”? Well, if we slightly rework this popular phrase and apply it to today’s interest rate curve it could read “Take what the yield curve gives you!”

### Do you have extra prizes?

**MAFMIC is looking for your extra annual meeting prizes to give away at the 2012 Convention. As usual, prizes will be given away during the Monday night Exhibit Show.**

### Manager & Director’s / Golf Outing Coming Soon!

The Manager & Director’s Seminar will take place Wednesday, July 13 at the St. Cloud Civic Center. The Golf Outing will follow on Thursday, July 14 at the Little Crow Country Club in Spicer.

There’s still time to sign up for one or both of these events so call MAFMIC or check the MAFMIC website for registration materials!

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## 2011 MAFMIC Managers Workshop at Chase on the Lake, Walker, MN

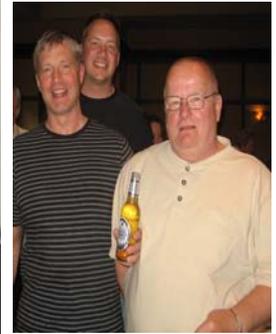
Chase on the Lake Resort in Walker Minn. hosted 30 township mutual managers for MAFMIC's Manager's Workshop.

The managers participated in six and a half hours of discussion in small groups and one large group. The formation of groups along with topics for discussion were relatively unstructured to allow for open communication about issues important to each manager.

One manager said, "I think that overall discussion group method was good and it allowed managers time to speak," while another said, "You really learn a lot from asking other managers questions."

In addition to the discussion time, manager's had the option to participate in activities such as golfing, bowling and a trip to the spa among other things. Although these activities weren't the focus of the workshop, it was said that this time helped them to discuss issues further, network and brainstorm possible solutions, additional questions, etc.

According to the Workshop's evaluation, manager's felt this was well worth the trip to Walker and were able to take a lot of helpful information back to the office with them. Many thought it was nice to just network with other Township Mutual Managers.



*At the left are some pictures of our Managers hard at work and enjoying each other's company.*



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**Mutual Link**

**2011 MAFMIC  
Calendar of Events**

July	13	<b>Managers &amp; Directors Seminar</b> Civic Center, St. Cloud
July	14	<b>Educational Scholarship Golf Outing</b> Little Crow Country Club, Spicer
Aug	2-3	<b>Farm Fest, Gilfillan Estates</b> Redwood County
Aug	17	<b>Mutual Support Staff Seminar,</b> Holiday Inn , St. Cloud
Sep	8	<b>PIA Education Day &amp; Trade Show</b> Mystic Lake Hotel/Casino, Prior Lake
Sep	13-15	<b>Big Iron Farm Show</b> West Fargo, ND
Nov	8-11	<b>Fall Regional Meetings</b> St. Cloud, Rochester, Morton and Mahnomem

**In Sympathy**



Lawrence Gesell, 87 of Alexandria died April 27th, 2011. He is the father of Eric Gesell, Secretary and Adjuster/Inspector with Holmes City Farmers Mutual.



Deloris Mc Colley, 90 of Waseca passed away April 26, 2011. She is the mother of Wayne Mc Colley, Director of Southeast Mutual

*MAFMIC wishes to express its sincerest condolences to both family and friends of Lawrence and Deloris.*

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