Marketing strategy and sales execution succeeded in maintaining 2010 written premium at near the level of 2009. This was no easy task in the soft business insurance market that prevailed through another year. Pricing discipline mandated that some accounts be allowed to go to competitors, rather than renew them at significantly inadequate rates. Further adding to the challenge was offsetting the net return of $1.6 million of premium to policyholders upon audit of exposures which proved lower than originally estimated. At $132,586,193, written premium was down less than 1% for the year. Concurrently, market position was strengthened as policies in force increased 5.1%.

Underwriting results were battered by the effects of recession and weather. Even though medical cost inflation was again significant, workers compensation experience improved over the prior year. The gain wasn’t enough though to overcome a difficult year in commercial multiple peril. Weather-related claims inundated the property portion of package coverage virtually all year long. On the liability side, claims increased sharply for reasons that likely relate to the economic climate. The combined ratio finished at 108.5% after dividends. Historically low interest rates aside, investment income mitigated the underwriting loss to arrive at net income of $114,885—virtually a break-even outcome.

Asset values continued to recover through 2010, thanks to favorable securities markets. As a result, surplus increased by $3,057,292 to total $94,641,170. The company’s strong financial condition got stronger with this growth in capital. Society now has $1 of surplus for each $1.29 of net written premium.

Throughout this challenging year, Society employees repeatedly stepped up, giving real substance to the Society Insurance Value Proposition. Working closely with fine representation from a corps of indispensable independent agents, the company continued its leading role in business insurance for select industry segments. Many of the challenges of 2010 remain. Yet, Society approaches a new year with confidence.

James P. Thomas
President & CEO
SENIOR OFFICERS

James P. Thomas, CPCU  
President & CEO

Rick W. Parks, CPCU  
Senior Vice President & COO

OFFICERS

John A. Barouski  
Vice President – Workers Compensation Claims

Steven J. Binkley, JD  
Vice President – Property, Auto & Liability Claims

Thomas E. Konop  
Vice President – Information Systems

D. Holly Lifke, SPHR  
Vice President – Human Resources

William F. Reeves, CPCU  
Vice President – Commercial Underwriting

Perry G. Schaack  
Vice President – Marketing

Edwin W. Storer, CPA  
Vice President – Finance & Treasurer

DIRECTORS

Eric Englund, JD

Rodney A. Glaeser, Secretary

Thomas J. Gross, CPA

Gregory C. Krohm, PhD, CPCU

Rick W. Parks, CPCU

Stephen M. Peterson, Chairman of the Board

Thomas E. Petri, JD

James P. Thomas, CPCU

Jeffrey M. Timler, CPA
STATEMENT OF FINANCIAL CONDITION

ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds, Amortized Value</td>
<td>$198,673,918</td>
<td>$195,689,292</td>
</tr>
<tr>
<td>Stock, Market Value</td>
<td>$20,683,512</td>
<td>$14,905,434</td>
</tr>
<tr>
<td>Real Estate, Cost Less Depreciation</td>
<td>$2,679,019</td>
<td>$2,906,403</td>
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<tr>
<td>Cash and Cash Equivalents</td>
<td>$8,424,757</td>
<td>$7,212,611</td>
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<tr>
<td>Premiums Receivable</td>
<td>$52,309,298</td>
<td>$51,987,035</td>
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<tr>
<td>Reinsurance Recoverable on Loss Payments</td>
<td>$1,851,277</td>
<td>$1,599,650</td>
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<tr>
<td>Accrued Interest and Dividends</td>
<td>$2,070,326</td>
<td>$2,054,180</td>
</tr>
<tr>
<td>Other Assets</td>
<td>$9,307,250</td>
<td>$9,469,224</td>
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<tr>
<td>Total Assets</td>
<td>$295,999,357</td>
<td>$285,823,829</td>
</tr>
</tbody>
</table>

LIABILITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unpaid Losses and Expenses</td>
<td>$124,462,058</td>
<td>$116,079,886</td>
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<tr>
<td>Agents’ Contingent Commissions</td>
<td>$2,427,919</td>
<td>$3,320,432</td>
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<tr>
<td>Unearned Premiums</td>
<td>$65,334,244</td>
<td>$64,104,037</td>
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<tr>
<td>Ceded Reinsurance Payable</td>
<td>$4,105,409</td>
<td>$5,383,180</td>
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<tr>
<td>Dividends Declared and Unpaid</td>
<td>$4,422,109</td>
<td>$4,536,640</td>
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<tr>
<td>Other Liabilities</td>
<td>$807,176</td>
<td>$815,775</td>
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<tr>
<td>Total Liabilities</td>
<td>$201,558,187</td>
<td>$194,239,950</td>
</tr>
<tr>
<td>Policyholders’ Surplus</td>
<td>$94,641,170</td>
<td>$91,583,878</td>
</tr>
<tr>
<td>Total Liabilities and Surplus</td>
<td>$295,999,357</td>
<td>$285,823,829</td>
</tr>
</tbody>
</table>

TOTAL ASSETS

2010 $295,999,357  2009 $285,823,829
2008 $277,264,105  2007 $271,577,067
2006 $265,154,253  2005 $247,231,865
2004 $230,022,715  2003 $198,400,267
2002 $162,274,945  2001 $148,654,228
SO FAR, THE NEW MILLENNIUM HAS BEEN NOTHING SHORT OF HAIR-RAISING. The 9/11 terrorist attack, two wars, hurricanes Katrina and Ike, the bursting of the housing bubble, financial crisis and severe recession were but some of the explosive events defining the first decade. All the while, our lives and commerce were being transformed by the digital age, broadband internet and wireless communications. The past ten years have rattled our sense of security (physical and financial), shaken our confidence, tested our mettle and changed how we conduct business.

Since insurers are intimately involved with virtually everything that happens in our world, the decade was an adventure for Society® Insurance as well. Response to external forces and events, the imperative of continuous improvement and our own evolution as a company all played roles in creating the Society of 2010.

Recognizing trends in personal lines, we exited that market to concentrate all of our resources on our core business—business insurance. Similarly, a subsidiary insurer whose reason for being had waned, was merged into Society. Geographic diversification through Iowa, Illinois and Indiana picked up steam, expanding to 40% of our business from 9%. After an avalanche of medical cost inflation overwhelmed our workers compensation reserving, we dug out quickly, setting the stage for three years of record net income. This, too, was the decade that saw the investment loss from the bursting of the “dot.com” bubble reach the bottom line. Subsequently, investment strategy was revamped to reduce risk to assets, while generating consistent income. The new portfolio structure served the company well when the housing bubble burst. The ensuing financial meltdown inflicted much less damage to Society’s surplus than the industry average. But then, slow economic recovery from deep recession characterized the closing years of the decade.
A heavily capitalized and highly competitive business insurance industry continues to fight for clients in a shrunken market, driving down insurer profitability. Yet, Society holds its own.

The technological revolution, in which Society invested wisely, had and continues to have significant impact. Notable has been the transition of the workforce from a majority of staff in clerical roles to a predominance of decision makers, relationship builders, analysts and technicians. Turnaround times keep shrinking. Decisions are increasingly based on more and better data. Ever-increasing numbers of tasks are completed without paper.

Ten-year financial results overall were positive, despite absorbing the cost of investment hits from "dot.com" and housing bubbles, dramatic increases in medical costs and the effects of the current brutally soft business insurance pricing environment. Written premiums increased 90%, $44 million was added to surplus and the company generated $38 million of net income.

The overarching story of the decade though is the sharpening of Society’s focus and image. Our role as a unique insurer of small to mid-size businesses, in particular niches, was fully embraced. A heightened consciousness about our competitive advantages in coverage, client knowledge, workers compensation acumen, claims and service excellence and the skill, knowledge and genuineness of our staff culminated in the Society Insurance Value Proposition. Never in recent times have we been able to present ourselves with such clarity and accuracy.

Our commitment to customer value has never been stronger or better understood throughout the organization. We’ve withstood everything the decade has thrown at us and come through better able to take on the next challenge every time. In the end, we are more confident than ever about the company we are and the value we provide. In these tumultuous times, full of challenges, uncertainty and risk for every business, Society Insurance is one thing you can count on.