

LOUDOUN MUTUAL
INSURANCE COMPANY

A Tradition of Serving Virginians Since 1849

161st Annual Company Report

To Our Policyholders and Friends

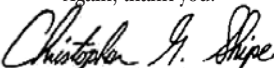
2010 marked Loudoun Mutual's 161st year of service to our policyholder/owners. And, with all the storms, it definitely was a year where we had many opportunities to serve our policyholders. During the year, because of the January and February snow events, the number of claims incurred by the company increased by 23%. With all the storm activity and ongoing economic challenges, once again, the advantages of having an insurance policy with a financially secure, mutual insurance company, were apparent. Because we are a financially secure, mutual insurance company, owned by and operated for the benefit of our policyholders, we worked hard to handle the increased storm losses and pay our policyholders' claims promptly and fairly. A more thinly capitalized company, or a company that was more focused on profits rather than its policyholders would have struggled to handle the greatly increased claim load and financial obligations caused by the storms.

Despite the challenges imposed by increased storm activity and the ongoing economic difficulties, we are thankful that 2010 was an operationally and financially successful year for Loudoun Mutual. During the year we were able to complete several initiatives to better serve our policyholders and agents, including more options to pay premiums. Even with the shrinking housing market, and difficult economic conditions, the number of policyholders insured by Loudoun Mutual increased by nearly 2% and premiums grew 3.5%. And, although Loudoun Mutual paid 2516 claims at a cost of over \$14,413,000, policyholders' premiums covered claims and operating expenses. During 2010, the company's overall financial strength increased, with assets growing 3.7% and policyholder security funds increasing 7.8%.

As I say every year at the end of my report – **to our existing policyholders – THANK YOU.** Your loyalty and support are a major reason for our success. As a way to share the company's good results and express our appreciation to our policyholders, beginning in 2011, homeowner policyholders' who have been with Loudoun Mutual for more than 5 years will receive a 5% loyal policyholder discount. We encourage you to contact your Loudoun Mutual agent to have your policy reviewed, to make sure coverages are meeting your needs and you are getting the best value for your premium dollar. **If you are a new policyholder to Loudoun Mutual – WELCOME!** We hope to demonstrate to you the long term value of placing your insurance with a financially secure, mutual company.

Just as a reminder, if you are a policyholder of Loudoun Mutual, you are more than just a business client. As a policyholder, you are an owner of the company and are always welcome to attend the company's annual meeting, which is held at 9:30 AM each year on the first Tuesday of March at the home office in Waterford, VA.

Again, thank you!


Christopher Shipe
President

Loudoun Mutual 161st Annual Report

For the Year Ended December 31, 2010

ADMITTED ASSETS	2009	2010
Bonds	\$ 27,247,767	\$ 31,920,870
Common Stocks (including mutual funds)	12,658,249	10,515,971
Cash/Cash Equivalents	4,165,713	2,851,303
Premiums Receivable	2,911,180	3,036,826
Reinsurance Recoverable	127,386	209,698
Accrued Interest and Dividends	255,147	265,657
Deferred Tax Asset/Income Tax Refund Receivable	928,927	838,440
Virginia Guaranty Association Pre-Paid	82,181	64,790
Land, Buildings, Equipment, Misc	<u>957,076</u>	<u>934,658</u>
Total Admitted Assets	<u>\$ 49,333,626</u>	<u>\$ 50,638,213</u>

LIABILITIES AND POLICYHOLDER SURPLUS

Unearned Premiums	\$ 12,935,635	\$ 13,440,437
Unpaid Losses and Adjustment Expense	4,388,477	3,151,934
Reinsurance Payable	37,360	65,808
Commissions Payable	1,092,969	951,224
Premiums Paid in Advance	1,147,534	1,131,242
Other Liabilities	952,141	483,765
Federal Income Tax Payable	<u>0</u>	<u>380,000</u>
Total Liabilities	<u>\$ 20,554,116</u>	<u>\$ 19,604,410</u>
Policyholder Security Account	\$ 28,779,510	\$ 31,033,803
Total Liabilities and Policyholder Security	<u>\$ 49,333,626</u>	<u>\$ 50,638,213</u>

UNDERWRITING INCOME

Net Premiums Earned	\$ 23,263,837	\$ 23,778,081
Losses Incurred	11,556,276	12,274,550
Loss Adjustment Expense	1,958,869	2,138,860
Underwriting Expense	<u>8,493,690</u>	<u>8,617,168</u>
Underwriting Profit (loss)	\$ 1,255,002	\$ 747,503

OTHER INCOME

Net Investment Income/Realized Gain	\$ 446,784	\$ 2,218,994
Other Income	179,190	180,068
Federal Income (Tax)/Credit	<u>(533,208)</u>	<u>(862,184)</u>
Net Income (loss)	\$ 1,347,768	\$ 2,284,381

2010 SUMMARY

Direct Premium Written	\$ 27,735,568
Total Assets	\$ 50,638,213
Policyholder's Security	\$ 31,033,803

OPERATING RATIOS

Loss Ratio	60.6%
Expense Ratio	34.7%
Combined Ratio	95.3%

Rated A- Excellent, By AM Best

OFFICERS

Richard C. Shickle
Chairman of the Board

Robert W. Smalley, Jr.
Vice Chairman of the Board

Christopher G. Shipe, AIT, CPCU
President/CEO

Linda L. Mock
Corporate Secretary

April Bridgeman, AIC
Vice President-Claims

Loyd C. Hutchison, II
Treasurer, Vice President-Accounting

J. David King, CIC
Vice President-Marketing

Timothy J. Koppenhaver, ARM
Vice President-Underwriting

Todd E. Robertson, AIT
Vice President, Chief Information Officer

DIRECTORS

Donald A. Butler.....	Winchester, VA
John T. Clemens.....	Round Hill, VA
Mary M. Finnell.....	Mauertown, VA
M. Byrd Inskip.....	Culpeper, VA
Marilyn A. Jarvis.....	Purcellville, VA
Brian S. Montgomery.....	Warrenton, VA
C. William Orndoff, Jr.....	Clearbrook, VA
Richard C. Shickle.....	Winchester, VA
Christopher G. Shipe.....	Berryville, VA
Robert W. Smalley Jr.....	Berryville, VA
Samuel B. Welsh.....	Leesburg, VA
Jill Holtzman-Vogel.....	Upperville, VA
R.B. Donaldson, <i>Director Emeritus</i>	Waterford, VA



LOUDOUN MUTUAL
INSURANCE COMPANY

P.O. Box 58 • Waterford, Virginia 20197
phone 1.800.752.3458 • fax 1.540.882.4785
www.LoudounMutual.com