

Fall 2007

Hortica Branches Out To Serve Landscape Market



Hortica is pleased to officially announce our expanded product offerings to the nationwide landscape market. Since 1887, we have grown our customer base to include all types of businesses in the horticultural industry including businesses that have branched into landscaping services. With recent additions to and expansions of our insurance products and services, we can now guide and provide for businesses whose core focus is commercial and residential landscaping.

"This is the next step in our future growth," said Traci Dooley, senior vice president of sales and marketing for Hortica. "And it directly supports our mission to guide and provide our clients with superior, cost-effective insurance solutions."

Hortica's decision to expand services to the landscape market came as an answer to direct customer demand, from referrals by existing clients and existing clients making the transition into landscaping. Having worked with customers in the green industry for many years, the insurance experts at Hortica completely understand the unique needs of landscape business owners and have proven relationships within the industry.

Hortica's expanded coverage options and services for landscape businesses include business insurance (equipment at job sites, on-the-job employee injuries, chemical application), risk management services (compliance assistance, contract-risk transfer significance, safety topics), performance bonds, employee benefits (health, life, dental, long-term care, disability) and personal insurance. Hortica provides one-stop shopping for all business insurance needs.

Hortica's personalized customer service and superior claims handling has made us a leader in the industry for 120 years. With the right kind of coverage at competitive pricing, and easy premium payment plans, Hortica can help landscape business owners improve their bottom line. For information on how Hortica can help with your landscape business insurance needs, contact one of our specialists today at **1-800-851-7740**.

Hortica Proudly Celebrates 120 Years Of Service To The Horticultural Industry

Hortica Insurance & Employee Benefits celebrates a tremendous milestone, it's **120th Anniversary**, in 2007. Since the company's humble beginnings 120 years ago, much has remained the same, yet much has changed.

During the late 1800s, a group of horticulture businessmen organized the Society of American Florists and Ornamental Horticulturists. In forming the organization, they all faced an overwhelming problem unique to their industry. They needed to protect their glass greenhouses from the ravages of hail. This was the subject of much discussion at the group's first annual convention in 1885. In 1887, an assembly bill passed by the state of New Jersey authorizing the formation of companies for mutual protection against damage to glass by hail, and the Florists' Hail Association of America was founded.

In 1927, the Company moved to Edwardsville, Ill., and reincorporation of the company was completed in 1940. In

1955, Florists' Hail Association of America changed its name to Florists' Mutual Insurance Company. The company became, and remains, a mutual company owned by its policyholders, with its Board of Directors consisting primarily of horticultural industry leaders throughout the United States.

In the fall of 2001, Florists' Mutual Insurance Company began operating as Hortica and moved into its new corporate facility in Edwardsville. Hortica has grown considerably since those first days of protecting greenhouses from hail losses. Yet for well over a century, the Company's focus and dedication to providing specialized business insurance to horticultural businesses of all types has never wavered.



Solid industry relationships are the foundation on which Hortica was built and are what continue to drive the Company's continued success. "We've stayed true to our roots," Hortica president Robert

McClellan says, noting that Hortica has customers whose affiliation with the company dates all the way back to 1888. The Association now known as the Society of American

Florists, from which the Company was formed, remains a valuable partner to this day, as do other organizations that have partnered with Hortica throughout its rich history.

In addition to strong industry relationships, Hortica's dedicated insurance experts and employees work tirelessly to guide and provide clients with superior business solutions and top-notch, personalized service.

"In 1887, if one person neglected their job, their responsibility; if they didn't bring their energy and integrity to work continually, the small company would surely have failed," McClellan says. One

"We've stayed true to our roots," Hortica president Robert McClellan says



New Look & Website

In timing with the company's 120th Anniversary, Hortica recently launched a new corporate branding campaign and an improved Web site, offering customers easier access to the company's growing menu of insurance solutions.

As part of the corporate branding campaign, the Hortica logo was enhanced to include specific wording addressing its core business, "Insurance & Employee Benefits." An updated tagline was developed – "To guide and provide." Finally, a peace lily plant was selected to represent Hortica on marketing materials. The plant is symbolic of Hortica's protection, partnership and reach, a living reminder of the company's commitment to guide and provide clients with the security they deserve.

The newly improved Web site at www.hortica-insurance.com provides visitors with detailed explanations of coverage available at Hortica, as well as a hassle-free way to request a quote, request a certificate of insurance or report a claim.

"The Web site was designed to help clients and prospective clients better understand their risks and their options, and to help Hortica enhance our customer service," says Pete Fornof, senior vice president of information technology at Hortica.

On the new Hortica site, users can learn about business insurance, employee benefits and personal insurance options. The site's risk management section offers all visitors comprehensive employee training guides on a range of topics. A clients-only section offers access to loss control services and an extensive menu of training programs and resources. Log on to www.hortica-insurance.com today to learn more.



Hortica's Financial Overview Since 2005

2006 Retained Earnings Were Highest in Company's 120-Year History

For the year ended December 31, 2006, Hortica achieved the highest level of retained earnings in the company's 120-year history. Net income for 2006 was \$5,243,000, a dramatic 39 percent increase over 2005's net income of \$3,778,000. Surplus (retained earnings) at December 31, 2006 totaled \$51,138,000 which is a 12.6 percent increase over December 31, 2005's \$45,417,000.

These results were prepared based on statutory accounting principles required by the various

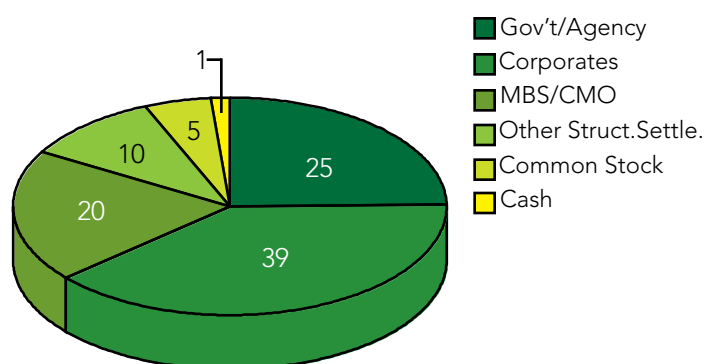
states and may differ from results prepared under generally accepted accounting principles (GAAP). Statutory results are generally more conservative than GAAP results.

Recognizing Hortica's excellent performance in 2006, A.M. Best, the premier insurance company rating organization, announced a new rating for Hortica: A- excellent with a stable outlook. Hortica is now an A.M. Best size category VII, with surplus between \$50,000,000 and \$100,000,000.

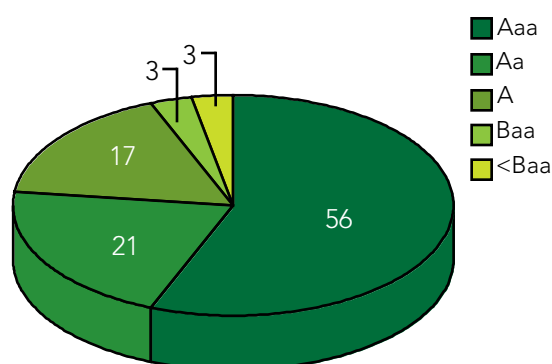
FINANCIAL HIGHLIGHTS (in thousands) 2005 - June 2007

	Quarter Ended June 30, 2007	Year Ended December 31, 2006	Year Ended December 31, 2005
Direct premium written	36,502	68,146	78,188
Net premium earned	24,813	52,916	65,774
Net investment income	2,510	5,018	5,032
Net income (loss)	196	5,243	3,777
Operating cash flow	(2,064)	(399)	(151)
Total assets	174,849	174,600	181,042
Loss ratio	70.7%	59.6%	67.8%
Expense ratio	37.1%	36.3%	32.0%
Combined ratio	107.8%	95.9%	99.8%

INVESTMENT PORTFOLIO as of June 30, 2007

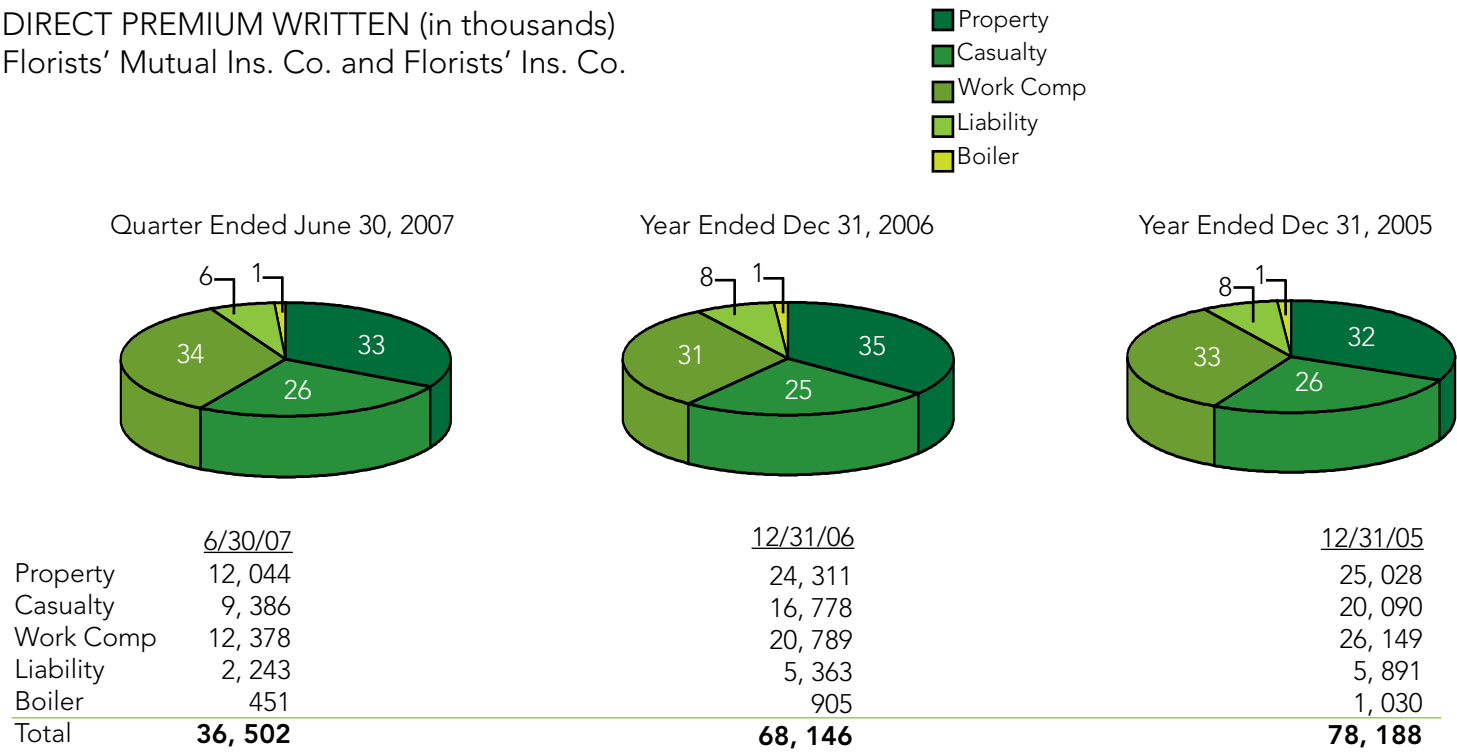


Type of Investment	(000's)
Gov't/Agency	29,014
Corporates	45,837
MBS/CMO	23,402
Other Struct.Settle.	12,034
Common Stock	5,982
Cash	1,599
Total	117,868



Bond Ratings	%
Aaa	56
Aa	21
A	17
Baa	3
<Baa	3
Total	100

DIRECT PREMIUM WRITTEN (in thousands)
 Florists' Mutual Ins. Co. and Florists' Ins. Co.



Promotions and Recent Hires



Kenneth Von Forell was recently promoted to National Director of Independent Agents. Von Forell has been with Hortica for 21 years and has 30 years of experience, most recently serving as Western Regional Sales Vice President.



Amy Edwards was hired as a Senior Account Executive for southeastern Texas. Edwards handles commercial property and casualty insurance sales for Hortica, working south of Austin to the eastern border of the state.



Tom Richey was recently promoted to Vice President of Property Claims/Loss Control. Richey has been with Hortica for 16 years, most recently in the role of Assistant Vice President of the Property Claims unit.



Gary Tapp was hired as a Senior Account Executive to work a territory encompassing the entire state of Georgia. Tapp is a direct writer of Hortica policies, who handles commercial property and casualty insurance sales.



Zachery Bruce has been named Regional Loss Control Manager, a newly-created position that will manage loss control for the Eastern region. Bruce joined Hortica in August 2005 as a loss control representative.



Morey Daniel was hired as a Senior Account Executive for Indiana, Kentucky, Tennessee and southwest Ohio. Daniel is headquartered in Lexington, Ky. and handles commercial property and casualty insurance sales.



Jill Hoffmann has been named a Regional Loss Control Manager, a newly-created position that will manage loss control for the Western region. Hoffmann joined Hortica in January 2004 as a loss control representative.



Matt Botsford was hired as a Senior Account Executive for the state of Michigan. Based in Lansing, Mich., Botsford handles commercial property and casualty insurance sales for Hortica.

Claims System Efficiencies

The Claim and IT departments at Hortica recently collaborated to develop a conversion of all workers' compensation medical bills from paper to electronic format upon receipt from medical providers nationwide. The bills are now sent through our managed care system and to our medical bill review partners for appropriate fee schedule and PPO (Preferred Provider Organization) reductions and adjustments.

The resulting shorter turnaround time has enabled Hortica to negotiate with medical providers for additional reductions, many times exceeding 30 to 40 percent of original amounts billed to patients. These savings immediately impact a customer's claim experience and modification factors on which their annual premium is calculated, translating into insurance premium savings for Hortica customers.



The Importance of Long-Term Care Insurance

Long-term care insurance helps protect personal and business assets, wealth, preserve independence and provide quality of life. LTCi allows people to receive care in the environment they prefer, relieving the financial burden and stress that caregiving can create in their personal lives and businesses.

LTCi provides benefits for home health care, adult day care and assisted living facilities. Long-term care insurance is designed to cover expenses any time in your life, regardless of your work status. Premiums for LTCi are based on your age and health status and you must qualify for coverage. Purchasing a policy while still young ensures you will have coverage later in life and at a lower premium.

Many employers view LTCi as an individual product, rather than an employee benefit. However, under the Health Insurance Portability and Accountability Act (HIPAA), employers can receive federal tax benefits for offering this benefit option to themselves, their employees or both. HIPAA allows the same type of federal tax benefit when an employer pays for their employee's LTCi as when they pay for their health insurance. Most business owners still need this missing component in order to protect their assets for their family.

Serving the Horticultural Industry & Beyond

For most of its 120 year history, Hortica Insurance & Employee Benefits has been solely dedicated to serving the specialized insurance and risk management needs of the horticultural industry. About a decade ago, in order to provide virtually every type of insurance necessary to horticultural businesses and their owners, Hortica developed a highly capable insurance agency operation. A few examples of the types of insurance written by other highly rated insurance companies and available through our agency facility include:

- Employee Benefits
- Long Term Care
- Homeowners and Personal Auto
- Flood Insurance
- Bonds
- Directors and Officers Liability
- Fiduciary Liability
- Complete insurance programs for businesses unrelated to the horticultural industry

Today, Hortica is truly a full-service provider. Whether diversifying your business operations beyond the horticultural industry, or upgrading your existing coverage, Hortica is the one-stop shop for your complete insurance needs.



FROM BOB MCCLELLAN, PRESIDENT

New laws enacted in Florida in an attempt to ease the insurance crisis there could severely impair insurance companies as well as Green Industry policyholders in the event of a severe Florida hurricane. Policyholders and

An Update on Florida

insurance companies will be subject to assessments from the Florida Hurricane Catastrophe Fund (FHCF) and the Citizens Property Insurance Corporation (CPIC), as well as the Florida Insurance Guaranty Association should insurance company insolvencies occur. In addition to the assessments, Florida insurance companies could be required to buy FHCF or CPIC bonds at terms that are not acceptable in the open market.

Hortica's Florida property losses from 1990 to present have exceeded our premiums from Florida policyholders. Past performance, coupled with future storm predictions and unreasonable rate restrictions, translates to increased costs to Hortica. In effect, those increased costs must be absorbed by our policyholders nationwide who have little or no comparable exposure and who have conveyed through the competitive market place that they will not continue the Florida subsidy.

In an effort to protect the financial security of our policyholders, including our Florida clients, and to ensure competitive pricing nationwide, Hortica is accepting no new Florida business and is revising underwriting guidelines on wind susceptible property on a case by case basis.



#1 Horticultural Lane
Edwardsville, IL 62025

800-851-7740

www.hortica-insurance.com

Mission Statement:

To guide and provide our customers with superior, cost-effective insurance solutions.

Board of Directors:

M. James Leider, Chairman

Todd L. Bachman

John A. Baisch

Thomas B. Kearney

Lindley S. Mann, Jr.

Robert E. McClellan, Jr.

Theresa M. McEnaney

John E. Smith Jr.



#1 Horticultural Lane
Edwardsville, IL 62025

PRSR STD
U.S. Postage

PAID

Permit No. 41
Edwardsville, IL