To our Policyholders, Independent Agents, Business Partners, & Associates:

Each year, it is customary for companies to report whether the previous year was successful. “Success” is in the eyes of the beholder – whether something is a success really depends upon how one chooses to define it.

For some organizations, “successful” simply means “profitable” – did the company make money last year? For other organizations, the definition of success is determined by a multitude of factors, many of which may or may not be considered from year to year. In cases where the definition of success is a moving target, “success” may be achieved by simply redefining the criteria.

At Ohio Mutual Insurance Group, we have clear and unchanging criteria for success. For years now, this organization has committed itself – at every level and in every function of the company – to pursue and define success based upon a set of immutable Guiding Principles we adopted in 2003.
These Principles are posted and practiced in every office and cubical across our company, because they keep us all rowing in the same direction – focusing, defining, and aligning our efforts. We believe the values these Principles encompass are ultimately the reasons that policyholders purchase our products, independent agents partner with us, and quality associates choose to work with OMIG.

Rather than relying on me to determine whether 2008 was a “successful” year or not, permit me to simply reiterate the company’s Guiding Principles, and invite you to draw your own conclusions from our results.

**According to our Guiding Principles, this company’s “ultimate objective” is to produce an underwriting profit, because it is foundational to the financial security of our policyholders.** In 2008, we successfully posted our fifth consecutive annual underwriting profit – this year totaling $8.9 million.

**Our Guiding Principles call for us to achieve long-term controlled growth.** In 2008, our premium sales reached $150.4 million due to growth that has averaged 4.8% over the past six years.

**Those same Guiding Principles describe a company mission to pursue financial strength.** In 2008, the company’s surplus, or net worth, increased 7.6% to $123.6 million – an increase of 83% over the past six years. Our total assets also grew beyond $264 million, an all-time high, with $98 million of that growth over the past six years. In addition, the company’s ratio of premium to surplus stands at 1.13:1 – matching its best level in the company’s 107-year history - demonstrating our ability to absorb above-average losses and further signifying OMIG’s financial vigor.

**Our Guiding Principles articulate a vision for OMIG to be recognized as an industry leader through our reputation.** A.M. Best, the insurance industry’s premier rating service, in 2008 granted OMIG a rating of “A” (Excellent) for the 16th consecutive year, and described the company’s rating outlook as “stable” for the 6th year in a row. A.M. Best also has devised an industry financial benchmark that determines whether an insurer has adequate capital to address its risk, known as BCAR (Best’s Capital Adequacy Ratio). OMIG’s ratio has exceeded the industry BCAR by an average of 47% over the past five years.

This past year was not without challenges. We experienced the largest claim event in company history with the September windstorm related to Hurricane Ike (incurring more than $18.5 million in related claims), and the financial meltdown on Wall Street (which cost us just over $2 million of impaired investment charges – a modest hit to our portfolio, due to our conservative investment policy). These circumstances did not cause us to doubt or detour from our Guiding Principles – rather, we are confident that those Principles prepared, equipped, and guided our successful response.

Pulitzer Prize winning author Anna Quindlen once wrote: “If your success is not on your own terms, if it looks good to the world but does not feel good in your heart, it is not success at all.” Despite the negative circumstances we all experienced in 2008, when we examine our performance for the year on our own terms, it feels good in our hearts and we believe it looks like success both to us and to the world.

As I indulge in the small luxury of reflecting upon 2008, I would like to offer several personal words of thanks – first to our mutual policyholders, for their loyalty and trust; next to our agents for their trustworthiness and valued partnership; to our associates for their passionate commitment to our Principles, agents, and our customers; and finally to our many business partners for their shared commitment to our values, customers, and success.

Our Guiding Principles will be the same standards against which we measure our performance next year, and the years after that. We may experience additional catastrophic weather events and witness continued turmoil in our national economy, but we are confident that by steadfastly adhering to the Principles that helped guide us successfully through the challenges of 2008, we will continue to achieve success as an organization in the years to come.

James J. Kennedy, CPCU
President & Chief Executive Officer

omig.com
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<tbody>
<tr>
<td>Direct Written Premium</td>
<td>$129.8 M</td>
<td>$129.6 M</td>
<td>$128.3 M</td>
<td>$128.0 M</td>
<td>$138.6 M</td>
<td>$150.4 M</td>
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<td>DWP Growth Rate</td>
<td>11.1%</td>
<td>-0.2%</td>
<td>-1.0%</td>
<td>-0.3%</td>
<td>8.3%</td>
<td>8.5%</td>
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<tr>
<td>Net Written Premium</td>
<td>$122.8 M</td>
<td>$120.1 M</td>
<td>$117.7 M</td>
<td>$120.8 M</td>
<td>$131 M</td>
<td>$139.4 M</td>
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<tr>
<td>Loss Ratio</td>
<td>63.8%</td>
<td>60.0%</td>
<td>49.8%</td>
<td>45.5%</td>
<td>57.3%</td>
<td>53.5%</td>
<td>55.0%</td>
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<tr>
<td>Loss Adjusting Expense</td>
<td>8.4%</td>
<td>6.1%</td>
<td>8.0%</td>
<td>8.5%</td>
<td>8.7%</td>
<td>6.7%</td>
<td>7.7%</td>
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<td>Commissions</td>
<td>17.0%</td>
<td>18.2%</td>
<td>19.4%</td>
<td>19.1%</td>
<td>17.6%</td>
<td>17.4%</td>
<td>18.1%</td>
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<tr>
<td>Other Underwriting Expense</td>
<td>10.5%</td>
<td>11.7%</td>
<td>14.5%</td>
<td>15.4%</td>
<td>14.2%</td>
<td>15.6%</td>
<td>13.7%</td>
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<tr>
<td>Combined Ratio</td>
<td>99.7%</td>
<td>96.0%</td>
<td>91.7%</td>
<td>88.5%</td>
<td>97.8%</td>
<td>93.2%</td>
<td>94.5%</td>
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<td>LAE/Comm/OUE Ratio</td>
<td>35.9%</td>
<td>36.0%</td>
<td>41.9%</td>
<td>43.0%</td>
<td>40.5%</td>
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<td>Underwriting Profit</td>
<td>($0.6) M</td>
<td>$4.2 M</td>
<td>$8.8 M</td>
<td>$12.6 M</td>
<td>$0.6 M</td>
<td>$8.9 M</td>
<td>$34.5 M</td>
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<td>Net Investment Income</td>
<td>$5.2 M</td>
<td>$5.6 M</td>
<td>$6.7 M</td>
<td>$7.0 M</td>
<td>$7.6 M</td>
<td>$7.9 M</td>
<td>$40.0 M</td>
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<td>Net Income</td>
<td>$3.1 M</td>
<td>$6.3 M</td>
<td>$13.5 M</td>
<td>$13.5 M</td>
<td>$7.9 M</td>
<td>$10.9 M</td>
<td>$55.2 M</td>
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<td>Surplus</td>
<td>$72.5 M</td>
<td>$75.3 M</td>
<td>$88.3 M</td>
<td>$106.5 M</td>
<td>$114.9 M</td>
<td>$123.6 M</td>
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<td>NWP to Surplus Ratio</td>
<td>1.69:1</td>
<td>1.59:1</td>
<td>1.33:1</td>
<td>1.13:1</td>
<td>1.14:1</td>
<td>1.13:1</td>
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<td>Admitted Assets</td>
<td>$185.9 M</td>
<td>$194.7 M</td>
<td>$210.2 M</td>
<td>$232.5 M</td>
<td>$250.5 M</td>
<td>$264.3 M</td>
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<td>AM Best Rating</td>
<td>A Stable</td>
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<td>Rating Outlook</td>
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<td>OMIG BCAR</td>
<td>214.0</td>
<td>213.4</td>
<td>254.0</td>
<td>295.9</td>
<td>291.5</td>
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<td>Industry BCAR</td>
<td>163.6</td>
<td>155.5</td>
<td>166.7</td>
<td>166.3</td>
<td>210.5</td>
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<td>Comparison</td>
<td>130.8%</td>
<td>137.2%</td>
<td>152.4%</td>
<td>177.9%</td>
<td>138.5%</td>
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We hold as our ultimate objective the production of an underwriting profit which enables the financial security for our mutual policyholders.

We are steadfastly committed to the Independent Agency System recognizing our independent agents as our business partners.

We are committed to long-term controlled growth.

We will seek inspiration from our Guiding Principles.

VISION

To be recognized as an industry leader through our reputation with our business partners making us the preferred choice for property-casualty insurance by our customers.

MISSION

To enhance policyholder value by harnessing our financial strength, the ingenuity of our associates, and the shared loyalties of our business partners.

VALUES

We see our associates, our independent agents, and our other business partners focused by one set of aligned values.

CHARACTER

Be passionate about what you do.
Do the right thing.
Keep your ego in check.
Help each other achieve balance.

SERVICE

Build solid relationships.
Be customer focused.
Seek a “win-win” result.
Exceed expectations.

RESULTS

Focus on underwriting profit.
Maintain strong internal controls.
Seek balanced growth.
Own every issue to conclusion.

INITIATIVE

Focus on fundamentals.
Embrace change.
Try something new.
Keep your skills current.

COMMUNICATIONS

Encourage honest feedback.
Use objective measurements.
Build a trusting environment.
Be candid without regard to position.