

October 2011

RE: NEW AUDIT PROCEDURES

Dear Insured:

FHM is pleased to announce that we have partnered with NEIS Inc. and L&L Auditing Services to assist us in completing our workers' compensation payroll audits.

We will be eliminating the quarterly self audit process and introducing an annual payroll audit. The changes to our payroll audit process will begin with the quarter ending 9/30/11.

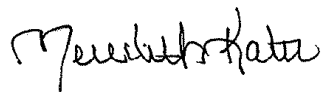
What does this mean for our policyholders?

- The quarterly self audit requirement has been eliminated with quarter ending 9/30/11.
- Non-construction policies with premium of \$10,000 or greater will have an on-site, physical audit at the end of the policy period to be completed by NEIS or L&L Auditing.
- Non-construction policies with premium less than \$10,000 will be required to complete an annual self audit by mail.
- A construction or artisan contractor policy will have an on-site, physical audit at the end of the policy period regardless of the annual premium.

This change will help FHM more effectively manage our payroll audit process, and at the same time, make it easier for our policyholders to do business with us.

Thank you for your continued support of FHM Insurance Company.

Regards,



Meredith Katic  
Senior Payroll Auditor



Angie Adamson  
Vice President Policy Services