June 9, 2009

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. David Whitmire Waide, President & Chairman of the Board
Mississippi Farm Bureau Casualty Insurance Company
6311 Ridgewood Road
Ridgeland, MS 39211

RE: Report of Examination as of December 31, 2007

Dear Mr. Waide:

In accordance with Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999), an examination of your Company has been completed. Enclosed herewith is a copy of the Order adopting the report and a copy of the final report as adopted.

Pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 1999), the Mississippi Department of Insurance shall continue to hold the content of said report as private and confidential for a period of ten (10) days from the date of the Order. After the expiration of the aforementioned 10-day period, the Department of Insurance will open the report for public inspection.

If you have any questions or comments, please feel free to contact me.

Sincerely,

MIKE CHANEY
COMMISSIONER OF INSURANCE

BY

Christina J. Kelsey
Senior Attorney

GD/CJK/bs
Encls. Order w/exhibit
BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF MISSISSIPPI

IN RE: REPORT OF EXAMINATION OF MISSISSIPPI
FARM BUREAU CASUALTY INSURANCE COMPANY CAUSE NO. 09-5920

ORDER

THIS CAUSE came on for consideration before the Commissioner of Insurance of the State of Mississippi ("Commissioner"), or his designated appointee, in the Offices of the Commissioner, 1001 Woolfolk Building, 501 North West Street, 10th Floor, Jackson, Hinds County, Mississippi, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999). The Commissioner, having fully considered and reviewed the Report of Examination together with any submissions or rebuttals and any relevant portions of the examiner's work papers, makes the following findings of fact and conclusions of law, to-wit:

JURISDICTION

I.

That the Commissioner has jurisdiction over this matter pursuant to the provisions of Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999).

II.

That Mississippi Farm Bureau Casualty Insurance Company is a Mississippi-domiciled company licensed to write Automobile Physical Damage/Liability; Boiler and Machinery; Casualty/Liability; Fire/Allied Lines; Home/Farm Owners; Inland Marine; and Plate Glass coverages.
FINDINGS OF FACT

III.

That the Commissioner, or his appointee, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999), called for an examination of Mississippi Farm Bureau Casualty Insurance Company and appointed Joseph May, Examiner-In-Charge, to conduct said examination.

IV.

On or about May 10, 2009, the draft Report of Examination concerning Mississippi Farm Bureau Casualty Insurance Company for the period of January 1, 2005, through December 31, 2007, was submitted to the Department by the Examiner-In-Charge, Joseph May.

V.

That on or about May 20, 2009, pursuant to Miss. Code Ann. § 83-5-209(2) (Rev. 1999), the Department forwarded to the Company a copy of the draft report and allowed the Company a 15-day period to submit any rebuttal to the draft report. On or about May 29, 2009, the Company responded by e-mail with no suggested rebuttal or revisions.

CONCLUSIONS OF LAW

VI.

The Commissioner, pursuant to Miss. Code Ann. § 83-5-209(3) (Rev. 1999), must consider and review the report along with any submissions or rebuttals and all relevant portions of examiner work papers and enter an Order: (1) adopting the Report of Examination as final or with modifications or corrections; (2) rejecting the Report of Examination with directions to reopen; or (3) calling for an investigatory hearing.
IT IS, THEREFORE, ORDERED, after reviewing the Report of Examination and all relevant examiner work papers, that the Report of Examination of Mississippi Farm Bureau Casualty Insurance Company, attached hereto as Exhibit "A", should be and same is hereby adopted as final.

IT IS FURTHER ORDERED that a copy of the adopted Report of Examination, accompanied with this Order, shall be served upon the Company by certified mail, postage pre-paid, return receipt requested.

IT IS FURTHER ORDERED that the Mississippi Department of Insurance shall continue to hold the content of this report as private and confidential information for a period of ten (10) days from the date of this Order, pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 1999).

IT IS FURTHER ORDERED, pursuant to Miss. Code Ann. § 83-5-209(4) (Rev. 1999), that within thirty (30) days of the issuance of the adopted report, Mississippi Farm Bureau Casualty Insurance Company shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related orders.

IT IS FURTHER ORDERED that Mississippi Farm Bureau Casualty Insurance Company take the necessary actions and implement the necessary procedures to ensure that all recommendations contained in the Report of Examination are properly and promptly complied with.

SO ORDERED, this the ___ day of June, 2009.

[Signature]

MIKE CHANEY
COMMISSIONER OF INSURANCE
STATE OF MISSISSIPPI
CERTIFICATE OF MAILING

I hereby certify that a true and correct copy of the above and foregoing Order and a copy of the final Report of Examination, as adopted by the Mississippi Department of Insurance, was sent by certified mail, postage pre-paid, return receipt requested, on this the 9th day of June, 2009, to:

Mr. David Whitmire Waide, President & Chairman of the Board
Mississippi Farm Bureau Casualty Insurance Company
6311 Ridgewood Road
Ridgeland, MS 39211

[Signature]
Christina J. Kelsey
Senior Attorney

Christina J. Kelsey
Senior Attorney
Counsel for the Mississippi Department of Insurance
Post Office Box 79
Jackson, MS 39205-0079
(601) 359-3577
Miss. Bar No. 9853
Mississippi Insurance Department

Report of Examination

of
Mississippi Farm Bureau Casualty Insurance Company
6311 Ridgewood Road
Jackson, Mississippi 39211

As of December 31, 2007

NAIC Group Code 0483
NAIC Company Code 27669
NAIC ETS No. MS029-C45
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<td>ACKNOWLEDGMENT</td>
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</table>
EXAMINER'S AFFIDAVIT AS TO STANDARDS AND PROCEDURES USED IN THE EXAMINATION

State of Mississippi,
County of Madison,

Joseph R. May being duly sworn, states as follows:

1. I have authority to represent the Mississippi Insurance Department in the examination of Mississippi Farm Bureau Casualty Insurance Company.

2. The Mississippi Insurance Department is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.

3. I have reviewed the examination work papers and examination report, and the examination of Mississippi Farm Bureau Casualty Insurance Company was performed in a manner consistent with the standards and procedures required by the Commissioner of Insurance of the State of Mississippi.

The affiant says nothing further.

Joseph R. May, CFE, CIE, CPA, CMA, FAHM
Examiner-in-charge

Subscribed and sworn before me by Joseph May on this 3rd day of June, 2009.

(SEAL)
Debbie Byrd
Notary Public

My commission expires September 10, 2010
May 1, 2009

Honorable Mike Chaney
Commissioner of Insurance
Mississippi Insurance Department
1001 Woolfolk Building (39201)
Post Office Box 79
Jackson, Mississippi 39205

Honorable James J. Donelon
Secretary, Southeastern Zone
Louisiana Department of Insurance
Commissioner of Insurance
1702 N. Third Street
Baton Rouge, LA 70804

Honorable Alfred W. Gross
Chair, Financial Condition (E) Committee
Commissioner of Insurance
State of Virginia
State Corporation Commission
Bureau of insurance
Commonwealth of Virginia
Post Office Box 1157
Richmond, Virginia 23218

Dear Sirs / Madam:

Pursuant to the instructions and authorization from the Commissioner of Insurance for the State of Mississippi, and in compliance with statutory provisions, an examination as of December 31, 2007, has been conducted of the affairs and financial condition of:

**SOUTHERN FARM BUREAU CASUALTY INSURANCE COMPANY**
**NAIC COMPANY CODE 18325; NAIC-ETS No. MS029-C43**

Statutory Home Office:
1800 East County Line Road
Ridgeland, Mississippi 39157

This examination was performed at Southern Farm Bureau Casualty Insurance Company's (SFBCIC or Company) statutory home office located in Ridgeland, Mississippi, and was conducted in accordance with Miss. Code Ann. § 83-1-201 et seq., and the report of examination is herewith submitted for your review.
INTRODUCTION

The examination period, for purposes of this report, is January 1, 2005 through December 31, 2007, and the examination date is December 31, 2007. The examination was performed by examiners representing the Mississippi Insurance Department (MID) and covered MFBCIC's operations and financial condition through the examination period, including material transactions and/or events that occurred subsequent to the examination date and were noted during the course of the examination. The Company's previous examination was as of December 31, 2004, and the previous report of examination was dated December 30, 2005.

SCOPE OF EXAMINATION

The examination of the Company was a full scope financial examination conducted in a manner consistent with the standards and procedures required by the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook, as amended, as well as the MID, and included the assessment of the Company's financial condition, its ability to fulfill and manner of fulfillment of its obligations, the nature of its operations and compliance with applicable laws. A full scope market conduct examination was not performed; however, limited procedures were performed on certain areas of the Company's market conduct. The examiners tested the underlying data for the Company's loss reserve provisions; however, the amounts reported within this report for loss reserves, including any related items and reinsurance, were based on the review and opinion of the actuary who was assigned to the examination by the MID.

HISTORY OF THE COMPANY

On May 19, 1986, the Company was formed under the laws of the State of Mississippi as a wholly-owned subsidiary of Southern Farm Bureau Casualty Insurance Company (SFBCIC). The Company commenced business on September 1, 1986, and was capitalized through the sale of 12,000 shares of stock to its parent company. In order to meet capital and surplus requirements in other states where the Company wrote business on a surplus lines basis, further capital contributions of $500,000 in 1986, $2,870,000 in 1989, $3,000,000 in 1990 and $4,965,000 in 1991 were made by SFBCIC.

HOLDING COMPANY STRUCTURE

The Company is a member of an insurance holding company system as defined within Miss. Code Ann. §83-6-1. Holding Company Registration Statements, for the period under examination, were filed with the MID in accordance with Miss. Code Ann. §83-6-5 and §83-6-9. These filed statements and applicable amendments were reviewed and it appeared that any changes and material transactions by and between the Company and its affiliates were disclosed appropriately.
Organizational Chart

The organizational chart below displays the identities of the members of the holding company structure that included the Company, and is followed by a brief description of SFBCIC's other subsidiaries and interests:

**Southern Farm Bureau Brokerage Company:** This company was incorporated on June 20, 1994 under the laws of the State of Mississippi, and its principal business is compiling, organizing and analyzing insurance related data and statistics; soliciting, brokering, negotiating and/or placing all forms of insurance contracts (except life, health and accident insurance); engaging in real estate transactions, joint ventures, and real estate development; and engaging in any other lawful activities of a Mississippi business corporation.

**Southern Farm Bureau Property Insurance Company:** This company was incorporated on August 1, 1994 under the laws of the State of Mississippi, and during much of the examination period, its principal business was providing reinsurance services to related and associated Farm Bureau companies. Effective January 1, 2007, the Company no longer conducted any active underwriting activities and essentially became inactive.
Louisiana Farm Bureau Casualty Insurance Company: This company was incorporated on February 16, 1981 under the laws of the State of Louisiana, and its principal business is providing casualty insurance coverage (principally automobile) and processing claims in the State of Louisiana.

Florida Farm Bureau Casualty Insurance Company: This company was incorporated on April 16, 1974 under the laws of the State of Florida, and its principal business, in association with its wholly owned subsidiary, Florida Farm Bureau General Insurance Company, is providing casualty insurance coverage (principally automobile, property and general liability) in the State of Florida.

Arkansas Farm Bureau Casualty Insurance Company: This company was incorporated on February 6, 2004 under the laws of the State of Arkansas and its principal business purpose is providing casualty insurance coverage in the State of Arkansas. At the report date, this company was inactive.

SFB Investments Limited Liability Company: This company was incorporated on August 11, 1997 under the laws of the State of Mississippi and was formed to take advantage of certain investment opportunities. During the examination period, the investments held by this company were sold and, at the report date, this subsidiary was inactive.

Texas Farm Bureau Casualty Insurance Company: This company was formed during 2007 in anticipation of the withdrawal of the Texas Farm Bureau and Texas Farm Bureau Investment Corporation from SFBCIC.

Related Party Transactions

The Company's transactions with its related parties were reviewed and the following items were deemed notable for purposes of this report:

- The Company filed consolidated federal income tax returns, which included the operating results of SFBCIC and its subsidiaries; income taxes were allocated to the subsidiaries as though separate tax returns had been filed.

- During the examination period the Company's parent allocated certain expenses including payroll, benefits and other expenses to the Company. The allocation totaled $10,437,049 in 2007 and $6,146,31 in 2006.

- As a result of Gulf Coast hurricanes in August and September of 2005, SFBCIC entered into a financial assistance plan (the Plan) developed to protect the trade name of SFBCIC and its affiliates in the states in which it does business. The Company received $67 million in additional capital from SFBCIC. The Company used $25 million of this cash contribution to purchase the renewal rights from Mississippi Farm Bureau Mutual Insurance Company (Mutual). Under this agreement, the Company acquired the opportunity to offer coverage to the policyholders of Mutual at MFBCIC’s discretion. The renewal rights agreement was
treated as an intangible asset and nonadmitted on the financial statements of the Company, thus decreasing unassigned funds by $25,000,000.

- On April 19, 2006, the Company issued a $25,000,000 surplus note to its parent and a $25,000,000 surplus note to Southern Farm Bureau Life Insurance Company. Interest accrues on the unpaid principal amount at a rate equal to the interest payable on twenty year U.S. Treasury Bonds as of the date of the note, which was 5.29% at April 19, 2006. The interest rate is adjusted every second anniversary date of the note to the then current interest rate payable on twenty year U.S. Treasury Bonds. Interest is due on the first anniversary date of the note, and annually thereafter. The entire principal amount and the accrued but unpaid interest is due and payable on April 19, 2026. Interest and principal payments are subject to the approval of the MID and no interest accrual is necessary until approved. At December 31, 2006, the unapproved accrued interest related to both surplus notes was approximately $1,852,000. In April 2007, the Department approved the annual interest payments on these notes which totaled $2,640,000.

- On February 12, 2007, the Company issued a $4,000,000 surplus note to Mississippi Farm Bureau Federation. The surplus note matures on February 12, 2027 and accrues interest on the unpaid amount at a rate equal to interest payable on twenty year U.S. Treasury Bonds as of the date of the note (which was approximately 5.00%). Interest is due on the first anniversary date of the note, and annually thereafter. Interest and principal payments are subject to the approval of the MID and no interest accrual is necessary until approved.

**MANAGEMENT AND CONTROL**

**Stockholders**

The Company's parent company, SFBCIC, was owned by the Farm Bureau Investment Corporations in the States of Arkansas, Colorado, Louisiana, Mississippi, South Carolina and Texas which are controlled by the Farm Bureau Federation in each state, respectively. Each shareholder owned 666.67 shares (or 1/6th) of SFBCIC's 4,000 shares of common stock issued and outstanding.

**Board of Directors**

The Articles of Association and Bylaws vest the management and control of the Company's business affairs with the Board of Directors (Board). The members of the duly elected Board, along with their place of residence and principal occupation, at December 31, 2007, were as follows:
Name and Place of Residence

Mr. Ronald Roy Anderson
Ethel, Louisiana

Mr. Kenneth William Dierschke
San Angelo, Texas

Mr. Stanley Eldon Reed
Marianna, Arkansas

Mr. David Whitemire Waide
West Point, Mississippi

Mr. David Melton Winkles, Jr.
Sumter, South Carolina

Mr. Randy Lee Knight
Pelahatchie, Mississippi

Mr. Alan Lee Foutz
Akron, Colorado

Mr. John Lawrence Hoblick, Sr.
DeLeon Springs, Florida

Mr. Donald Hubert Gant
Merigold, Mississippi

Principal Occupation

Farmer and President of Louisiana Farm Bureau Federation

Farmer and President of Texas Farm Bureau Federation

Farmer, Attorney and President of Arkansas Farm Bureau Federation

Farmer and President of Mississippi Farm Bureau Federation

President of D.M. Winkles, Inc. and President of South Carolina Farm Bureau Federation

Farmer

Farmer

Farmer
Officers

The officers duly elected by the Board of Directors and holding office at December 31, 2007, were as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. David Whitmire Waide</td>
<td>President and Chairman of the Board</td>
</tr>
<tr>
<td>Mr. Roderick Algene Moore</td>
<td>Executive Vice President - Chief Executive Officer</td>
</tr>
<tr>
<td>Mr. Donald Hubert Gant</td>
<td>First Vice President</td>
</tr>
<tr>
<td>Mr. Dennis Ray Griffin</td>
<td>Senior Vice President - Chief Financial Officer</td>
</tr>
<tr>
<td>Mr. Steve Walter Ingram</td>
<td>Senior Vice President - Legal &amp; Secretary</td>
</tr>
<tr>
<td>Mrs. Judy Goodwin Blackburn</td>
<td>Senior Vice President - Treasurer</td>
</tr>
<tr>
<td>Mr. John Russell McCullough</td>
<td>Senior Vice President - Actuary</td>
</tr>
<tr>
<td>Mr. Mickey Joseph Nugent</td>
<td>Senior Vice President - Operations</td>
</tr>
<tr>
<td>Mr. Mark Gerard Gianfrancesco</td>
<td>Senior Vice President - Marketing</td>
</tr>
<tr>
<td>Mr. Robert Paul Jarratt</td>
<td>Senior Vice President - State Manager</td>
</tr>
</tbody>
</table>

Committees

The following officers and directors served on the Investment Committee at December 31, 2007.

Mrs. Judy Blackburn  Mr. Roderick Moore  Mr. David Waide
Mr. Dennis Griffin  
Mr. Harry Hyslop

The following directors served on the Audit Committee at December 31, 2007.

Mr. Ronald Anderson  Mr. Stanley Reed
Mr. Kenneth Dierschke  Mr. David Waide
Mr. Alan Foutz  Mr. David M. Winkles, Jr.
Mr. John Hoblick, Sr.

Conflict of Interest

The Company has formal procedures whereby disclosure is made to the Board of any material interest or affiliation on the part of any officer or director that is, or would likely be, a conflict with their official duties. These procedures were reviewed, and no conflicts or exceptions to the Company's policies were noted.
CORPORATE RECORDS

The minutes of the meetings of the Stockholders and Board of Directors, regarding the Company's business affairs as recorded during the period covered by the examination, were reviewed and appeared to be complete and in order with regard to recording action on matters brought up at the meetings for deliberation, which included the approval and support of the Company's transactions and events, as well as the review of its audit and examination reports.

FIDELITY BOND AND OTHER INSURANCE

The Company was insured under various insurance policies that appeared to be adequate to protect the Company's interest. In particular, the Company maintained directors and officers coverage, professional liability coverage, electronic and computer crime coverage, and fidelity coverage that, with its $5 million single loss limit of liability, exceeded the NAIC's suggested minimum amount for fidelity coverage.

DIRECTORS', OFFICERS', EMPLOYEES' AND AGENTS' WELFARE

The Company did not have any employees of its own during the period under examination. The employees of SFBCIC performed all work for the Company and any related benefits were provided by the same.

REINSURANCE

The Company utilized reinsurance to limit exposure to large and concentrations of risk. The Company maintained various forms of reinsurance on essentially all property and casualty lines with 100% of the automobile and other liability premiums written reinsured with its parent.

A summary of the most significant reinsurance transactions, including transactions with associated and affiliated companies, follows:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reinsurance:</td>
<td></td>
</tr>
<tr>
<td>Assumptions:</td>
<td></td>
</tr>
<tr>
<td>Premiums written</td>
<td>$ (17,500)</td>
</tr>
<tr>
<td>Premiums earned</td>
<td>6,171,453</td>
</tr>
<tr>
<td>Losses incurred</td>
<td>3,284,807</td>
</tr>
<tr>
<td>Liability for losses</td>
<td>434,664</td>
</tr>
<tr>
<td>Ceding:</td>
<td></td>
</tr>
<tr>
<td>Premiums written</td>
<td>257,657,199</td>
</tr>
<tr>
<td>Premiums earned</td>
<td>256,386,339</td>
</tr>
<tr>
<td>Losses incurred</td>
<td>154,275,214</td>
</tr>
<tr>
<td>Liability for losses</td>
<td>75,416,829</td>
</tr>
</tbody>
</table>

Mississippi Farm Bureau Casualty Insurance Company
Examination as of December 31, 2007
ACCOUNTS AND RECORDS

The Company used its parent company’s computer hardware and software for the maintenance of its books and records. SFBCIC’s computer system is built around an IBM 2064-1CM mainframe computer that included several major application programs, as well as several proprietary software packages. The Company also used Millennium 3.50.50 GEAC Enterprise Solution as its general ledger package.

STATUTORY DEPOSITS

The Company’s statutory deposits with the state of Mississippi complied with Miss. Code Ann. §83-19-31(2). The following chart displays the Company’s deposits at December 31, 2007.

<table>
<thead>
<tr>
<th>Description</th>
<th>State Deposited</th>
<th>Par Value</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond: Gautier, MS Utility District</td>
<td>Arkansas</td>
<td>$180,000</td>
<td>$193,023</td>
</tr>
<tr>
<td>Bond: Gautier, MS Utility District</td>
<td>Mississippi</td>
<td>315,000</td>
<td>338,420</td>
</tr>
<tr>
<td>Bond: Gautier, MS Utility District</td>
<td>Mississippi</td>
<td>220,000</td>
<td>235,917</td>
</tr>
<tr>
<td>Bond: Hornlake MS</td>
<td>Mississippi</td>
<td>775,000</td>
<td>826,553</td>
</tr>
<tr>
<td>Bond: New Orleans Expressway</td>
<td>Louisiana</td>
<td>100,000</td>
<td>103,421</td>
</tr>
</tbody>
</table>

Total $1,590,000 $1,697,334
MISSISSIPPI FARM BUREAU CASUALTY INSURANCE COMPANY
FINANCIAL STATEMENTS
EXAMINATION AS OF DECEMBER 31, 2007

Introduction

The following financial statements reflect the same amounts reported by the Company and consist of a Statement of Admitted Assets, Liabilities, Surplus and Other Funds at December 31, 2007, a Statement of Income for year ended December 31, 2007, a Reconciliation of Surplus as Regards Policyholders for examination period ended December 31, 2007, and a Reconciliation of Examination Changes to Surplus at December 31, 2007.
## Mississippi Farm Bureau Casualty Insurance Company

### Statement of Admitted Assets, Liabilities, Surplus and Other Funds

**December 31, 2007**

### Admitted Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>$175,564,629</td>
</tr>
<tr>
<td>Cash and short-term investments</td>
<td>$80,919,316</td>
</tr>
<tr>
<td>Investment income due and accrued</td>
<td>$2,598,983</td>
</tr>
<tr>
<td>Uncollected premiums</td>
<td>$1,221,623</td>
</tr>
<tr>
<td>Amounts recoverable from reinsurers</td>
<td>$1,549,402</td>
</tr>
<tr>
<td>Net deferred tax asset</td>
<td>$6,036,821</td>
</tr>
<tr>
<td>Receivables from parent, subsidiaries and affiliates</td>
<td>$1,030,108</td>
</tr>
<tr>
<td>Other receivables</td>
<td>$14,454</td>
</tr>
</tbody>
</table>

**Total admitted assets** $268,935,336

### Liabilities, Surplus and Other Funds

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Losses</td>
<td>$10,954,176</td>
</tr>
<tr>
<td>Reinsurance payable in paid loss and LAE</td>
<td>$30,328</td>
</tr>
<tr>
<td>Loss adjustment expenses</td>
<td>$2,226,000</td>
</tr>
<tr>
<td>Other expenses</td>
<td>$753,443</td>
</tr>
<tr>
<td>Taxes, licenses and fees</td>
<td>$1,693,032</td>
</tr>
<tr>
<td>Current federal income taxes</td>
<td>$12,845,561</td>
</tr>
<tr>
<td>Unearned premiums</td>
<td>$72,089,086</td>
</tr>
<tr>
<td>Advanced premiums</td>
<td>$2,288,368</td>
</tr>
<tr>
<td>Ceded reinsurance premiums payable</td>
<td>$154,873</td>
</tr>
<tr>
<td>Amounts withheld or retained by the Company</td>
<td>$3,392,288</td>
</tr>
<tr>
<td>Remittances and items not allowed</td>
<td>$906,348</td>
</tr>
<tr>
<td>Payable to parent, subsidiaries and affiliates</td>
<td>$1,093,997</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$54,059</td>
</tr>
</tbody>
</table>

**Total liabilities** $108,481,559

### Common capital stock:

- (per value $100 per share; 20,000 shares authorized; 12,000 shares issued and outstanding) $1,200,000
- Surplus notes $54,000,000
- Gross paid in and contributed surplus $79,635,000
- Unassigned funds $25,618,777

**Surplus as regards policyholders** $160,453,777

**Total liabilities, surplus and other funds** $268,935,336
## Mississippi Farm Bureau Casualty Insurance Company

### Statement of Income

*For the Year Ended December 31, 2007*

<table>
<thead>
<tr>
<th>Underwriting income</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Premiums earned</td>
<td>$122,971,555</td>
</tr>
<tr>
<td>Losses and LAE incurred</td>
<td>67,146,202</td>
</tr>
<tr>
<td>Other underwriting expenses incurred</td>
<td>26,689,186</td>
</tr>
<tr>
<td><strong>Net underwriting gain</strong></td>
<td>29,136,167</td>
</tr>
</tbody>
</table>

| Net investment income                           | 9,555,081  |
| Net realized investment gain                    | 1,283      |
| Net gain (loss) from agents' or premium balances charged off | (1,176) |
| Miscellaneous income (expense)                  | (2,831)    |

| Net income before income taxes                  | 38,688,524 |
| Federal income tax expense                      | 12,844,318 |

| Net income                                      | $25,844,206 |

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Mississippi Farm Bureau Casualty Insurance Company  
**Examination as of December 31, 2007**
## Reconciliation of Surplus as Regards Policyholders

*For the examination period ended December 31, 2007*

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus as regards policyholders, beginning</td>
<td>$32,078,116</td>
<td>$74,005,469</td>
<td>$129,854,920</td>
</tr>
<tr>
<td>of the year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>(2,245,339)</td>
<td>2,846,889</td>
<td>25,844,206</td>
</tr>
<tr>
<td>Change in net deferred income tax</td>
<td>10,248,891</td>
<td>3,202,164</td>
<td>(387,888)</td>
</tr>
<tr>
<td>Change in nonadmitted assets</td>
<td>(33,076,199)</td>
<td>(199,602)</td>
<td>1,142,539</td>
</tr>
<tr>
<td>Change in surplus notes</td>
<td>-</td>
<td>50,000,000</td>
<td>4,000,000</td>
</tr>
<tr>
<td>Paid-in surplus</td>
<td>67,000,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Change in surplus for the year</td>
<td>41,927,353</td>
<td>55,849,451</td>
<td>30,598,857</td>
</tr>
<tr>
<td>Surplus as regards policyholders, end of</td>
<td>$74,005,469</td>
<td>$129,854,920</td>
<td>$160,453,777</td>
</tr>
<tr>
<td>the year</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
RECONCILIATION OF EXAMINATION ADJUSTMENTS
DECEMBER 31, 2007

There were no changes made to the admitted assets, liabilities or surplus balances reported by the Company for the year ended December 31, 2007. The surplus as regards policyholders, which totaled $160,453,777 as of the examination date, was determined to be reasonably stated and in compliance with Miss. Code Ann. § 83-19-31.
MARKET CONDUCT ACTIVITIES

A full scope market conduct examination was not performed; however, limited procedures were performed on certain areas of the Company's market conduct. The areas in which limited procedures were performed included policy forms, agents' licensing, advertising and complaints. No significant exceptions with regard to the limited procedures performed were noted.

Policy Forms and Underwriting

Based upon the procedures performed during the course of the examination, no exceptions were noted regarding the Company's appropriate licensure to issue its products, and the applicable policy forms examined were appropriately approved by the MID. As a component of the liability testing associated with the related sample items selected, and in conjunction with both the controls and substantive testing, the information on the face of the insurance application was reviewed to ensure that all pertinent information on the applications appeared complete and accurate. No material concerns were noted.

Territory and Plan of Operation

The Company was authorized to write Fire and Allied, Casualty/Liability, Inland Marine and Auto Physical Damage/Liability coverage in the State of Mississippi, as well as surplus lines of business in the States of Florida, Louisiana, South Carolina and Texas. The Company's sales force consisted of 320 independent agents.

As a component of the examination testing of producer licensing, the examination team's lead automation examiner obtained from the Company an electronic version of agents paid and compared this information to an electronic file obtained from the MID in order to ensure that those agents receiving commissions were appropriately licensed and appointed by the Company. An electronic file comparison was performed using ACL (file interrogation software) and those items that could not quickly be identified via electronic means were individually reviewed without material exception noted.

Advertising and Sales Material

The Company's advertising and sales materials that were utilized during the time period covered by this examination were reviewed and with no exceptions or material concerns noted.

Treatment of Policyholders

The Company maintained a complaint log during the period under examination, and all complaints appeared to have been resolved amicably and no policyholder abuse or undesirable patterns were noted.

As a component of the liability testing associated with the related sample items selected, and in conjunction with both the controls and substantive testing, the claim files were reviewed to ensure that treatment was afforded in accordance with policy provisions. Furthermore, the files were reviewed to ensure that any relevant items were appropriately and timely communicated to the policyholder without material exception.
Privacy

The Company had a privacy policy in place for the protection of its policyholders, and based upon the procedures performed during the course of the examination, the policy appeared to be in compliance with applicable laws and standards.

COMMITMENTS AND CONTINGENT LIABILITIES

At December 31, 2007, the Company was involved as a defendant in various litigation matters. Although the outcome of such legal actions cannot be predicted, in the opinion of management and its legal counsel, the resolution of any currently pending or threatened actions should not have a material adverse effect on the surplus position of the Company.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

There were no comments and/or recommendations noted in the previous examination performed by MID examiners.

CURRENT EXAMINATION COMMENTS AND RECOMMENDATIONS

There were no comments and/or recommendations deemed necessary for purposes of this examination report.
ACKNOWLEDGMENT

The examiners representing the Mississippi Insurance Department and participating in this examination were:

Administrative Examiner
   Elton Sims, CPA
Examiner-In-Charge
   Joseph R. May, CPA, CMA, CFE, CIE, FAHM
Examiner
   Rebecca Dennis, CPA
Examiner
   Whitney Craig, CPA
Examiner
   D'Anna White, CPA
Examiner
   Miller Woods
Examiner
   Angie Plunkett
Examiner
   Kim Scharl
Examination Actuary
   Robert Daniels, ACAS, MAAA
Automation Specialist
   Francois Houde, CA, CISA

The courteous cooperation of the officers and employees of the Company and SFBCIC responsible for assisting in the examination is hereby acknowledged and appreciated.

Respectfully submitted,

[Signature]

Joseph R. May, CPA, CMA, CFE, CIE, FAHM
Examiner-in-charge