



Mississippi Insurance Department

Report of Examination

of

**MISSISSIPPI FARM BUREAU CASUALTY
INSURANCE COMPANY**

as of

December 31, 2015

TABLE OF CONTENTS

Examiner Affidavit	1
Salutation	2
Scope of Examination.....	3
Comments and Recommendations of Previous Examination.....	3
History of the Company.....	3
Corporate Records	4
Management and Control.....	5
Stockholders	5
Board of Directors	5
Committees.....	6
Officers	6
Conflict of Interest.....	7
Holding Company Structure	7
Organizational Chart.....	7
Affiliated and Related Party Transactions.....	10
Fidelity Bond and Other Insurance.....	11
Pensions, Stock Ownership and Insurance Plans.....	11
Territory and Plan of Operation.....	11
Growth of Company	12
Mortality and Loss Experience	12
Reinsurance.....	12
Accounts and Records.....	15
Statutory Deposits.....	16
Financial Statements	17

Introduction	17
Statement of Admitted Assets, Liabilities, Surplus and Other Funds - Statutory	18
Summary of Operations - Statutory	19
Reconciliation of Capital and Surplus - Statutory	20
Reconciliation of Examination Adjustments to Surplus	21
Market Conduct Activities	22
Commitments and Contingent Liabilities	22
Subsequent Events	22
Comments and Recommendations.....	22
Acknowledgment	23

**EXAMINER'S AFFIDAVIT AS TO STANDARDS AND
PROCEDURES USED IN AN EXAMINATION**

State of Mississippi,

County of Madison,

R. Dale Miller, 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 as of December 31, 2015.
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 National Association of Insurance Commissioners and the Mississippi Insurance Department.

The affiant says nothing further.

R. Dale Miller

R. Dale Miller, CPA, CFE, CFF
Examiner-in-Charge

Subscribed and sworn before me by R. DALE MILLER on this 15TH day of JUNE, 2017.

(SEAL)

Debbie Byrd

Notary Public



My commission expires 9-10-2018 [date]



MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MARK HAIRE
Deputy Commissioner of
Insurance

MISSISSIPPI INSURANCE DEPARTMENT

501 N. WEST STREET, SUITE 1001
WOOLFOLK BUILDING
JACKSON, MISSISSIPPI 39201
www.mid.ms.gov

MAILING ADDRESS
Post Office Box 79
Jackson, MS 39205-0079
TELEPHONE: (601) 359-3569
FAX: (601) 576-2568

May 22, 2017

Honorable Mike Chaney
Commissioner of Insurance
Mississippi Insurance Department
1001 Woolfolk Building
501 North West Street
Jackson, Mississippi 39201

Dear Commissioner Chaney:

Pursuant to your instructions and authorization and in compliance with statutory provisions, an examination has been conducted, as of December 31, 2015, of the affairs and financial condition of:

MISSISSIPPI FARM BUREAU CASUALTY INSURANCE COMPANY

6311 Ridgewood Road
Jackson, Mississippi 39211

License #	NAIC Group #	NAIC #	FEETS #	MATS#
8600022	0483	27669	27669- MS-2015-1	MS-MS099-2

This examination was commenced in accordance with Miss. Code Ann. §83-5-201 *et seq.* and was performed in Jackson, Mississippi, at the statutory home office of the Company. The report of examination is herewith submitted.

SCOPE OF EXAMINATION

We have performed our full-scope financial examination of Mississippi Farm Bureau Casualty Insurance Company (“MFBCIC” or “Company”). The last examination covered the period of January 1, 2008 through December 31, 2010. This examination covers the period of January 1, 2011 through December 31, 2015.

We conducted our examination in accordance with the National Association of Insurance Commissioners (“NAIC”) *Financial Condition Examiners Handbook* (“Handbook”). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This examination report includes significant findings of fact, as mentioned in the Miss. Code Ann. §83-5-201 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

COMMENTS AND RECOMMENDATIONS OF PREVIOUS EXAMINATION

There were no comments and/or recommendations made by the Mississippi Insurance Department (“MID”) examination team in the previous examination report, which covered the period from January 1, 2008 through December 31, 2010.

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.

As a result of Gulf Coast hurricanes in August and September of 2005, SFBCIC entered into a financial assistance plan developed to protect the trade name of SFBCIC and its affiliates in the states in which it does business. The Company received \$67,000,000 in additional capital from SFBCIC and used \$25,000,000 of this cash contribution to purchase the renewal rights from Mississippi Farm Bureau Mutual Insurance Company (“MS Mutual”) on November 25, 2005. Under this agreement, MFBCIC acquired the opportunity to offer coverage to the policyholders of MS Mutual at the Company’s discretion.

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 (“SFBLIC”). The notes are for a term of twenty years and 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 notes. The interest rate is adjusted every second anniversary date of the notes to the then current interest rate payable on twenty year U.S. Treasury Bonds. Effective April 19, 2014, the interest rate was 3.27%. 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. On March 19, 2015, the Company made a \$5,000,000 payment on the outstanding principal balance of the \$25,000,000 surplus note issued to SFBLIC. Accrued interest in the amount of \$149,614 was also paid.

On February 12, 2007, the Company issued a \$4,000,000 surplus note to Mississippi Farm Bureau Federation (“Mississippi Federation”) for a term of 20 years with a fixed annual interest rate of 5.00%. On October 17, 2013, the Company paid in full the \$4,000,000 surplus note, and accrued interest in the amount of \$135,451 was paid.

Effective February 3, 2015, the shareholders of SFBCIC reorganized the corporate structure whereby a new holding company, Southern Casualty Holding Company (“SCHC”), was formed. The shareholders exchanged their current shares of SFBCIC for new shares in SCHC of the same class and number. SCHC was owned by six Farm Bureau investment/holding corporations, which were owned/controlled by the Farm Bureau federations/organizations in the states of Arkansas, Colorado, Florida, Louisiana, Mississippi, and South Carolina.

CORPORATE RECORDS

The Articles of Incorporation, Bylaws and amendments thereto were reviewed and duly applied in other sections of this report where appropriate. Minutes of the meetings of the Stockholders, Board of Directors (“Board”) and various committees, as recorded during the period covered by this examination, were reviewed and appeared to be complete and in order with regard to actions brought up at the meetings for deliberation and appropriate action, which included the approval

and support of the Company's transactions and events, as well as the review of the audit and examination report.

MANAGEMENT AND CONTROL

Stockholders

As of December 31, 2015, the Company had 20,000 shares of \$100 par value common stock authorized with 12,000 shares issued and outstanding. SFBCIC owned 100% of the shares issued and outstanding. No dividends were paid to the stockholder during the examination period.

Board of Directors

The Articles of Incorporation and Bylaws vest the management and control of the Company's business affairs with the Board. The Company's Board was comprised of six members, all of whom were Presidents of the State Farm Bureaus in Arkansas, Colorado, Florida, Louisiana, Mississippi, and South Carolina. The members of the duly elected Board, along with their place of residence, year elected/appointed and principal occupation, at December 31, 2015, were as follows:

Name and Residence	Year Elected/Appointed	Principal Occupation
Ronald Roy Anderson Chairman of the Board Ethel, Louisiana	1985	Farmer and President of Louisiana Farm Bureau Federation
John Lawrence Hoblick, Sr. Vice Chairman of the Board DeLeon Springs, Florida	2000	Farmer and President of Florida Farm Bureau Federation
David Michael McCormick Union Church, Mississippi	2015	Farmer and President of Mississippi Farm Bureau Federation
Donald James Shawcroft Denver, Colorado	2010	Self-Employed Farmer and President of Colorado Farm Bureau
Harry Randal Veach Manila, Arkansas	2004	Farmer and President of Arkansas Farm Bureau Federation
David Melton Winkles, Jr. West Columbia, South Carolina	1998	Farmer and President of South Carolina Farm Bureau

Committees

During the period covered by this examination, the following Board appointed committees were utilized by the Company to carry out certain specified duties: Audit Committee and Investment Committee. The Company had no employees, and as such, all compensation decisions were performed by the Compensation Committee and/or the Board of SFBCIC.

Audit Committee:

The Audit Committee had six members, all of whom were outside directors, which met the requirements set forth by the Model Audit Rule. The Audit Committee's responsibilities included reviewing the audit report prepared by the outside accounting firm and making recommendations to the Board regarding the audit report and the selection of an outside accounting firm. The Audit Committee was also responsible for overseeing the Company's compliance with the Annual Financial Reporting Model Regulation and for making sure management established, implemented, and monitored the system of internal controls over financial reporting.

Investment Committee:

The Investment Committee was comprised of Board and non-Board members; however, one member of the committee must be the Chairman of the Board. The committee delegated to the parent's Investment Department the authority to transact the routine day-to-day investment duties including, but not limited to, the sale, purchase, and transfer of stocks, bonds, securities, and other investments, both real and personal. The Investment Committee reported to the Board regarding the condition of the funds, securities and investments of the Company.

The following members served on the committees mentioned above at December 31, 2015.

Audit	Investment
John Lawrence Hoblick, Sr., Chairman	Dennis Ray Griffin, Chairman
Ronald Roy Anderson	Ronald Roy Anderson
David Michael McCormick	Robert Duff Wallace
David Melton Winkles, Jr.	Judith Goodwin Blackburn
Donald James Shawcroft	Thomas Herndon Arthur
Harry Randall Veach	Dave Bruce Stipe

Officers

The officers of the Company as of December 31, 2015 were:

Name of Officer	Number of Years with Company	Title
Ronald Roy Anderson	6*	Chairman of the Board
John Lawrence Hoblick, Sr.	6*	Vice Chairman of the Board
Jack Carlton Williams, Jr.	39	President and Chief Executive Officer
Mamie McKinnon Douglas	32	Vice President – Human Resources
Henry Ernest Hamill	4	Vice President – Sales
Robert Pearson Arnold	35	Vice President – Finance
Billy Mack Stallings	36	Vice President – Operations
Jim Spurgeon Rowles	27	Vice President – Claims
Steven Walter Ingram	32	Vice President – Secretary
John Russell McCollough	19	Vice President – Actuary

**These two members also served on the Company’s Board. They were not part of Company management and were not compensated for their roles as officers. Their roles were strictly titular and are not engaged in the day-to-day operations of the Company.*

Conflict of Interest

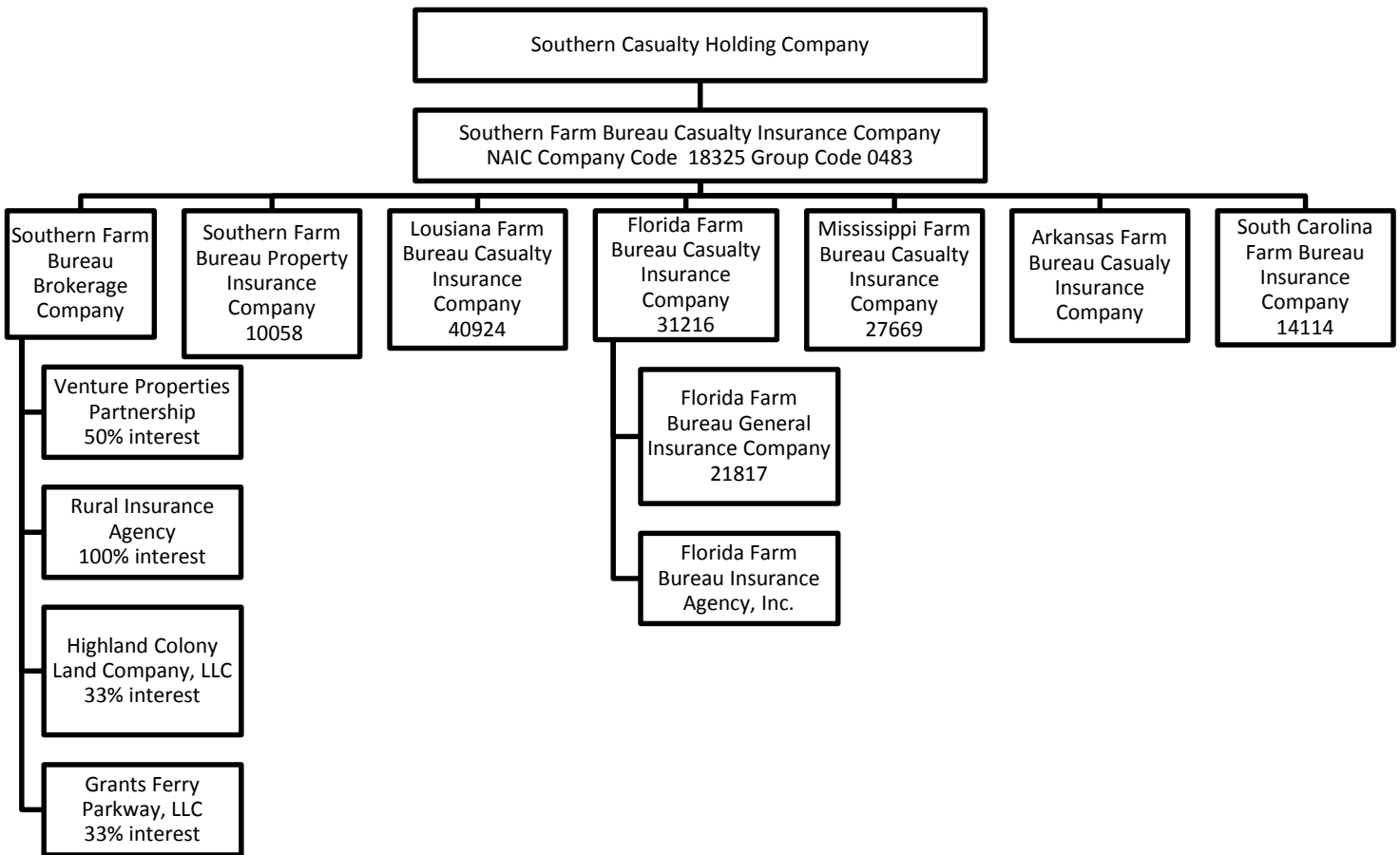
The Company had formal procedures whereby disclosures were made to the Board of any material interest or affiliation on the part of any officer or director that was, or would likely be, a conflict with their official duties.

HOLDING COMPANY STRUCTURE

During the time period covered by this examination, the Company reported as a member of an insurance company holding system as defined by 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.

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.



SCHC was reported as the ultimate controlling person in the Holding Company Registration Statement filed with the MID as of December 31, 2015. SCHC was formed in 2015 for the sole purpose of holding all of the voting stock of SFBCIC, the lead insurer in the group.

Southern Farm Bureau Casualty Insurance Company (“SFBCIC”) was incorporated on September 25, 1947, under the laws of the State of Mississippi and was the lead insurer in the group. SFBCIC was primarily a personal lines writer operating in six states through decentralized operations with an emphasis on automobile and other than automobile liability lines of business.

Below is a description of SFBCIC’s wholly owned subsidiaries at December 31, 2015:

Southern Farm Bureau Brokerage Company (“SFBBC”), a noninsurance company, was formed primarily for conducting certain investment and reinsurance brokerage activities. The company did not invest on behalf of SFBCIC but in its own name. No cross guarantees with the parent exist for any of the activity of this company. Rural Insurance Agency, a wholly owned subsidiary of SFBBC, was a noninsurance company brokerage operation that provided an outlet for placing business for customers in Mississippi which its affiliates, SFBCIC and MFBCIC, did

not wish to write. SFBBC also owned 33% of the membership interest of Highland Colony Land Company, LLC, 33% of the membership interest of Grants Ferry Parkway, LLC, and 50% of the partnership interest of Venture Properties, all of which were non-insurance companies.

Southern Farm Bureau Property Insurance Company (“SFBPIC”) was formed in 1994 as a wholly owned subsidiary of SFBCIC to write property and casualty reinsurance for associated Farm Bureau companies in the Southeastern United States. Effective January 1, 2007, SFBPIC no longer conducted any active underwriting activities and essentially became inactive. The sole reinsurance activities consisted of runoff associated with reinsurance contracts entered into and terminated prior to January 1, 2007. No new contracts have been executed subsequent to January 1, 2007.

Louisiana Farm Bureau Casualty Insurance Company (“LFBCIC”) was incorporated on February 16, 1981, under the laws of the State of Louisiana, and its principal business was providing casualty insurance coverage (principally automobile) and processing claims in the State of Louisiana.

Florida Farm Bureau Casualty Insurance Company (“FFBCIC”) was incorporated in Florida on April 16, 1974, under the laws of the State of Florida. Its principal business, in association with its wholly owned subsidiary, Florida Farm Bureau General Insurance Company, was providing casualty insurance coverage (principally automobile, property and general liability) in the State of Florida. FFBCIC was also the parent of Florida Farm Bureau Agency, Inc., a noninsurance company brokerage operation that provided an outlet for placing business for customers in Florida which its parent did not wish to write.

Mississippi Farm Bureau Casualty Insurance Company (“MFBCIC”) was incorporated on May 19, 1986, under the laws of the State of Mississippi, and its principal business was providing casualty insurance coverage (principally automobile and homeowner) and property coverage in the State of Mississippi. Also, the Company was an authorized surplus lines writer in various other states. For more information, see the History of the Company section of this report.

Arkansas Farm Bureau Casualty Insurance Company (“AFBCIC”) was incorporated on February 6, 2004, under the laws of the State of Arkansas and its principal business purpose was providing casualty insurance in the State of Arkansas. At the report date, this company was inactive.

South Carolina Farm Bureau Insurance Company (“SCFBIC”) was incorporated on February 11, 2011, under the laws of the State of South Carolina to provide casualty insurance, primarily private passenger automobile. Effective April 1, 2014, SFBCIC purchased 100% of the company’s outstanding common stock from South Carolina Farm Bureau Mutual Insurance Company. SCFBIC began writing business during 2015.

Affiliated and 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, along with its parent and affiliates, filed a consolidated federal income tax return. The method of allocation among the companies was made primarily on a separate return basis with current credit for any net operating losses or other items utilized in the consolidated return. Intercompany tax balances were settled annually in the subsequent year.
- On April 19, 2006, the Company issued a \$25,000,000 surplus note to SFBCIC. The principal balance owed at December 31, 2015, was \$25,000,000.
- On April 19, 2006, the Company issued a \$25,000,000 surplus note to SFBLIC. On March 19, 2015, the Company made a \$5,000,000 payment on the outstanding principal balance reducing the principal balance owed to \$20,000,000 at December 31, 2015. Accrued interest in the amount of \$149,614 was also paid.
- On February 12, 2007, the Company issued a \$4,000,000 surplus note to the Mississippi Federation. On October 17, 2013, the Company paid in full the \$4,000,000 surplus note, and accrued interest in the amount of \$135,451 was paid.
- The Company had an expense allocation agreement with SFBCIC in which certain home office expenses were allocated to MFBCIC each month. This allocation was performed because of the support functions that the parent performed in the areas of legal, accounting, claims, underwriting, information services, etc., for the Company. The total expense allocated to the Company for 2015 was \$1,863,092.
- The Company had a joint expense allocation agreement with SFBCIC. Joint expenses allocated under this agreement were those expenses which were for the mutual benefit of both the Company and SFBCIC. All joint overhead expenses were allocated pursuant to the formula prescribed in one of the following four categories: loss adjustment expense, information system expense, other routine/reoccurring joint expenses and other expenses. The total expense allocated to the Company for 2015 was \$15,963,691.
- The Company had a licensing agreement with the Mississippi Federation to use the "Farm Bureau" name and logo in connection with selling, placing and underwriting of property and casualty insurance products and services in the State of Mississippi. In return, the Company paid a royalty fee of 0.44% per year on adjusted direct premiums written, less premiums collected from residual market pool policyholders and dividends declared by the licensee. Payments made by the Company under this arrangement for 2015 were \$902,179.

- The Company had an administrative service agreement with Mississippi Farm Bureau Service Company, Inc. (“Service Company”) by which the Service Company agreed to furnish facilities for the state and associate sales managers, including office space, utilities, and other associated items, accounting services, office furniture and equipment, telephone service, etc., which are not normally furnished by the Company. Payments made by the Company under this arrangement for 2015 were \$98,291.
- The Company had a pylon sign advertising agreement with the Mississippi Federation for leasing advertising space on the Mississippi Federation’s pylon sign. Payments made by the Company under this arrangement for 2015 were \$18,787.

FIDELITY BOND AND OTHER INSURANCE

The Company was insured under various insurance policies to protect its interests. In particular, the Company maintained directors and officers coverage, professional liability coverage, electronic and computer crime coverage, and fidelity coverage. The Company had a financial institution bond with a \$5,000,000 single loss limit of liability which exceeded the NAIC’s suggested minimum amount for fidelity coverage.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company had no employees, and the administrative functions were performed by employees of SFBCIC through an expense sharing agreement.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2015, the Company was authorized to transact the following lines of business in the State of Mississippi:

Automobile Physical Damage/Liability	Home/Farm Owners
Boiler and Machinery	Inland Marine
Casualty/Liability	Plate Glass
Fire/Allied Lines	

The Company retained the premium and loss activity related to the property lines. All premium and loss activity related to automobile and other liability lines were ceded to the parent under various reinsurance agreements. Also, the Company was an authorized surplus lines writer in the States of Florida, Louisiana, South Carolina and Texas. Beginning January 1, 2011, the Company ceased writing earthquake coverage and began offering this coverage through a Lloyd’s company.

GROWTH OF COMPANY

	2015	2014	2013	2012	2011
Total admitted assets	\$ 417,591,222	\$ 375,356,600	\$ 351,773,406	\$ 331,259,144	\$ 303,057,121
Total liabilities	\$ 162,166,420	\$ 146,871,598	\$ 139,818,797	\$ 133,423,713	\$ 122,071,107
Surplus as regards policyholders	\$ 255,424,802	\$ 228,485,002	\$ 211,954,609	\$ 197,835,432	\$ 180,986,014
Net cash from operations	\$ 45,989,374	\$ 17,616,778	\$ 16,932,183	\$ 14,909,495	\$ (1,379,506)
Total adjusted capital	\$ 255,424,802	\$ 228,485,002	\$ 211,954,609	\$ 197,835,431	\$ 180,986,014
Authorized control level risk-based capital	\$ 11,926,138	\$ 10,725,459	\$ 9,425,873	\$ 8,762,926	\$ 8,209,025
Direct premiums written	\$ 417,962,950	\$ 417,584,741	\$ 397,973,661	\$ 382,287,366	\$ 363,409,299
Ceded premiums written	\$ 242,637,139	\$ 247,430,421	\$ 238,739,748	\$ 230,950,746	\$ 222,952,784
Net premiums written	\$ 175,325,811	\$ 170,154,320	\$ 159,233,913	\$ 151,336,620	\$ 140,456,515
Net underwriting gain (loss)	\$ 29,810,436	\$ 8,207,878	\$ 9,207,824	\$ 9,539,317	\$ (12,797,177)
Net investment gain	\$ 8,378,031	\$ 9,319,616	\$ 8,472,209	\$ 7,934,851	\$ 8,535,916
Net income (loss)	\$ 31,578,133	\$ 15,295,814	\$ 15,652,069	\$ 14,630,999	\$ (2,816,018)
Return on equity	12.4%	6.7%	7.4%	7.4%	-1.6%
Net loss ratio	59.4%	72.9%	70.4%	69.8%	86.4%
Expense ratio	22.8%	21.6%	22.8%	22.4%	22.5%
Investment yield	2.4%	2.7%	2.7%	2.7%	3.0%
Liquidity ratio	35.6%	36.1%	37.2%	38.8%	41.8%

MORTALITY AND LOSS EXPERIENCE

The MID contracted with Merlino & Associates, Inc. to review the actuarial analysis supporting the Company's carried loss and loss adjustment expense reserves. Based on the examination actuarial evaluation, the Company's estimates for gross and net unpaid loss and loss adjustment expenses appeared to be reasonably stated in all material respects.

REINSURANCE

The Company limited the maximum net loss that can arise from large risks or risks in concentrated areas of exposure by reinsuring (ceding) certain levels of risks with other insurers or reinsurers, either on an automatic basis, under general reinsurance contracts known as "treaties", or by negotiation for substantial individual risks. The Company maintained various

forms of reinsurance on essentially all lines. Ceded reinsurance was treated as the risk and liability of the assuming companies.

The liabilities for unearned premiums and for losses and loss adjustment expenses at December 31, 2015, were increased for reinsurance assumed and reduced for reinsurance ceded of approximately \$166,002,000 for amounts ceded to assuming companies. These amounts ceded would represent a liability of the Company if the reinsurers were unable to meet their obligation for existing unpaid losses ceded under reinsurance agreements.

At the examination date, the principle reinsurers and respective premium amounts ceded and total amounts recoverable at December 31, 2015, were as follows:

	Ceded Premiums	Recoverable
Southern Farm Bureau Casualty Insurance Company	\$ 212,768,000	\$ 160,968,000
American Agricultural Insurance	\$ 15,603,000	\$ 3,341,000

Historically, the Company's reinsurance program has been to cede all casualty business to its parent and retain the property exposure net of other reinsurance. At December 31, 2015, the Company ceded 100% of direct written premium for automobile policies, farm liability, flood policies, and other general liability policies written by MFBCIC to its parent. The Company also ceded the ultimate net loss ("UNL") for Section II Liability in excess of \$750,000 attributable to any one loss event. Section II Liability (also referred to as excess casualty) was the portion of the general liability coverage provided in a package policy that also offers property insurance. In addition, the Company ceded 100% of the umbrella premiums and exposure to SFBCIC, net of facultative and other inuring reinsurance.

For the Company's personal property lines, MFBCIC had a property surplus share treaty in which a portion of the Company's premiums and losses was ceded to the reinsurer above the risk retention amount.

	Risk Retention	Primary Occurrence Limit	Maximum Treaty Amount
Property Surplus Share	\$ 500,000	\$ 6,000,000	\$ 40,000,000

For the commercial property lines, MFBCIC had a property per risk excess and property per risk coded excess of loss treaty in which the Company was reimbursed on an excess of loss basis for its share of each loss, each risk and each occurrence.

	Loss Retention	Limit of Liability	Per Risk Limit
Property Per Risk	\$ 350,000	\$ 1,650,000	\$ 2,000,000
Coded Excess	\$ 2,000,000	\$ 18,000,000	\$ 20,000,000

The Company had the following property catastrophe reinsurance agreements in place at December 31, 2015:

- An occurrence property catastrophe reinsurance agreement which reimbursed MFBCIC on an excess of loss basis for its share of the amount of the UNL that was paid as a result of any one occurrence.
- A property catastrophe first, second and third excess of loss reinsurance agreement with several reinsurers. For each excess layer, the Company retained the first UNL arising out of each loss occurrence, with the excess ceded to the reinsurers, subject to a limit of liability to the reinsurers.
- A property catastrophe high excess of loss reinsurance agreement with several reinsurers by which the Company retained the first UNL arising out of each loss occurrence with the excess ceded to the reinsurers, subject to a limit of liability to the reinsurers.
- An over other protections reinsurance agreement which reimbursed the Company on an excess of loss basis for its share of the amount of the UNL that was paid as a result of any one occurrence.

	Loss Retention	Per Occurrence Limit	Term Limit
Occurrence Property Catastrophe – Layer 1	\$ 14,000,000	\$ 10,000,000	\$ 30,000,000
First Excess	\$ 24,000,000	\$ 20,000,000	\$ 60,000,000
Second Excess	\$ 44,000,000	\$ 60,000,000	\$ 180,000,000
Third Excess	\$ 104,000,000	\$ 90,000,000	\$ 180,000,000
Occurrence Property Catastrophe – Layer 5	\$ 194,000,000	\$ 135,000,000	\$ 270,000,000
High Excess	\$ 329,000,000	\$ 50,000,000	\$ 100,000,000
Over Other Protections	\$ 379,000,000	\$ 85,000,000	\$ 170,000,000

The reinsurers of the Company at December 31, 2015 were as follows:

Reinsurer	Category
Southern Farm Bureau Casualty Insurance Company	Authorized - Affiliate
American Agricultural Insurance Company	Authorized - Other US Unaffiliated
Everest Reinsurance Company	Authorized - Other US Unaffiliated
RLI Reinsurance	Authorized - Other US Unaffiliated
Odyssey America Reinsurance Corporation	Authorized - Other US Unaffiliated
Houston Casualty Company	Authorized - Other US Unaffiliated
Swiss Reinsurance American Corporation	Authorized - Other US Unaffiliated
Transatlantic Reinsurance Company	Authorized - Other US Unaffiliated
Lloyd's Syndicates	Authorized - Other Non US Unaffiliated
Renaissance Reinsurance Ltd.	Authorized - Other Non US Unaffiliated
Partner Reinsurance Company Ltd.	Authorized - Other Non US Unaffiliated

DaVinci Reinsurance Ltd.	Authorized - Other Non US Unaffiliated
Hannover Rueck SE	Authorized - Other Non US Unaffiliated
Markel Bermuda Limited	Authorized - Other Non US Unaffiliated
Validus Reinsurance, Ltd.	Authorized - Other Non US Unaffiliated
Endurance Specialty Insurance Ltd.	Authorized - Other Non US Unaffiliated
AXIS Specialty Limited	Authorized - Other Non US Unaffiliated
American Standard Insurance Company of Wisconsin	Unauthorized - Other US Unaffiliated
SCOR Global P&C Zurich Branch	Unauthorized - Other Non US Unaffiliated
Amlin AG, Switzerland, Bermuda Branch	Unauthorized - Other Non US Unaffiliated
XL RE Limited	Unauthorized - Other Non US Unaffiliated
ACE Tempest Reinsurance Ltd.	Unauthorized - Other Non US Unaffiliated
Tokio Millennium	Unauthorized - Other Non US Unaffiliated
Hiscox Insurance Co	Unauthorized - Other Non US Unaffiliated
Hamilton Re, Ltd	Unauthorized - Other Non US Unaffiliated
Allied World Assurance	Unauthorized - Other Non US Unaffiliated
Catlin Insurance Company	Unauthorized - Other Non US Unaffiliated
American International Reinsurance Company, Ltd	Unauthorized - Other Non US Unaffiliated

ACCOUNTS AND RECORDS

The Company utilized a computerized accounting system on which general ledger information was maintained. Detailed general ledger information was traced to the trial balance and the December 31, 2015 annual statement, without material exception.

The primary data center was housed at the parent company and hosted a number of applications for SFBCIC and its subsidiaries through the use of a Mainframe computer. The parent company was responsible for physical security, computer operations including, backups and disaster recovery over the Mainframe and the applications which resided on it. In 2014, numerous enterprise-wide systems were implemented on a Microsoft Windows platform.

The Company was audited annually by an independent CPA firm.

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, 2015.

Description	State Deposited	Par Value	Carrying Value	Fair Value
Municipal Bond	Mississippi	\$ 750,000	\$ 833,009	\$ 936,983
Municipal Bond	Mississippi	500,000	569,734	589,540
Total Held in Mississippi		<u>\$ 1,250,000</u>	<u>\$ 1,402,743</u>	<u>\$ 1,526,523</u>

**MISSISSIPPI FARM BUREAU CASUALTY INSURANCE COMPANY
FINANCIAL STATEMENTS
EXAMINATION AS OF DECEMBER 31, 2015**

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 - Statutory at December 31, 2015, a Summary of Operations - Statutory for year ended December 31, 2015, a Reconciliation of Capital and Surplus - Statutory for examination period ended December 31, 2015, and a Reconciliation of Examination Changes to Surplus - Statutory at December 31, 2015.

**Statement of Admitted Assets, Liabilities, Surplus and Other Funds – Statutory
December 31, 2015**

Admitted Assets

Bonds	\$ 308,994,516
Common stocks	4,700,871
Cash, cash equivalents and short-term investments	60,754,619
Investment income due and accrued	3,872,999
Uncollected premiums and agents' balances in the course of collection	58,123
Deferred premiums, agents' balances and installments booked but deferred and not yet due	27,415,395
Amounts recoverable from reinsurers	575,785
Net deferred tax asset	9,776,126
Receivable from parent, subsidiaries and affiliates	1,024,710
Aggregate write-ins for other-than-invested assets	418,078
<hr/>	
Total admitted assets	\$ 417,591,222

Liabilities, Surplus and Other Funds

Losses	\$ 32,095,884
Loss adjustment expenses	5,510,668
Other expenses	412,503
Taxes, licenses and fees	1,591,938
Current federal and foreign income taxes	7,116,304
Unearned premiums	99,086,633
Advance premium	2,330,219
Ceded reinsurance premiums payable	1,405,450
Funds held by company under reinsurance treaties	563,257
Amounts withheld or retained by company for accounts of others	7,425,632
Remittances and items not allocated	76,988
Payable to parent, subsidiaries and affiliates	3,040,637
Aggregate write-ins for liabilities	1,510,307
<hr/>	

Total liabilities **162,166,420**

Common capital stock	1,200,000
Surplus notes	45,000,000
Gross paid in and contributed surplus	79,635,000
Unassigned funds (surplus)	129,589,802
<hr/>	

Surplus as regards policyholders **255,424,802**

Total liabilities and surplus as regards policyholders **\$ 417,591,222**

**Summary of Operations – Statutory
For the Examination Period Ended December 31, 2015**

Underwriting Income

Premiums earned \$ 172,165,906

Deductions:

Losses incurred 89,618,641

Loss adjustment expenses incurred 12,708,235

Other underwriting expenses incurred 40,028,594

Total underwriting deductions 142,355,470

Net underwriting gain (loss) 29,810,436

Investment Income

Net investment income earned 8,383,615

Net realized capital gains (losses) less capital gains tax (5,584)

Net investment gain 8,378,031

Other Income

Net gain or (loss) from agents' or premium balances charged off (86,408)

Finance and service charges not included in premiums 1,754,907

Miscellaneous income (62,745)

Service charges on casualty premium are ceded 100% to parent company (1,105,592)

Total other income 500,162

Net income before dividends to policyholders, after capital gains tax and
before all other federal and foreign income taxes 38,688,629

Federal and foreign income taxes incurred 7,110,496

Net Income \$ 31,578,133

**Reconciliation of Capital and Surplus – Statutory
For the Examination Period Ended December 31, 2015**

	2015	2014	2013	2012	2011
Surplus as regards policyholders, beginning of the year	\$228,485,002	\$211,954,609	\$197,835,432	\$180,986,014	\$186,846,031
Net income	31,578,133	15,295,814	15,652,069	14,630,999	(2,816,018)
Change in net unrealized capital gains or (losses)	410,481	553,599	112,023	174,780	(744,981)
Change in net deferred income tax	(3,601,706)	(421,982)	(660,309)	(255,919)	2,912,496
Change in nonadmitted assets	3,775,744	1,102,962	3,015,394	2,299,558	(5,211,514)
Change in surplus notes	(5,000,000)	-	(4,000,000)	-	-
Correction of an error	(222,850)	-	-	-	-
Surplus as regards policyholders, end of the year	\$255,424,802	\$228,485,002	\$211,954,609	\$197,835,432	\$180,986,014

Reconciliation of Examination Adjustments to Surplus For the Examination Period Ended December 31, 2015

There were no changes made to the assets, liabilities or surplus balances reported by the Company for the year ended December 31, 2015. The surplus as regards policyholders, which totaled \$255,424,802 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 operations/management, complaint handling, producer licensing, underwriting and rating, and claims. No significant exceptions with regard to the limited procedures performed were noted.

COMMITMENTS AND CONTINGENT LIABILITIES

During and subsequent to the examination period, the Company was not involved in litigation outside the normal course of business.

SUBSEQUENT EVENTS

In December 2015, the Company discovered a Homeowners policy rating error. The rates charged by the Company were not in accordance with the Company's last Homeowners rate filing effective October 1, 2013. The Company appropriately reported the error to the MID and included the premium refund accrual within the 2015 annual statement filing. In January 2016, the Company refunded policyholders a total of \$677,093 in premium credits and interest due to the rating error.

The following changes in officers and directors were noted subsequent to the examination date. Effective February 15, 2016, David Melton Winkles, Jr., Director, was replaced by Harry Legare Ott, Jr. Effective June 1, 2016, Steven Walter Ingram, Secretary, was replaced by Lydia Catherine Warren. Effective October 17, 2016, John Russell McCollough, appointed actuary, was replaced by Benjamin Jerome Kimmons to certify all loss reserves on its annual statement for the year 2016 and thereafter.

As a result of a 2014 target exam of SFBCIC, controls regarding related party agreements and transactions changed in 2016 and the process was centralized at SFBCIC resulting in newly issued related party agreements.

On April 19, 2016, the Company made a \$10,000,000 payment on the outstanding principal balance of the surplus note issued to SFBLIC reducing the principal balance owed to \$10,000,000 at December 31, 2016.

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:

Examiner-in-charge:	R. Dale Miller, CPA, CFE, CFF
Supervising Examiner:	Joseph R. May, CPA, CMA, CFE, CIE, FAHM
Lead Actuary:	Robert P. Daniel, ACAS, MAAA
Lead IT Specialist:	David E. Mills, CISA, CTGA, CGEIT, MCSE
Examiner:	Andrea J. Harbison, CPA
Examiner:	Sharon L. Stuber, CPA
Examiner:	F. Taylor Phillips, CPA
Examiner:	Robin H. Brown, CFE
Examiner:	Daniel H. Bryde
Examiner:	Kenneth A. Cordell

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

Respectfully submitted,



R. Dale Miller, CPA, CFE, CFF
Examiner-in-Charge