



Mississippi Insurance Department

Report of Examination

of

**COLORADO FARM BUREAU INSURANCE
COMPANY**

as of

December 31, 2019

TABLE OF CONTENTS

Examiner Affidavit	1
Salutation	2
Scope of Examination	3
Comments and Recommendations of Previous Examination	3
History of the Company	4
Corporate Records	4
Management and Control.....	4
Stockholders	4
Board of Directors	5
Committees	5
Officers	6
Conflict of Interest.....	6
Holding Company Structure	6
Related Party and Other Transactions	7
Fidelity Bond and Other Insurance	8
Pensions, Stock Ownership and Insurance Plans.....	8
Territory and Plan of Operation	8
Growth of Company	9
Mortality and Loss Experience	9
Reinsurance.....	9
Accounts and Records.....	10
Statutory Deposits.....	10
Financial Statements	11
Introduction	11
Statement of Admitted Assets, Liabilities, Surplus and Other Funds – Statutory.....	12

Statement of Income – Statutory	13
Reconciliation of Capital and Surplus – Statutory	14
Reconciliation of Examination Adjustments to Surplus – Statutory	15
Commitments and Contingent Liabilities	16
Subsequent Events	16
Comments and Recommendations.....	16
Acknowledgment	17

**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 Colorado Farm Bureau Insurance Company as of December 31, 2019.
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 Colorado Farm Bureau 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 7th day of June, 2021.

(SEAL)



Wendy Smith
Notary Public

My commission expires October 27, 2024 [date].

Colorado Farm Bureau Insurance Company
MID Examination as of December 31, 2019



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

June 1, 2021

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, 2019, of the affairs and financial condition of:

COLORADO FARM BUREAU INSURANCE COMPANY

1800 East County Line Road
Ridgeland, MS 39157

License #	NAIC GROUP #	NAIC #	FEETS#
1900003	0483	13641	13641-MS-2019-3

This examination was commenced in accordance with Miss. Code Ann. §83-5-201 et seq. and was performed in Ridgeland, Mississippi, at the statutory home office of the Company, and the office of Carr, Riggs & Ingram, LLC located in Ridgeland, Mississippi. The report of examination is herewith submitted.

SCOPE OF EXAMINATION

We have performed our multi-state examination of Colorado Farm Bureau Insurance Company (“Company” or “CFBIC”). The last examination covered the period of January 1, 2010 through December 31, 2014. This examination covers the period January 1, 2015 through December 31, 2019.

We conducted our examination in accordance with the 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 in the previous examination report which covered the period from January 1, 2010 through December 31, 2014.

HISTORY OF THE COMPANY

The Company was organized as Colorado Farm Mutual Casualty Co. on June 15, 1950 under the laws of the State of Colorado and commenced business on October 26, 1950. Effective July 1, 1956, the Company was licensed as a multiple line insurance carrier with the name Colorado Farm Bureau Mutual Insurance Co.

Effective July 1, 2019, in accordance with the stock purchase agreement dated January 16, 2019, the Company was demutualized and converted to a stock company, sold to Southern Farm Bureau Casualty Insurance Company (“SFBCIC”) thereby becoming a wholly-owned subsidiary of SFBCIC, and redomesticated to the State of Mississippi. Upon conversion to a stock company, the Company was named Colorado Farm Bureau Insurance Company, common stock was authorized (see *Stockholders* section below), and the Articles of Incorporation and Bylaws were amended and restated as of July 1, 2019. Once the Company was re-domesticated to the State of Mississippi, it became a foreign corporation in the State of Colorado.

The 2019 structural changes did not change the Company’s business operations and the Company continued to operate in the State of Colorado.

CORPORATE RECORDS

The Articles of Incorporation, Bylaws, along with any amendments thereto, and the recorded minutes of the Board of Directors (“Board”), Audit Committee and Investment Committee, were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approval of significant Company transactions and events.

MANAGEMENT AND CONTROL

Stockholders

At December 31, 2019, the Company had 100,000 shares authorized and 20,000 shares issued and outstanding of common capital stock with a par value of \$100 per share. SFBCIC owned 100% of the shares issued and outstanding. During 2019, the Company paid an extraordinary dividend to SFBCIC whereby nearly all assets and liabilities were transferred to SFBCIC. The extraordinary dividend paid to SFBCIC had an approximate fair value and carrying value of \$41,000,000 and \$32,000,000, respectively. The Company paid no other stockholder dividends 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 members of the duly elected Board, along with their place of residence, year elected/appointed, and principal occupation, at December 31, 2019, were as follows:

Board Member	Year Elected/ Appointed	Principal Occupation
Ronald Roy Anderson Chairman of the Board Ethel, Louisiana	2019	Farmer and President of Louisiana Farm Bureau Federation
John Lawrence Hoblick, Sr. Vice Chairman of the Board DeLeon Springs, Florida	2019	Farmer and President of Florida Farm Bureau Federation
David Michael McCormick Union Church, Mississippi	2019	Farmer and President of Mississippi Farm Bureau Federation
Harry Legare Ott, Jr. Orangeburg, South Carolina	2019	Farmer and President of South Carolina Farm Bureau
Donald James Shawcroft Alamosa, Colorado	2019	Farmer and President of Colorado Farm Bureau
Harry Randal Veach Manila, Arkansas	2019	Farmer and President of Arkansas Farm Bureau Federation

Committees

As of December 31, 2019, the Company's Board appointed committees included an Audit Committee and Investment Committee.

Audit Committee:

The Audit Committee's purpose is to assist the Board in monitoring the integrity of the financial statements, independent auditor's qualifications and independence, performance of the independent audit, and the Company risk management function.

Investment Committee:

The Investment Committee is charged with the duty of supervising and transacting the investment activities of the Company.

As of December 31, 2019, the aforementioned committee members were as follows:

Audit Committee	Investment Committee
John Lawrence Hoblick, Sr., Chairman	Ronald Roy Anderson
Harry Legare Ott Jr.	Thomas Herndon Arthur
Ronald Roy Anderson	Robert Duff Wallace
David Michael McCormick	John Lawrence Hoblick, Sr.
Harry Randal Veach	
Donald James Shawcroft	

Officers

The senior officers of the Company as of December 31, 2019, were:

Name of Officer	Number of Years with SFBCIC Group	Principal Occupation
Robert Duff Wallace	35	President and CEO
Lydia Catherine Warren	34	Senior Vice President – Legal & Secretary
Max Turner Courtney	28	Senior Vice President – CFO
Richard Ross Sims	29	Senior Vice President – Underwriting
Duane Burton Hardy	31	Senior Vice President - Claims
Geoffrey Alan Mercer	33	Senior Vice President - Technology
Scott Taylor Martin	21	Vice President - Claims

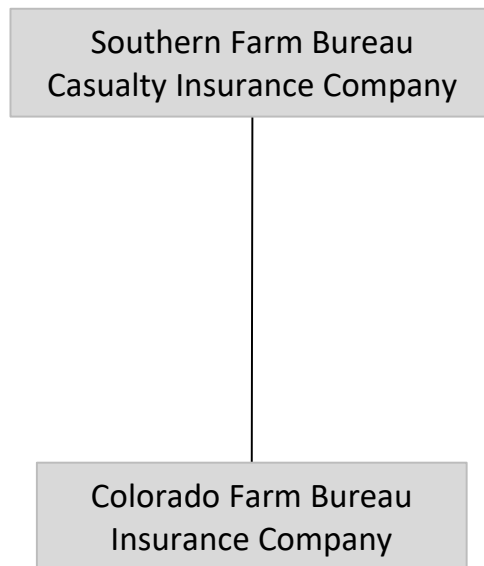
Conflict of Interest

The Company had formal procedures whereby disclosure was 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. These procedures were reviewed, and no conflicts or exceptions to the Company’s policies were noted.

HOLDING COMPANY STRUCTURE

The Company is a member of an insurance holding company system as defined in Miss. Code Ann. §83-6-1. For the period covered by the examination, the Company filed holding company registration statements with the MID in compliance with Miss. Code Ann. §83-6-5 and §83-6-9.

A simplified organizational chart as of December 31, 2019, reflecting the holding company system, is shown below.



Related Party and Other Transactions

Prior to the demutualization in 2019, the Company maintained a cost sharing agreement with Colorado Farm Bureau who had proxy control over the Company as well as various other agreements with its former subsidiaries, which were terminated upon dissolution of the subsidiaries. As of December 31, 2019, the Company was a party to certain agreements with its affiliates as listed below. The Company executed written agreements which governed these transactions as required by Statement of Statutory Accounting Principles No. 25.

Licensing Agreement: Effective July 1, 2019, the Company and SFBCIC entered into a licensing agreement with Colorado Farm Bureau allowing the Company and SFBCIC to use the Farm Bureau name in exchange for an annual royalty fee settled in monthly installments. The royalty fee was based on 1.07% and 0.95% of adjusted direct written premium received from policyholders residing in the State of Colorado for casualty lines of business and all other remaining lines of business, respectively. Per the terms of the agreement, beginning July 1, 2021, the royalty fee shall increase to 1.07% of adjusted direct written premium received from policyholders residing in the State of Colorado for all lines of business. Fees incurred under this agreement during 2019 totaled \$368,002.

Tax Allocation Agreement: Effective July 1, 2019, the Company became a party to a tax allocation agreement with SFBCIC and other affiliates in the holding company group (collectively, “Parties”). Pursuant to the agreement, Parties are eligible to file a consolidated income tax return for federal income tax purposes.

Multiline Reinsurance Agreement: Effective July 1, 2019, the Company entered into a multiline quota share reinsurance agreement to cede 100% of its risks to SFBCIC. See the *Reinsurance* section below for further details.

FIDELITY BOND AND OTHER INSURANCE

The Company was a named insured on a commercial insurance policy for fidelity and crime coverages with a limit of \$5,000,000. This amount meets the NAIC suggested minimum fidelity coverage for a company of its size. The Company also maintained an insurance program that appeared to provide adequate coverage to protect it from hazards that it may encounter.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company had no employees, did not maintain any retirement plans, postemployment benefits, or other employee benefits, and had no plan-related liabilities as of December 31, 2019. The administrative functions were performed by employees of SFBCIC.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2019, the Company was licensed in the State of Mississippi and the State of Colorado; however, the Company only wrote business in the State of Colorado during the examination period. The Company was authorized for the following lines of business in the State of Colorado:

Accident and Health	Motor Vehicle (Casualty)
Crop	Motor Vehicle (Property)
General Casualty	Professional Malpractice
General Property	

As of December 31, 2019, the Company was authorized for the following lines of business in the State of Mississippi:

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

GROWTH OF COMPANY

	2019	2018	2017	2016	2015
Balance Sheet					
Total admitted assets	\$ 8,803,292	\$ 77,817,879	\$ 81,280,114	\$ 81,278,195	\$ 82,500,195
Total liabilities	\$ 7,301,241	\$ 44,927,871	\$ 45,881,132	\$ 46,206,929	\$ 48,681,652
Surplus as regards policyholders	\$ 1,502,051	\$ 32,890,008	\$ 35,398,982	\$ 35,071,266	\$ 33,818,543
Cash Flow					
Net cash from operations	\$ 1,070,782	\$ (5,003,576)	\$ 2,462,507	\$ (1,801,342)	\$ 382,773
Risk-Based Capital Analysis					
Total adjusted capital	\$ 1,502,051	\$ 32,890,008	\$ 35,398,982	\$ 35,071,266	\$ 33,818,543
Authorized control level risk-based capital	\$ 2,372,231	\$ 3,634,520	\$ 4,330,809	\$ 4,439,809	\$ 4,889,549
Income Statement					
Gross premiums written	\$ 76,835,166	\$ 74,590,836	\$ 70,900,087	\$ 69,488,646	\$ 68,169,593
Ceded premiums written	\$ 62,768,355	\$ 49,045,609	\$ 44,773,268	\$ 43,516,541	\$ 42,317,319
Net premiums written	\$ 14,066,811	\$ 25,545,227	\$ 26,126,819	\$ 25,972,105	\$ 25,852,274
Net underwriting gain (loss)	\$ 2,860,047	\$ (3,826,187)	\$ (1,463,874)	\$ 425,309	\$ (235,032)
Net investment gain (loss)	\$ 12,933,923	\$ 835,282	\$ 1,217,260	\$ 895,362	\$ 988,432
Net income (loss)	\$ 16,082,479	\$ (2,701,824)	\$ 189,973	\$ 1,556,608	\$ 1,033,996
Return on revenue	61.9%	-10.3%	0.7%	5.8%	3.8%
Net loss ratio	54.8%	91.9%	82.6%	75.9%	72.2%
Expense ratio	21.7%	23.1%	22.9%	22.4%	29.1%
Investment yield	2.5%	1.8%	2.6%	1.9%	2.0%

MORTALITY AND LOSS EXPERIENCE

The MID contracted with Merlinos & Associates, Inc. to review the actuarial analysis supporting the Company's carried loss and loss adjustment expense reserves as of December 31, 2019. Based on the examination actuarial evaluation, the Company's estimates for loss and loss adjustment expense reserves appeared to be reasonably stated in all material respects.

REINSURANCE

As of December 31, 2019, the Company ceded 100% of premiums written and all service charges, receivables, and other charges associated with policies issued in the State of Colorado in the name of the Company to SFBCIC, net of inuring reinsurance agreements which were renewed under the name of SFBCIC instead of the Company's at the end of the respective agreement's 2019 effective term. In exchange, SFBCIC reimbursed the Company for all losses, extra contractual obligations, excess policy limits liability, and loss adjustment expenses incurred under the ceded policies.

ACCOUNTS AND RECORDS

The 2019 trial balance of the Company's accounts was traced to the balance sheet of the Company's statutory annual statement filed with the MID, with no exceptions noted. The Company was audited annually by an independent CPA firm.

The primary data center was located with the parent company and hosted a number of applications for SFBCIC and its subsidiaries. The parent company was responsible for physical security, computer operations including backups and disaster recovery of data, systems, and applications.

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 total statutory deposits held at December 31, 2019.

Description	Par Value	Carrying Value	Fair Value
U.S. special revenue	\$ 2,500,000	\$ 2,532,786	\$ 2,552,809
Total held in Mississippi	<u>\$ 2,500,000</u>	<u>\$ 2,532,786</u>	<u>\$ 2,552,809</u>

COLORADO FARM BUREAU INSURANCE COMPANY
FINANCIAL STATEMENTS
EXAMINATION AS OF DECEMBER 31, 2019

Introduction

The following financial statements reflect the same amounts reported by the Company and consist of the Statement of Admitted Assets, Liabilities, Surplus and Other Funds - Statutory at December 31, 2019, the Statement of Income - Statutory for the year ended December 31, 2019, and a Reconciliation of Capital and Surplus - Statutory for the examination period ended December 31, 2019, and a Reconciliation of Examination Changes to Surplus – Statutory at December 31, 2019.

**Statement of Admitted Assets, Liabilities, Surplus and Other Funds – Statutory
December 31, 2019**

Admitted Assets

Bonds	\$	2,532,786
Common stocks		898,407
Cash, cash equivalents, and short term investments		(247,297)
Other invested assets		445,000
Investment income due and accrued		20,986
Amounts recoverable from reinsurers		4,902,747
Current federal income taxes recoverable		62,028
Receivables from parents, subsidiaries and affiliates		188,635
Total admitted assets	\$	8,803,292

Liabilities, Surplus and Other Funds

Net deferred tax liability	\$	2,528,180
Ceded reinsurance premiums payable		4,773,061
Total liabilities		7,301,241

Common capital stock		2,000,000
Unassigned funds (surplus)		(497,949)
Surplus as regards policyholders		1,502,051
Total liabilities and surplus as regards policyholders	\$	8,803,292

**Statement of Income – Statutory
December 31, 2019**

Underwriting Income

Premiums earned	\$ 13,092,784
Losses incurred	5,972,960
Loss adjustment expenses incurred	1,205,653
Other underwriting expenses incurred	3,054,124
<u>Total underwriting deductions</u>	<u>10,232,737</u>
<u>Net underwriting gain (loss)</u>	<u>2,860,047</u>

Investment Income

Net investment income earned	585,617
Net realized capital gains (losses) less capital gains tax	12,348,306
<u>Net investment gain</u>	<u>12,933,923</u>

Other Income

Net gain or (loss) from agents' or premium balances charged off	(73,197)
Finance and service charges not included in premiums	59,101
Miscellaneous income	184,082
<u>Total other income</u>	<u>169,986</u>

Net income before dividends to policyholders and federal income taxes	15,963,956
<u>Federal and foreign income taxes incurred</u>	<u>(118,523)</u>
<u>Net income</u>	<u>\$ 16,082,479</u>

**Reconciliation of Capital and Surplus – Statutory
For the Examination Period Ended December 31, 2019**

	2019	2018	2017	2016	2015
Surplus as regards policyholders, beginning of the year	\$ 32,890,008	\$ 35,398,982	\$ 35,071,266	\$ 33,818,543	\$ 32,431,085
Net income (loss)	16,082,479	(2,701,824)	189,973	1,556,608	1,033,996
Change in net unrealized capital gains (losses)	(3,765,217)	61,045	4,987	81,847	183,828
Change in net deferred income tax	(2,528,180)	31,448	2,569	42,164	94,699
Change in nonadmitted assets	(150,686)	100,357	130,187	(427,896)	74,935
Capital changes	2,000,000	-	-	-	-
Surplus adjustments	(2,000,000)	-	-	-	-
Dividends to stockholders	(41,026,353)	-	-	-	-
Surplus as regards policyholders, end of the year	\$ 1,502,051	\$ 32,890,008	\$ 35,398,982	\$ 35,071,266	\$ 33,818,543

**Reconciliation of Examination Adjustments to Surplus - Statutory
For the year ended December 31, 2019**

There were no changes made to the assets, liabilities or surplus balances reported by the Company for the year ended December 31, 2019. The surplus as regards policyholders reported by the Company of \$1,502,051 is accepted as reasonably stated for purposes of the balance sheet per the examination and in compliance with Miss. Code Ann. §83-19-31.

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

As a result of the extraordinary dividend in 2019 (discussed in the Stockholders section above), a deferred tax liability in the amount of \$2,528,180 was generated for the Company and an offsetting deferred tax asset was recognized by SFBCIC. In May 2020, to reduce the negative impact on the Company's surplus, SFBCIC made a capital contribution of \$3,000,000 to the Company's gross paid in and contributed surplus.

The full effect of COVID-19 on the U.S. and global insurance industry is still unknown at the time of releasing this report. The MID and all insurance regulators, with the assistance of the NAIC, are continuing to monitor the situation through coordinated efforts and will continue to assess the impacts of the pandemic on U.S. insurers. The MID has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position.

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:

Supervising Examiner	Joseph R. May, CPA, CFE, CFF, CIE
Examiner-in-Charge	R. Dale Miller, CPA, CFE, CFF
Lead IT Specialist	Francois Houde, CPA, CA, CFE, CISA, AES
Examination Actuary	Robert Daniel, ACAS, MAAA
Examination Actuary	Kristen Taylor, ACAS, MAAA
Senior Examiner	Andrea Harbison, CPA
Examiner	Taylor Smith

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



Mark Cooley, CFE
Mississippi Insurance Department Designee