



Mississippi Insurance Department

Report of Examination

of

**COLORADO FARM BUREAU INSURANCE
COMPANY**

as of

December 31, 2020

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

State of Mississippi,

County of Madison,

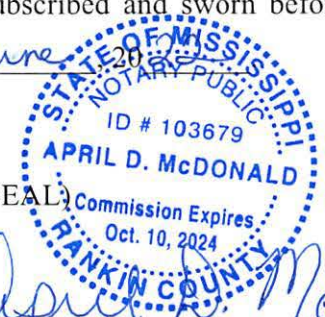
R. Dale Miller, being duly sworn, states as follows:

1. I have authority to represent the Mississippi Insurance Department in the examination of Colorado Farm Bureau Insurance Company as of December 31, 2020.
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 2nd day of

June 2022

April D. McDonald
Notary Public

My commission expires October 10, 2024 [date].



MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MARK HAIRE
Deputy Commissioner of
Insurance

MISSISSIPPI INSURANCE DEPARTMENT

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June 15, 2022

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, 2020, 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-2020-4

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, 2015 through December 31, 2019. This examination covers the period January 1, 2020 through December 31, 2020. This examination was coordinated with Mississippi as the lead state and Arkansas, Florida, and Louisiana as participating states.

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, 2015 through December 31, 2019.

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 re-domesticated to the State of Mississippi. Upon conversion to a stock company, the Company was named Colorado Farm Bureau Insurance Company.

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, 2020, 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. In May 2020, SFBCIC made a capital contribution of \$3,000,000 to the Company’s gross paid in and contributed surplus.

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, 2020, 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	2019	Farmer and President of Colorado

Alamosa, Colorado		Farm Bureau
Rich Edward Hillman II Carlisle, AR	2020	Farmer and President of Arkansas Farm Bureau Federation

Committees

As of December 31, 2020, 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, 2020, the aforementioned committee members were as follows:

Audit	Investment
John Lawrence Hoblick, Sr., Chairman	Ronald Roy Anderson, Chairman
Ronald Roy Anderson	John Lawrence Hoblick, Sr.
David Michael McCormick	Robert Duff Wallace
Rich Edward Hillman, II	Max Turner Courtney
Donald James Shawcroft	Thomas Herndon Arthur
Harry Legare Ott, Jr.	

Officers

The senior officers of the Company as of December 31, 2020, were:

Name of Officer	Number of Years with SFBCIC Group	Principal Occupation
Robert Duff Wallace	36	President and Chief Executive Officer
Lydia Catherine Warren	35	Senior Vice President – Legal and Secretary
Max Turner Courtney	29	Senior Vice President – Chief Financial Officer

Richard Ross Sims	30	Senior Vice President – Underwriting
Duane Burton Hardy	32	Senior Vice President - Claims
Scott Taylor Martin	22	Vice President - Claims

Conflict of Interest

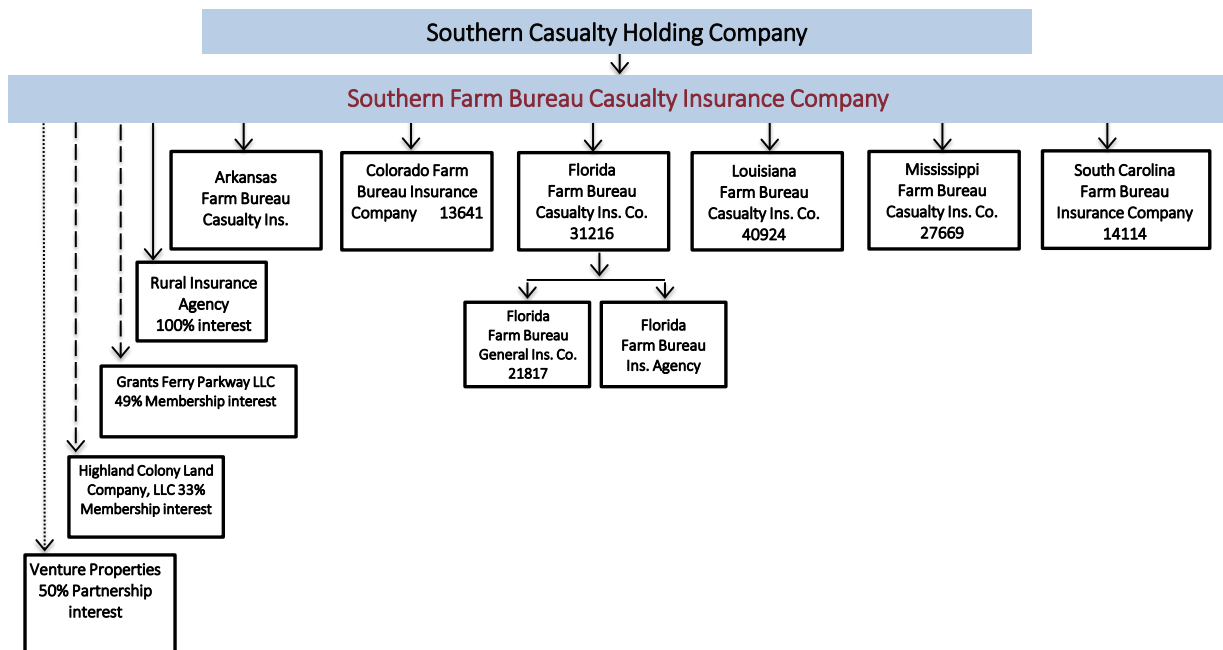
The Company had formal procedures whereby disclosure was made to the Board of any material interest or affiliation on the part of any officer or director that was, or would likely be, a conflict with their official duties. These procedures were reviewed, and no conflicts or exceptions to the Company’s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

HOLDING COMPANY STRUCTURE

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. For each year of the examination period, Holding Company Registration Statements 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.



Southern Casualty Holding Company (“SCHC”) was reported as the ultimate controlling person in the Holding Company Registration Statement filed with the MID as of December 31, 2020. 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 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, 2020:

Colorado Farm Bureau Insurance Company was demutualized and converted to a stock company effective July 1, 2019 thereby becoming a wholly owned subsidiary of SFBCIC. Its principal business was providing property and casualty insurance coverage in the State of Colorado. 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. This company was dissolved on May 31, 2021.

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 property and 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. (“FFBAI”), a noninsurance brokerage operation that provided an outlet for placing business for customers in Florida which its parent did not wish to write. FFBAI was dissolved on November 30, 2021.

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.

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 property and casualty insurance coverage (principally automobile and homeowner) in the State of Mississippi. Also, the Company was an authorized surplus lines writer in various other states.

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.

As a result of the dissolution of SFBCIC's former subsidiary, Southern Farm Bureau Brokerage Company, the parent directly owns the following:

- 100% of all the issued and outstanding voting securities of Rural Insurance Agency
- 33% of the membership interest of Highland Colony Land Company, LLC
- 49% of the membership interest of Grants Ferry Parkway, LLC
- 50% of the partnership interest of Venture Properties

Affiliated and Related Party Transactions

As of December 31, 2020, 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 2020 totaled \$758,728.

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.

The Company also had a multi-line reinsurance agreement in place with SFBCIC. This agreement is discussed further within the Reinsurance section of this report.

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 was a named party on 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, 2020. The administrative functions were performed by employees of SFBCIC.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2020, the Company was licensed in the States of Mississippi and 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, 2020, 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

As mentioned above, this examination is for the period of January 1, 2020 through December 31, 2020. Therefore, the growth of the company amounts included a comparison of the current examination amounts to the prior examination amounts.

	2020		2019	
Balance Sheet				
Total admitted assets	\$	7,488,635	\$	8,803,292
Total liabilities	\$	2,830,562	\$	7,301,241
Surplus as regards policyholders	\$	4,658,073	\$	1,502,051
Cash Flow				
Net cash from operations	\$	600,225	\$	1,070,782
Risk-Based Capital Analysis				
Total adjusted capital	\$	4,658,073	\$	1,502,051
Authorized control level risk-based capital	\$	199,632	\$	2,372,231
Income Statement				
Gross premiums written	\$	73,890,593	\$	76,835,166
Ceded premiums written	\$	73,890,593	\$	62,768,355
Net investment gain (loss)	\$	83,525	\$	12,933,923
Net income (loss)	\$	65,358	\$	16,082,479
Return on revenue		78.3%		61.9%
Investment yield		1.5%		2.5%

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, 2020. 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, 2020, 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 SFBCIC and all subsidiary and affiliated companies. 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 2020 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 housed at an outside location with the backup storage center located at the parent company. The process of migrating policy, claims and billing services are now on distributed networks also housed at SFBCIC. The parent company was also responsible for physical security, computer operations including, backups and disaster recovery over the mainframe and distributed network servers, as well as the applications which resided on them.

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, 2020.

Description	Par Value	Carrying Value	Fair Value
U.S. special revenue	\$ 2,500,000	\$ 2,527,991	\$ 2,734,615
Total held in Mississippi	\$ 2,500,000	\$ 2,527,991	\$ 2,734,615

COLORADO FARM BUREAU INSURANCE COMPANY
FINANCIAL STATEMENTS
EXAMINATION AS OF DECEMBER 31, 2020

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, 2020, the Statement of Income - Statutory for the year ended December 31, 2020, and a Reconciliation of Capital and Surplus - Statutory for the examination period ended December 31, 2020, and a Reconciliation of Examination Changes to Surplus – Statutory at December 31, 2020.

**Statement of Admitted Assets, Liabilities, Surplus and Other Funds – Statutory
December 31, 2020**

Admitted Assets

Bonds	\$	2,527,991
Common stocks		953,093
Cash, cash equivalents, and short term investments		3,612,627
Other invested assets		376,000
Investment income due and accrued		18,924
Total admitted assets	\$	7,488,635

Liabilities, Surplus and Other Funds

Current federal & foreign income taxes	\$	17,562
Net deferred tax liability		2,492,204
Ceded reinsurance premiums payable		320,796
Total liabilities		2,830,562

Common capital stock		2,000,000
Gross paid in & contributed surplus		3,000,000
Unassigned funds (surplus)		(341,927)
Surplus as regards policyholders		4,658,073
Total liabilities and surplus as regards policyholders	\$	7,488,635

**Statement of Income – Statutory
December 31, 2020**

Underwriting Income

Premiums written	\$	73,890,593
Premiums ceded		(73,890,593)
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Net premiums earned		-
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Direct losses and less expenses incurred		41,380,832
Loss and loss expenses ceded		(41,380,832)
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Total underwriting deductions		-
<hr/>		
Net underwriting gain (loss)		-

Investment Income

Net investment income earned		83,525
Net realized capital gains (losses) less capital gains tax		-
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Net investment gain		83,525
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Net income before dividends to policyholders and federal income taxes		83,525
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Federal and foreign income taxes incurred		18,167
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Net income	\$	65,358

**Reconciliation of Capital and Surplus – Statutory
For the Examination Period Ended December 31, 2020**

	2020	2019
Surplus as regards policyholders, beginning of the year	\$ 1,502,051	\$ 32,890,008
Net income (loss)	65,358	16,082,479
Change in net unrealized capital gains (losses)	54,688	(3,765,217)
Change in net deferred income tax	35,976	(2,528,180)
Change in nonadmitted assets	-	(150,686)
Capital changes	-	2,000,000
Surplus adjustments	3,000,000	(2,000,000)
Dividends to stockholders	-	(41,026,353)
Surplus as regards policyholders, end of the year	\$ 4,658,073	\$ 1,502,051

**Reconciliation of Examination Adjustments to Surplus - Statutory
For the year ended December 31, 2020**

There were no changes made to the assets, liabilities or surplus balances reported by the Company for the year ended December 31, 2020. The surplus as regards policyholders reported by the Company of \$4,658,073 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

Lydia Catherine Warren retired effective June 1, 2021. Johnny Victoria Sargent, Jr. was elected to replace Mrs. Warren as Senior Vice President – Legal & Secretary of the Company, effective June 1, 2021.

John Faulkner Bonner was elected as Senior Vice President – State Manager effective September 1, 2021.

On February 22, 2021, John Lawrence Hoblick was elected Chairman of the Board of the Company, replacing the retiring Ronald Roy Anderson. On this same date, David Michael McCormick was elected Vice Chairman of the Board of the Company replacing Mr. Hoblick who was elected Chairman.

On February 21, 2022, David Michael McCormick was elected Chairman of the Board of the Company, replacing the retiring John Lawrence Hoblick. On this same date, Richard Edward Hillman was elected Vice Chairman of the Board of the Company replacing Mr. McCormick who was elected Chairman.

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	David Mills, CISA, CTGA, CGEIT, MCSE
Examination Actuary	Robert Daniel, ACAS, MAAA
Senior Examiner	Andrea J. Harbison, CPA
Examiner	Sophia Tran, CPA
Examiner	Britain Welzien

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