

REPORT ON EXAMINATION

OF

FLORIDA FARM BUREAU GENERAL

INSURANCE COMPANY

GAINESVILLE, FLORIDA

AS OF

DECEMBER 31, 2008

BY THE

OFFICE OF INSURANCE REGULATION

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Tallahassee, Florida

July 10, 2009

Kevin M. McCarty
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Sir:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2008, of the financial condition and corporate affairs of:

**FLORIDA FARM BUREAU GENERAL INSURANCE COMPANY
5700 S.W. 34th STREET
GAINESVILLE, FLORIDA 32608**

Hereinafter referred to as the "Company". Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2004, through December 31, 2008. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2003. This examination commenced with planning at the Office on April 6, 2009, to April 9, 2009. The fieldwork commenced on April 20, 2009, and concluded as of July 10, 2009.

This financial examination was a statutory financial examination conducted in accordance with the Financial Condition Examiners Handbook, Accounting Practices and Procedures Manual and annual statement instructions promulgated by the NAIC as adopted by Rules 69O-137.001(4) and 69O-138.001, Florida Administrative Code, with due regard to the statutory requirements of the insurance laws and rules of the State of Florida.

The Financial Condition Examiners Handbook requires that the examination be planned and performed to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

Risk-focused examinations consist of a seven-phase process that can be used to identify and assess risk, assess the adequacy and effectiveness of strategies/controls used to mitigate risk and

assist in determining the extent and nature of procedures and testing to be utilized in order to complete the review of that activity. The process should generally include a determination of the quality and reliability of the corporate governance structure and risk management programs. In addition, it can be used for verification of specific portions of the financial statements or other limited-scope reviews, increased focus on, and can result in increased substantive testing of, accounts identified as being at high risk of misstatement. Conversely, the risk assessment process should result in decreased focus on, and fewer substantive tests on the accounts identified as being at low risk of misstatement. The risk-focused surveillance process can be used to assist examiners in targeting areas of high-risk.

In this examination, emphasis was directed to the quality, value and integrity of the statement of assets and the determination of liabilities, as those balances affect the financial solvency of the Company as of December 31, 2008. Transactions subsequent to year-end 2008 were reviewed where relevant and deemed significant to the Company's financial condition.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

The examination included a review of the corporate records and other selected records deemed pertinent to the Company's operations and practices. In addition, the NAIC IRIS ratio reports, the Company's independent audit reports and certain work papers prepared by the Company's independent certified public accountant (CPA) and other reports as considered necessary were reviewed and utilized where applicable within the scope of this examination.

This report of examination was confined to financial statements and comments on matters that involved departures from laws, regulations or rules, or which were deemed to require special explanation or description.

Status of Adverse Findings from Prior Examination

The following is a summary of significant adverse findings contained in the Office's prior examination report as of December 31, 2003, along with resulting action taken by the Company in connection therewith.

Custodial Agreement

The Company did not have a custodial agreement with Merrill Lynch Trust Company.

Resolution: The Company entered into a custodial agreement with Merrill Lynch Trust Company effective June 29, 2005. The agreement was filed with the Office.

HISTORY

General

The Company was incorporated in Florida on January 6, 1993 and commenced business on April 1, 1993, as Florida Farm Bureau General Insurance Company

The Company was authorized to transact the following insurance coverage in Florida on December 31, 2008:

Fire
Inland marine
Private Passenger Physical Damage

Allied lines
Other liability
Fidelity

Private Passenger Auto Liability
Commercial Automobile Liability
Commercial Auto Physical Damage
Commercial Multi Peril

Glass
Burglary and Theft
Homeowners Multi Peril
Mobile Home Multi Peril

The Articles of Incorporation and the Bylaws were not amended during the period covered by this examination.

Capital Stock

As of December 31, 2008, the Company's capitalization was as follows:

Number of authorized common capital shares	3,000,000
Number of shares issued and outstanding	3,000,000
Total common capital stock	\$3,000,000
Par value per share	\$1.00

Control of the Company was maintained by its parent, Florida Farm Bureau Casualty Insurance Company (FFBCIC), which owned 100% of the stock issued by the Company, which in turn was 100% owned by Southern Farm Bureau Casualty Insurance Company (SFBCIC), a Mississippi corporation, which was owned equally by the members of the Farm Bureau Federations of Arkansas, Mississippi, Texas, Louisiana, and South Carolina.

Profitability of Company

The following table shows the profitability trend (in dollars) of the Company for the period of operations, as reported in the filed annual statements.

	2008	2007	2006	2005	2004
Premiums Earned	0	0	0	0	0
Net Underwriting Gain/(Loss)	(9,400)	(10,900)	(10,476)	(9,272)	(1,100)
Net Income	123,922	139,207	132,893	128,230	26,564
Total Assets	5,404,422	5,242,713	5,279,852	5,826,835	4,793,230
Total Liabilities	86,939	49,152	225,498	905,375	0
Surplus As Regards Policyholders	5,317,483	5,193,561	5,054,354	4,921,460	4,793,230

Dividends to Stockholders

The Company did not pay dividends to its stockholders during the period under examination.

Management

The annual shareholder meeting for the election of directors was held in accordance with Sections 607.1601 and 628.231, Florida Statutes. Directors serving as of December 31, 2008, were:

Directors

Name and Location

Principal Occupation

Ronald Roy Anderson
Ethel, Louisiana

President
Louisiana Farm Bureau

Mark Allen Byrd
Apopka, Florida

Owner
Mark Byrd Geenhouses

Jon Wallace Deas
Jennings, Florida

Farmer

Kenneth William Dierschke #
San Angelo, Texas

President
Texas Farm Bureau

Alan Lee Foutz
Akron, Colorado

President
Colorado Farm Bureau

John Lawrence Hoblick
DeLeon Spring, Florida

President
Florida Farm Bureau Federation

Stanley Eldon Reed *
Marianna, Arkansas

President
Arkansas Farm Bureau Federation

David Whitmire Waide
Brandon, Mississippi

President
Mississippi Farm Bureau

David Melton Winkels, Jr.
Sumter, South Carolina

President
South Carolina Farm Bureau

Mr. Dierschke was no longer a director at the time of the examination report as Texas is no longer part of the holding company system.

* Mr. Reed retired and was replaced by Randy Veach effective February 16, 2009.

The Board of Directors in accordance with the Company's bylaws appointed the following senior officers:

Senior Officers

Name	Title
John L. Hoblick	President
William O. Courtney, Jr.	Executive Vice President & CEO
Mark A. Byrd	Secretary
Jon W. Deas	Treasurer

The Company's board appointed an audit committee and an investment committee in accordance with Section 607.0825, Florida Statutes. Following were the principal internal board committees and their members as of December 31, 2008:

Investment Committee	Audit Committee
John Hoblick, Chairman	Ronald Anderson, Chairman
Roderick Moore	David Winkles
Dennis Griffin	John Hoblick
Mike Hill	Alan Foutz
Judy Blackburn	David Waide
William O. Courtney, Jr.	Stanley Reed
Harry Hyslop	Kenneth Dierschke

Conflict of Interest Procedure

The Company adopted a policy statement requiring annual disclosure of conflicts of interest in accordance with the NAIC Financial Condition Examiners Handbook.

Corporate Records

The recorded minutes of the shareholder, Board of Directors, and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events in accordance with Section 607.1601, Florida Statutes, including the authorization of investments as required by Section 625.304, Florida Statutes.

Acquisitions, Mergers, Disposals, Dissolutions, and Purchase or Sales Through Reinsurance

The Company had no acquisitions, mergers, disposals, dissolutions, purchases or sales through reinsurance during the period covered by this examination.

Surplus Debentures

The Company had no outstanding surplus debentures at December 31, 2008.

AFFILIATED COMPANIES

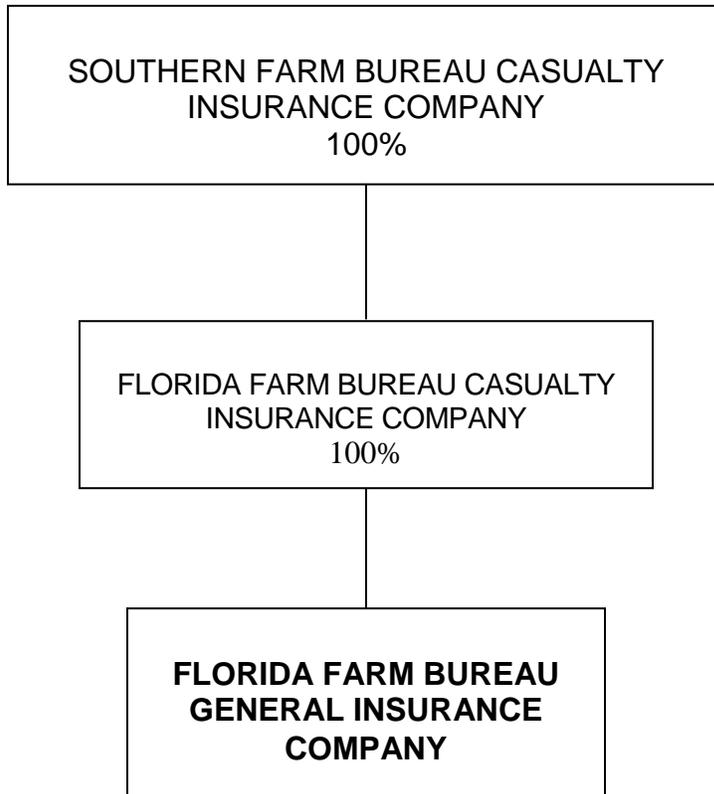
The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), Florida Administrative Code. The latest holding company registration

statement was filed with the State of Florida on March 3, 2009, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

A simplified organizational chart as of December 31, 2008, reflecting the holding company system, is shown below. Schedule Y of the Company's 2008 annual statement provided a list of all related companies of the holding company group.

**FLORIDA FARM BUREAU GENERAL INSURANCE COMPANY
ORGANIZATIONAL CHART**

DECEMBER 31, 2008



The following agreements were in effect between the Company and its affiliates:

Reinsurance Agreement

The Company was party to an agreement whereby all risks were ceded, less certain business ceded to the Florida Hurricane Catastrophe Fund, to its parent, FFBCIC. The agreement states all losses, loss adjustment expenses, acquisition expenses, general expenses, and all taxes arising out of the premiums assumed should be reimbursed or paid by the parent.

Tax Allocation Agreement

The Company, along with its parent and other affiliates, filed a consolidated federal income tax return. On December 31, 2008, the method of allocation between the Company and its parent was on a separate return basis.

Cost Sharing Agreement

The Company was party to a cost sharing agreement with its parent FFBCIC and the Florida Farm Bureau Federation for services shared including management and operational support.

Line of Credit Agreement

The Company had available a \$25,000,000 line of credit from its parent FFBCIC. The line of credit has not been drawn upon and there were no amounts due at December 31, 2008.

FIDELITY BOND AND OTHER INSURANCE

The Company maintained fidelity bond coverage up to \$5,000,000 with a deductible of \$250,000, which adequately covered the suggested minimum amount of coverage for the Company as recommended by the NAIC.

The Company was a named insured on various other policies written in the name of Southern Farm Bureau.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company participated in a non-contributory benefit pension plan. In addition, the Company matched employee contributions that qualified for income tax deferral in a 401K-contribution plan. The Company also provided group life insurance, group accidental death, group hospitalization, and medical insurance for its employees and post retirement benefits for eligible retired employees.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, Florida Statutes:

STATE	Description	Par Value	Market Value
FL	US TNote 3.375% 11/15/08	<u>\$2,500,000</u>	<u>\$2,500,000</u>

INSURANCE PRODUCTS

The Company provided coverage of insurance to persons who were members of a county Farm Bureau agricultural organization. The Company along with its parent, maintained sales offices in each county of Florida, where business was marketed and serviced by a network of agents.

Territory

The Company was authorized to transact insurance exclusively in the State of Florida.

Treatment of Policyholders

The Company established procedures for handling written complaints in accordance with Section 626.9541(1) (j), Florida Statutes.

The Company maintained a claims procedure manual that included detailed procedures for handling each type of claim in accordance with Section 626.9541(1) (i) 3a, Florida Statutes.

REINSURANCE

The reinsurance agreements reviewed complied with NAIC standards with respect to the standard insolvency clause, arbitration clause, transfer of risk, reporting and settlement information deadlines.

Assumed

The Company assumed no risk during the period covered by the examination.

Ceded

The Company ceded 100% of all business written, less certain premium ceded to the Florida Hurricane Catastrophe Fund to its parent, FFBCIC.

The reinsurance contracts were reviewed by the Company's appointed actuary and were utilized in determining the ultimate loss opinion.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Gainesville, Florida, where this examination was conducted.

An independent CPA audited the Company's statutory basis financial statements annually for the years 2004, 2005, 2006, 2007 and 2008 in accordance with Section 624.424(8), Florida Statutes. Supporting work papers were prepared by the CPA as required by Rule 69O-137.002, Florida Administrative Code.

The Company's accounting records were maintained on a computerized system. The Company's balance sheet accounts were verified with the line items of the annual statement submitted to the Office.

The Company and non-affiliates had the following agreements:

Custodial Agreement

The Company maintained a custodial agreement with Merrill Lynch Trust Company. The agreement was in compliance with the requirements of Rule 69O-143.042, Florida Administrative Code.

Licensing Agreement

The Company, along with its parent, FFBCIC, had an agreement with Florida Farm Bureau Federation, a member of the American Farm Bureau Federation, to use the “Farm Bureau” name and logo in connection with selling, placing and underwriting of property and casualty insurance products and service in the State of Florida. In return for the agreement, the Company and FFBCIC paid a royalty of eighty-two hundredths percent per year on adjusted direct premiums written, less premiums collected from assigned risk pool and dividends declared by the licensees.

Independent Auditor Agreement

The Company engaged KPMG LLP to perform the statutory audits of its financial statements for each year during the examination period, as required by Section 624.424(8), Florida Statutes and Rule 69O-137.002, Florida Administrative Code.

Information Technology Report

Deanna Leyden, CFE, CISA, CICA performed an evaluation of the information technology and computer systems of the Company. Results of the evaluation were noted in the Information Technology Report provided to the Company.

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2008, and the results of its operations for the year then ended as determined by this examination. There were no adjustments made as a result of the examination.

FLORIDA FARM BUREAU GENERAL INSURANCE COMPANY
Assets

DECEMBER 31, 2008

	Per Company	Examination Adjustments	Per Examination
Bonds	\$1,534,388	\$0	\$1,534,388
Cash and Short term investments	3,795,585		3,795,585
Investment income due and accrued	26,930		26,930
Amounts recoverable from reinsurers	47,520		47,520
Totals	<u>\$5,404,422</u>	<u>\$0</u>	<u>\$5,404,422</u>

FLORIDA FARM BUREAU GENERAL INSURANCE COMPANY
Liabilities, Surplus and Other Funds

DECEMBER 31, 2008

	Per Company	Examination Adjustments	Per Examination
Current federal and foreign income taxes	\$39,419	\$0	\$39,419
Payable to parent, subsidiaries and affiliates	47,520		47,520
	<hr/>		
Total Liabilities	\$86,939	\$0	\$86,939
Common capital stock	\$3,000,000		\$500,000
Unassigned funds (surplus)	2,317,483		4,564,923
	<hr/>		
Surplus as regards policyholders	\$5,317,483		\$5,317,483
	<hr/>		
Total liabilities, surplus and other funds	\$5,404,422	\$0	\$5,404,422
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FLORIDA FARM BUREAU GENERAL INSURANCE COMPANY
Statement of Income

DECEMBER 31, 2008

Underwriting Income

Premiums earned		\$0
	Deductions:	
Other underwriting expenses incurred		9,400
Total underwriting deductions		\$9,400
Net underwriting gain or (loss)		(\$9,400)

Investment Income

Net investment income earned		\$172,758
Net investment gain or (loss)		\$172,758

Other Income

Total other income		\$0
Net income before dividends to policyholders and before federal & foreign income taxes		\$163,358
Dividends to policyholders		0
Net Income, after dividends to policyholders, but before federal & foreign income taxes		\$163,358
Federal & foreign income taxes		39,436
Net Income		\$123,922

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year		\$5,193,561
Net Income		\$123,922
Change in surplus as regards policyholders for the year		\$123,922
Surplus as regards policyholders, December 31 current year		\$5,317,483

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Losses and Loss Adjustment Expenses \$ 0

An outside actuarial firm appointed by the Board of Directors, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2008, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The contracted actuary reviewed work papers provided by the Company and was in concurrence with this opinion.

Capital and Surplus

The amount reported by the Company of \$5,317,483, exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

A comparative analysis of changes in surplus is shown below.

**FLORIDA FARM BUREAU GENERAL INSURANCE COMPANY
COMPARATIVE ANALYSIS OF CHANGES IN SURPLUS**

DECEMBER 31, 2008

The following is a reconciliation of Surplus as regards policyholders between that reported by the Company and as determined by the examination.

Surplus as Regards Policyholders December 31, 2008, per Annual Statement	\$5,317,483
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	<u>PER COMPANY</u>	<u>PER EXAM</u>	<u>INCREASE (DECREASE) IN SURPLUS</u>
ASSETS:			
No adjustments			
LIABILITIES:			
No adjustments			
Net Change in Surplus:			0
Surplus as Regards Policyholders December 31, 2008, Per Examination			\$5,317,483

SUMMARY OF FINDINGS

Compliance with previous directives

The Company has taken the necessary actions to comply with the comments made in the 2003 examination report issued by the Office.

Current examination comments and corrective action

There were no exceptions or findings in the examination as of December 31, 2008.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Florida Farm Bureau General Insurance Company** as of December 31, 2008, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's Surplus as regards policyholders was \$5,317,483, in compliance with Section 624.408, Florida Statutes.

In addition to the undersigned, Joanne Campanelli, CFE, Examiner in Charge, Randall Ross, ACAS, MAAA and Deanna Leyden, CFE, CISA, CICA of Examination Resources, LLC and Maurice Fuller, Financial Examiner/Analyst II, with the Florida Office of Insurance Regulation, participated in the examination.

Respectfully submitted,

Kethessa Carpenter, CPA
Examination Manager
Florida Office of Insurance Regulation