

**REPORT ON EXAMINATION**  
**OF**  
**FLORIDA FARM BUREAU GENERAL**  
**INSURANCE COMPANY**

**GAINESVILLE, FLORIDA**

**AS OF**

**DECEMBER 31, 2013**

**BY THE**  
**FLORIDA OFFICE OF INSURANCE REGULATION**

## TABLE OF CONTENTS

<b>LETTER OF TRANSMITTAL</b> .....	-
<b>SCOPE OF EXAMINATION</b> .....	1
<b>SUMMARY OF SIGNIFICANT FINDINGS</b> .....	2
CURRENT EXAM FINDINGS.....	2
PRIOR EXAM FINDINGS.....	2
<b>HISTORY</b> .....	2
GENERAL .....	2
DIVIDENDS TO STOCKHOLDERS.....	3
CAPITAL STOCK AND CAPITAL CONTRIBUTIONS.....	3
SURPLUS NOTES .....	4
ACQUISITIONS, MERGERS, DISPOSALS, DISSOLUTIONS, AND PURCHASE OR SALES THROUGH REINSURANCE .....	4
<b>CORPORATE RECORDS</b> .....	4
CONFLICT OF INTEREST.....	5
<b>MANAGEMENT AND CONTROL</b> .....	5
MANAGEMENT .....	5
AFFILIATED COMPANIES .....	7
SIMPLIFIED ORGANIZATIONAL CHART .....	8
REINSURANCE AGREEMENT.....	9
TAX ALLOCATION AGREEMENT.....	9
COST SHARING AGREEMENT .....	9
JOINT EXPENSE AGREEMENT.....	10
<b>FIDELITY BOND AND OTHER INSURANCE</b> .....	10
<b>PENSION, STOCK OWNERSHIP AND INSURANCE PLANS</b> .....	11
<b>TERRITORY AND PLAN OF OPERATIONS</b> .....	11
TREATMENT OF POLICYHOLDERS .....	11
<b>COMPANY GROWTH</b> .....	11
PROFITABILITY OF COMPANY .....	12
<b>LOSS EXPERIENCE</b> .....	12
<b>REINSURANCE</b> .....	12
<b>ASSUMED</b> .....	12
<b>CEDED</b> .....	13
<b>ACCOUNTS AND RECORDS</b> .....	13
CUSTODIAL AGREEMENT .....	13
LICENSING AGREEMENT .....	13
INDEPENDENT AUTITORS AGREEMENT .....	14

<b>INFORMATION TECHNOLOGY REPORT .....</b>	<b>14</b>
<b>STATUTORY DEPOSITS .....</b>	<b>14</b>
<b>FINANCIAL STATEMENTS PER EXAMINATION.....</b>	<b>15</b>
ASSETS.....	16
LIABILITIES, SURPLUS AND OTHER FUNDS .....	17
STATEMENT OF INCOME .....	18
COMPARATIVE ANALYSIS OF CHANGES IN SURPLUS.....	19
<b>COMMENTS ON FINANCIAL STATEMENTS.....</b>	<b>20</b>
LIABILITIES .....	20
CAPITAL AND SURPLUS .....	20
<b>SUMMARY OF RECOMMENDATIONS.....</b>	<b>20</b>
<b>CONCLUSION.....</b>	<b>21</b>

March 13, 2015

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, Rule 69O-138.005, Florida Administrative Code, 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, 2013, of the financial condition and corporate affairs of:

**FLORIDA FARM BUREAU GENERAL INSURANCE COMPANY  
5700 S.W. 34<sup>th</sup> 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, 2009 through December 31, 2013. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2008. This examination commenced with planning at the Office from October 20, 2014 to October 24, 2014. The fieldwork commenced on November 12, 2014, and concluded as of March 13, 2015.

This financial examination was a statutory financial examination conducted in accordance with the NAIC 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.

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

This report of examination is confined to significant adverse findings, a material change in the financial statements or other information of regulatory significance or requiring regulatory action. The report comments on matters that involved departures from laws, regulations or rules, or which were deemed to require special explanation or description.

## **SUMMARY OF SIGNIFICANT FINDINGS**

### **Current Exam Findings**

The following is a summary of material adverse findings, significant non-compliance findings, or material changes in the financial statements noted during this examination.

### **Notification for Change of Officers**

The Company did not notify the Office of the departure of the Company Actuary within the required forty-five (45) days, which was not in compliance with Section 628.261, Florida Statutes.

### **Prior Exam Findings**

There were no material adverse findings, significant non-compliance findings, or material changes in the financial statements noted for the examination as of December 31, 2008.

## **HISTORY**

### **General**

Florida Farm Bureau General Insurance 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 coverages in Florida on various dates beginning in 1993 and continued to be authorized as of December 31, 2013:

Homeowners Multi Peril	Glass
Commercial Multi Peril	Burglary and Theft
Private Passenger Auto Physical Damage	Mobile Home Multi Peril
Private Passenger Auto Liability	Inland Marine
Commercial Automobile Liability	Other Liability
Commercial Auto Physical Damage	Fidelity
Allied Lines	Fire

Effective February 15, 2010, the Company amended its Articles of Incorporation and Bylaws to reduce the number of directors from eight to six. The Company notified the Office of the change in number of directors.

### **Dividends to Stockholders**

The Company did not declare or pay any dividends during the period of this examination.

### **Capital Stock and Capital Contributions**

As of December 31, 2013, 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

The Company was wholly owned and controlled by its parent, Florida Farm Bureau Casualty Insurance Company (Florida Casualty), which in turn was 100% owned by Southern Farm Bureau Casualty Insurance Company (Southern Casualty), which was owned by 6 Farm Bureau investment/holding companies, which are owned/controlled by the Farm Bureau

federations/organizations in Arkansas, Mississippi, Louisiana, South Carolina, Florida and Colorado.

The Company's parent company, Florida Casualty, made a capital contribution in the amount of \$3,000,000 on November 3, 2009.

### **Surplus Notes**

The Company did not have any surplus notes during the period of this examination.

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

The Company had no acquisitions, mergers, disposals, dissolutions and purchase or sales through reinsurance during the period of this examination.

## **CORPORATE RECORDS**

The recorded minutes of the Shareholders, Board of Directors (Board) 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 compliance with the NAIC Financial Condition Examiners Handbook adopted by Rule 69O-138.001, Florida Administrative Code, including the authorization of investments as required by Section 625.304, Florida Statutes.

## **Conflict of Interest**

The Company adopted a policy statement requiring periodic disclosure of conflicts of interest in accordance with the NAIC Financial Condition Examiners Handbook adopted by Rule 690-138.001, Florida Administrative Code.

## **MANAGEMENT AND CONTROL**

### **Management**

The annual shareholders meeting for the election of directors was held in accordance with Section 628.231, Florida Statutes. Directors serving as of December 31, 2013, were:

#### **Directors**

<b>Name and Location</b>	<b>Principal Occupation</b>
Ronald Roy Anderson Baton Rouge, Louisiana	President Louisiana Farm Bureau Federation, Inc.
John Lawrence Hoblick Gainesville, Florida	President Florida Farm Bureau Federation
Donald James Shawcroft Denver, Colorado	President Colorado Farm Bureau
Randy Lee Knight (a) Jackson, Mississippi	President Mississippi Farm Bureau Federation
Harry Randal Veach Little Rock, Arkansas	President Arkansas Farm Bureau Federation
David Melton Winkles, Jr. Columbia, South Carolina	President South Carolina Farm Bureau

(a) Replaced by David Michael McCormick as President of Mississippi Farm Bureau Federation on February 16, 2015.

In accordance with the Company's bylaws, the Board appointed the following senior officers:

### Senior Officers

<b>Name</b>	<b>Title</b>
Steven Clay Murray	President & CEO
Ronald Roy Anderson	Chairman of the Board
John Lawrence Hoblick	Vice Chairman
Steven Walter Ingram	Secretary
Kimberly Payne Blackburn	VP Products & Agency/Brokerage
Bert Jay Gindy	VP Compliance & Government Relations
Stephen Thomas Grabow	VP Claims
Michael Anthony Hill	VP Finance
Marvin Stanley Smith	VP Information Technology
Stephen Douglas Tanner	VP Human Resources & Administration
Mark Lane Thomas	VP Underwriting & Training

The Company's Board appointed an internal committee. The following is an internal Board committee and members as of December 31, 2013:

#### **Audit Committee**

John Lawrence Hoblick<sup>1</sup>  
Harry Randal Veach  
David Melton Winkles, Jr.  
Randy Lee Knight (a)  
Ronald Roy Anderson  
Donald James Shawcroft

<sup>1</sup> Chairman

(a) Replaced by David Michael McCormick as President of Mississippi Farm Bureau Federation on February 16, 2015.

The Company maintained an audit committee, as required by Section 624.424(8) (c), Florida Statutes.

## **Affiliated Companies**

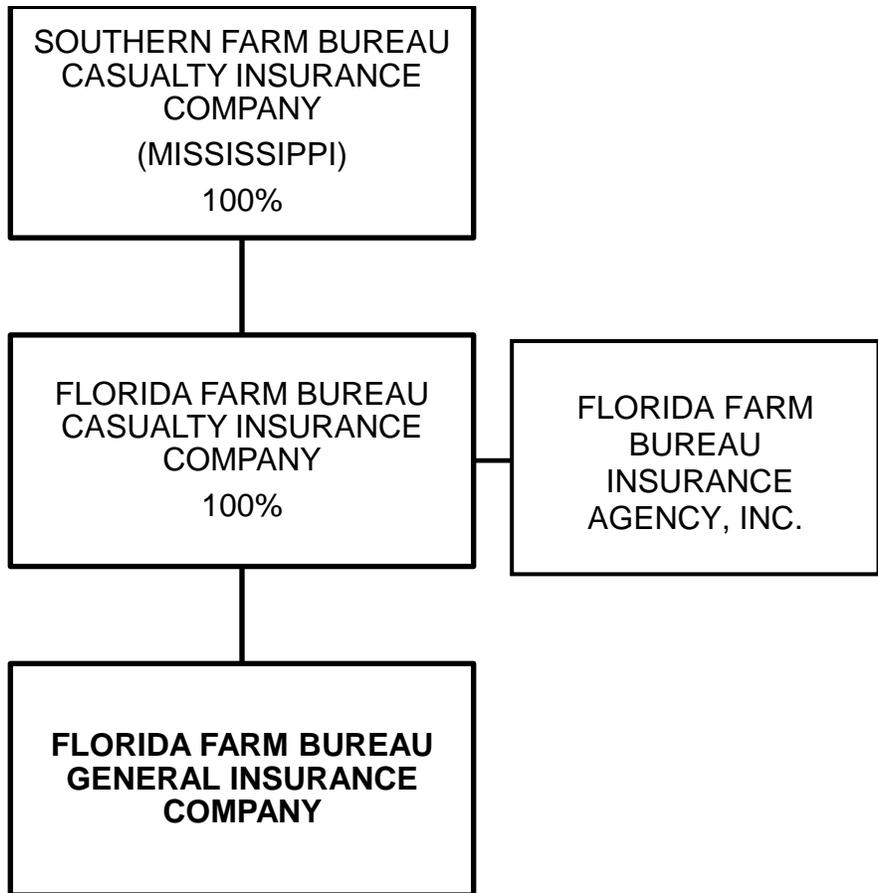
The most recent holding company registration statement was filed with the State of Florida on March 12, 2015, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

A simplified organizational chart as of December 31, 2013, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2013 annual statement provided a list of all related companies of the holding company group.

**FLORIDA FARM BUREAU GENERAL INSURANCE COMPANY**

**SIMPLIFIED ORGANIZATIONAL CHART**

**DECEMBER 31, 2013**



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

### **Reinsurance Agreement**

The Company entered into a multi-line Reinsurance Agreement with its parent, Florida Casualty, on January 1, 2007. The reinsurance agreement states all risks, less certain business ceded to the Florida Hurricane Catastrophe Fund were ceded to its parent, Florida Casualty. The agreement states all losses, loss adjustment expenses, acquisition expenses, general expenses, and all taxes arising out of the premiums ceded should be reimbursed or paid by the parent.

### **Tax Allocation Agreement**

The Company, along with its parent, Florida Casualty, and its ultimate controlling company, Southern Casualty, filed a consolidated federal income tax return. On December 31, 2013, the method of allocation between the Company and its ultimate parent was on a separate-entity basis. Each member of the group recorded an inter-company income tax receivable or payable with Southern Casualty. Within ninety days of the remittance by Southern Casualty of any income tax payment to the taxing authorities, all inter-company tax receivables and payables were settled.

### **Cost Sharing Agreement**

The Company entered into a Cost Sharing Agreement with Florida Farm Bureau Federation (Federation) and Affiliates, and Florida Casualty on July 1, 2005. The companies agree to provide services shared by Federation and companies including management and operational support. Property taxes are prorated based on occupied space. Costs shared under this agreement during 2013 amounted to \$0.

## **Joint Expense Allocation Agreement**

The Company was party to a joint expense allocation agreement with its parent, Florida Casualty. To achieve potential cost efficiencies, the companies share in certain overhead expenses that are mutually beneficial. All joint overhead expenses incurred in operating the Company and Florida General were allocated between the companies pursuant to the formula prescribed in one of the following three categories: Loss Adjustment Expense, Information System Expense and Other Routing/Reoccurring Joint Expenses. Within five working days of the end of each month excluding December, Florida Casualty will report to the Company the amount of joint expenses allocated to the Company pursuant to the calculations. For the month ending December 31, Florida Casualty shall provide to the Company the report of allocated expenses by the 20th working day of January the following year. Final settlement of amounts due will be based on these reports and will be remitted on a monthly basis within fifteen days of receipt of the monthly reports. Costs shared under this agreement during 2013 amounted to \$0.

## **FIDELITY BOND AND OTHER INSURANCE**

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

The Company also maintained management liability insurance and professional liability insurance coverage with limits of \$10,000,000 and a deductible of \$200,000, as well as property and liability, directors & officers, errors & omissions, underground storage tank, cyber security, cyber liability, workers' compensation and commercial umbrella liability coverages.

## **PENSION, STOCK OWNERSHIP AND INSURANCE PLANS**

The Company participated in a noncontributory benefit pension plan. The plan is available to all employees who have satisfied certain eligibility requirements such as age and length of service. Contributions to the plan are funded through a group deposit administration contract with Southern Casualty and are determined by the entry age normal cost method.

## **TERRITORY AND PLAN OF OPERATIONS**

The Company was authorized to transact insurance only 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.

## **COMPANY GROWTH**

Net underwriting gains and net income remained consistent during the examination period, and investment income remained the main source of income. Surplus grew steadily each year during the examination period, mainly due to the Company having a favorable net income growth through investment income.

## Profitability of Company

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

	2013	2012	2011	2010	2009
Premiums Earned	0	0	0	0	0
Net Underwriting Gain/(Loss)	(12,300)	(12,400)	(12,500)	(12,736)	(12,264)
Net Income	183,040	178,961	180,381	189,815	200,605
Total Assets	9,283,981	9,100,160	8,921,417	8,888,629	8,743,380
Total Liabilities	33,695	32,914	33,132	180,725	225,291
Surplus As Regards Policyholders	9,250,286	9,067,246	8,888,285	8,707,904	8,518,089

## LOSS EXPERIENCE

The Company's risks were ceded, less certain business ceded to the Florida Hurricane Catastrophe Fund, to its parent, Florida Casualty. Therefore, there were no one-year or two-year loss developments reported by the Company.

## REINSURANCE

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

## Assumed

The Company did not assume any reinsurance during the period of this examination.

**Ceded**

As of December 31, 2013, the Company ceded 100% of all business written, less certain premium ceded to the Florida Hurricane Catastrophe Fund, to its parent, Florida Casualty.

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. The Company's accounting records were maintained on a computerized system.

The Company and non-affiliates had the following agreements:

**Custodial Agreement**

In 2012, the custodial agreement with Merrill Lynch Trust Company was terminated and a new custodial agreement was entered into with Morgan Stanley Smith Barney, LLC. The agreement was in compliance with the requirements of Rule 69O-143.042, Florida Administrative Code.

**Licensing Agreement**

The Company, along with its parent, Florida Casualty, 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, the Company and

Florida Casualty paid a royalty of 0.87% per year on adjusted direct premiums written, less premiums collected from the assigned risk pool and dividends declared by the licensees.

**Independent Auditor Agreement**

An independent CPA audited the Company’s statutory basis financial statements annually for the years 2009 through 2013, in accordance with Section 624.424(8), Florida Statutes. Supporting workpapers were prepared by the CPA as required by Rule 69O-137.002, Florida Administrative Code.

**INFORMATION TECHNOLOGY REPORT**

Lindsey Pittman, IT Specialist, of Lewis & Ellis, Inc. 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.

**STATUTORY DEPOSITS**

The following securities were deposited with the State of Florida as required by Section 624.411, Florida Statutes and with various state officials as required or permitted by law.

STATE	Description	Par Value	Market Value
FL	EBRP, LA Bond, 5.25%, 08/01/26	<u>\$ 500,000</u>	<u>\$ 554,465</u>
TOTAL STATUTORY DEPOSITS		<u><u>\$ 500,000</u></u>	<u><u>\$ 554,465</u></u>

## **FINANCIAL STATEMENTS PER EXAMINATION**

The following pages contain financial statements showing the Company's financial position as of December 31, 2013, and the results of its operations for the year then ended as determined by this examination. Adjustments made as a result of the examination are noted in the section of this report captioned, "Comparative Analysis of Changes in Surplus."

**FLORIDA FARM BUREAU GENERAL INSURANCE COMPANY**

**Assets**

**DECEMBER 31, 2013**

	<b>Per Company</b>	<b>Examination Adjustments</b>	<b>Per Examination</b>
Bonds	\$8,975,789		\$8,975,789
Cash and short-term investments	188,516		188,516
Investment Income	119,676		119,676
Totals	<u>\$9,283,981</u>	<u>\$0</u>	<u>\$9,283,981</u>

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

**DECEMBER 31, 2013**

	Per Company	Examination Adjustments	Per Examination
Current federal/foreign income taxes	\$33,695		\$33,695
Total Liabilities	<u>\$33,695</u>	\$0	<u>\$33,695</u>
Common capital stock	\$3,000,000		\$3,000,000
Gross paid in and contributed surplus	3,000,000		3,000,000
Unassigned funds (surplus)	<u>3,250,286</u>		<u>3,250,286</u>
Surplus as regards policyholders	<u>\$9,250,286</u>	\$0	<u>\$9,250,286</u>
Total liabilities, surplus and other funds	<u><u>\$9,283,981</u></u>	\$0	<u><u>\$9,283,981</u></u>

**FLORIDA FARM BUREAU GENERAL INSURANCE COMPANY**  
**Statement of Income**

**DECEMBER 31, 2013**

**Underwriting Income**

Premiums earned		\$0
	<b>Deductions:</b>	
Losses incurred		\$0
Loss expenses incurred		0
Other underwriting expenses incurred		12,300
Aggregate write-ins for underwriting deductions		0
Total underwriting deductions		<u>\$12,300</u>
Net underwriting gain		(\$12,300)

**Investment Income**

Net investment income earned		\$229,029
Net realized capital gains or (losses)		<u>0</u>
Net investment gain		\$229,029

**Other Income**

Net gain from agents' or premium balances charged off		\$0
Finance and service charges not included in premiums		0
Aggregate write-ins for miscellaneous income		<u>0</u>
Total other income		<u>\$0</u>

Net income before dividends to policyholders and before federal & foreign income taxes		\$216,729
Dividends to policyholders		<u>0</u>
Net Income, after dividends to policyholders, but before federal & foreign income taxes		\$216,729
Federal & foreign income taxes		<u>33,689</u>
Net Income		<u><u>\$183,040</u></u>

**Capital and Surplus Account**

Surplus as regards policyholders, December 31 prior year		\$9,067,246
Net Income		\$183,040
Change in net deferred income tax		25,422
Change in non-admitted assets		(25,422)
Change in net unrealized capital gains		0
Surplus adjustments: Paid in		0
Aggregate write-ins for gains and losses in surplus		0
Examination Adjustment		0
Change in surplus as regards policyholders for the year		<u>\$183,040</u>
Surplus as regards policyholders, December 31 current year		<u><u>\$9,250,286</u></u>

A comparative analysis of changes in surplus is shown below.

**FLORIDA FARM BUREAU GENERAL INSURANCE COMPANY**  
**Comparative Analysis of Changes in Surplus**

**DECEMBER 31, 2013**

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, 2013, per Annual Statement	\$9,250,286
---	-------------

	<u>PER COMPANY</u>	<u>PER EXAM</u>	<u>INCREASE (DECREASE) IN SURPLUS</u>
ASSETS:			
No adjustment			
LIABILITIES:			
No adjustment			
Net change in surplus:			<u>0</u>
Surplus as regards policyholders December 31, 2013, per examination			<u><u>\$9,250,286</u></u>

## COMMENTS ON FINANCIAL STATEMENTS

### Liabilities

#### Losses and Loss Adjustment Expenses \$0

The appointed actuary for the ultimate parent company, Southern Casualty, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2013, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Office consulting actuaries, Greg Wilson, FCAS, MAAA, and Patrick Glenn, ACAS, ASA, MAAA, of Lewis & Ellis, Inc., reviewed the loss and loss adjustment expense work papers provided by the Company and they were in concurrence with this opinion.

### Capital and Surplus

The amount of capital and surplus reported by the Company of \$9,250,286 exceeded the minimum of \$5,000,000 required by Section 624.408, Florida Statutes.

## SUMMARY OF RECOMMENDATIONS

### Notification for Change of Officers

We recommend that the Company timely notify the Office of all director and officer changes in accordance with Section 628.261, Florida Statutes.

## 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, 2013, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's surplus as regards policyholders was \$9,250,286 which exceeded the minimum of \$5,000,000 required by Section 624.408, Florida Statutes.

In addition to the undersigned, Ryne Davison, CFE, Examiner-In-Charge, Kate Bolbas, CFE, Participating Examiner, Lindsey Pittman, CPA, CFE, Participating Examiner and IT Specialist, Greg Wilson, FCAS, MAAA, consulting actuary, and Patrick Glenn, ACAS, ASA, MAAA, consulting actuary, of Lewis & Ellis, Inc. participated in the examination. Jonathan Frisard, Examination Manager, and Connie Hare, Participating Examiner, also participated in the examination.

Respectfully submitted,

---

Robin Brown, CFE  
Chief Examiner  
Florida Office of Insurance Regulation