



**Examination Report Of**

**Florida Farm Bureau Casualty  
Insurance Company  
Gainesville, Florida**

**NAIC Company Code: 31216**

**as of  
December 31, 2020**

**By  
The Florida Office of Insurance Regulation**

## TABLE OF CONTENTS

<b>LETTER OF TRANSMITTAL .....</b>	<b>1</b>
<b>SCOPE OF EXAMINATION.....</b>	<b>1</b>
<b>SUMMARY OF SIGNIFICANT FINDINGS .....</b>	<b>2</b>
CURRENT EXAMINATION FINDINGS .....	2
PREVIOUS EXAMINATION FINDINGS .....	2
<b>COMPANY HISTORY.....</b>	<b>2</b>
GENERAL .....	2
DIVIDENDS .....	2
CAPITAL STOCK AND CAPITAL CONTRIBUTIONS.....	2
SURPLUS NOTES .....	2
ACQUISITIONS, MERGERS, DISPOSALS, DISSOLUTIONS .....	3
<b>MANAGEMENT AND CONTROL.....</b>	<b>3</b>
CORPORATE GOVERNANCE .....	3
HOLDING COMPANY SYSTEM .....	5
<b>SIMPLIFIED ORGANIZATIONAL CHART .....</b>	<b>5</b>
MULTI-LINE REINSURANCE AGREEMENT.....	6
FLOOD RETRO REINSURANCE AGREEMENT .....	6
TAX ALLOCATION AGREEMENT.....	6
JOINT EXPENSE ALLOCATION AGREEMENT .....	6
<b>ACCOUNTS AND RECORDS .....</b>	<b>7</b>
<b>TERRITORY AND PLAN OF OPERATIONS.....</b>	<b>7</b>
<b>REINSURANCE.....</b>	<b>7</b>
REINSURANCE ASSUMED.....	8
REINSURANCE CEDED.....	8
<b>FINANCIAL STATEMENTS.....</b>	<b>8</b>
ASSETS.....	9
LIABILITIES, SURPLUS, AND OTHER FUNDS .....	10
STATEMENT OF INCOME .....	11
RECONCILIATION OF CAPITAL AND SURPLUS.....	12
<b>COMMENTS ON FINANCIAL STATEMENT ITEMS .....</b>	<b>13</b>
CAPITAL AND SURPLUS .....	13
<b>SUBSEQUENT EVENTS.....</b>	<b>13</b>
<b>CONCLUSION.....</b>	<b>14</b>

June 20, 2022

David Altmaier  
Commissioner  
Office of Insurance Regulation  
State of Florida  
Tallahassee, Florida 32399-0326

Dear Commissioner:

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 (“the NAIC”), we have conducted an examination as of December 31, 2020, of the financial condition and corporate affairs of

**Florida Farm Bureau Casualty Insurance Company**

5700 SW 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, 2016 through December 31, 2020, and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on August 1, 2021. The fieldwork concluded as of June 20, 2022. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2014 through December 31, 2015.

The examination was a multi-state coordinated holding company group examination conducted in accordance with the NAIC Financial Condition Examiners Handbook (“the Handbook”). The Handbook requires that the examination be planned and performed 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. The lead state for this exam was Mississippi, and the states that participated in this exam are as follows: Florida, Arkansas, and Louisiana.

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 the NAIC Statements of Statutory Accounting Principles (“SSAP”).

This examination report includes information obtained from the examination of the records, accounts, files, and documents of or relative to the Company and other information as permitted by Section 624.319, Florida Statutes. There may be other items identified during the examination that, due to their nature (for example, subjective conclusions or proprietary information), are not included within the examination report but separately communicated to other regulators and/or the Company.

## SUMMARY OF SIGNIFICANT FINDINGS

### Current Examination Findings

There were no significant findings as a result of this examination.

### Previous Examination Findings

There were no significant findings in the previous examination.

## COMPANY HISTORY

### General

The Company was incorporated in Florida on April 16, 1974 and commenced business on July 1, 1974.

### Dividends

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

### Capital Stock and Capital Contributions

As of December 31, 2020, the Company's capitalization was as follows:

Number of authorized common capital shares	3,000,000
Number of shares issued and outstanding	500,000
Total common capital stock	\$500,000
Par value per share	\$1.00

The Company was one hundred percent (100%) owned by Southern Farm Bureau Casualty Insurance Company (Southern Casualty), a Mississippi domiciled corporation. Southern Casualty was one hundred percent (100%) owned by Southern Casualty Holding Company (SCHC). SCHC was owned by six (6) Farm Bureau investment/holding corporations, which are owned/controlled by the Farm Bureau federations/organizations in the States of Arkansas, Colorado, Florida, Louisiana, Mississippi, and South Carolina.

### Surplus Notes

The Company did not have or issue any surplus notes during the period under examination.

## Acquisitions, Mergers, Disposals, Dissolutions

The Company had no acquisitions, mergers, disposals, or dissolutions during the period under examination.

## MANAGEMENT AND CONTROL

### Corporate Governance

The annual shareholder meeting for the election of Directors was held in accordance with Section 628.231, Florida Statutes. Directors serving as of December 31, 2020, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
Ronald Roy Anderson (1)	Ethel, Louisiana	Farmer and President, Louisiana Farm Bureau Federation
John Lawrence Hoblick (2)(a)	De Leon Springs, Florida	Farmer and President, Florida Farm Bureau Federation
David Michael McCormick	Union Church, Mississippi	Farmer and President, Mississippi Farm Bureau Federation
Harry Legare Ott, Jr.	Cayce, South Carolina	Farmer and President, South Carolina Farm Bureau
Donald James Shawcroft	Alamosa, Colorado	Farmer and President, Colorado Farm Bureau
Richard Edward Hillman	Carlisle, Arkansas	Farmer and President, Arkansas Farm Bureau Federation

(a) Resigned on February 12, 2022 and was replaced by Jeb Smith.

(1) Chairman

(2) Vice Chairman

In accordance with the Company's Bylaws, the Board appointed the following Senior Officers:

<b>Senior Officers</b>		
<b>Name</b>	<b>City, State</b>	<b>Title</b>
Steven Clay Murray	Gainesville, Florida	President, Chief Executive Officer
Jeffrey Joseph Ayoub	Gainesville, Florida	Vice President – Information Technology
Stephen Thomas Grabow	Gainesville, Florida	Vice President – Claims
John Wilbur Holdsworth, Jr.	Gainesville, Florida	Vice President – Sales
Kimberly Payne Blackburn	Citra, Florida	Vice President – Products & Agency/Brokerage
Mark Lane Thomas	Alachua, Florida	Vice President – Underwriting & Training
Lydia Catherine Warren	Florence, Mississippi	Secretary

The Company's Board appointed internal committees. The following were the principal internal board committees and their members as of December 31, 2020. The first person listed for each committee is the chairman.

<b>Audit Committee</b>		
John Lawrence Hoblick	Ronald Roy Anderson	Richard Edward Hillman
David Michael McCormick	Harry Legare Ott, Jr.	Donald James Shawcroft

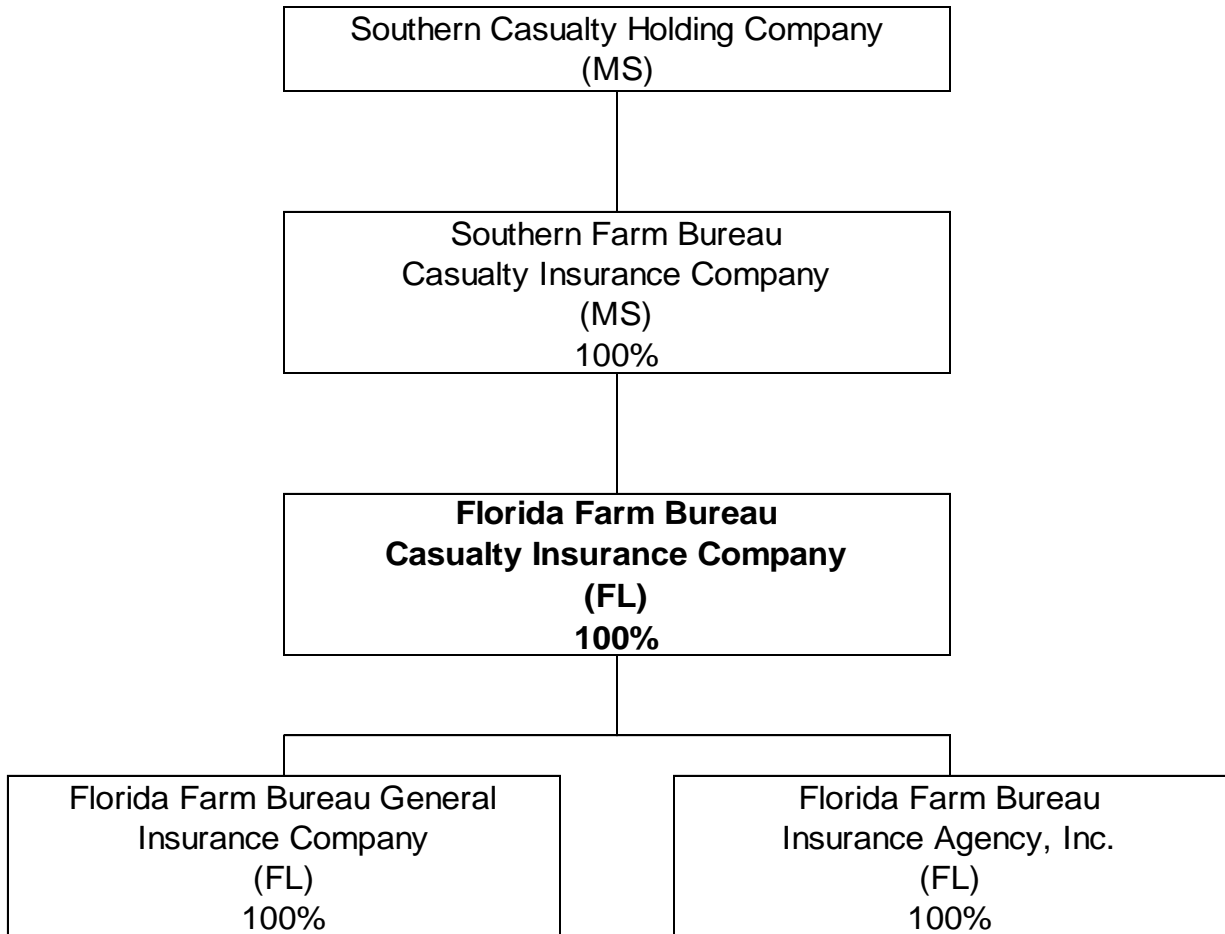
The Company maintained an audit committee as required by Section 624.424(8)(c), Florida Statutes.

<b>Investment Committee</b>		
<b>Name</b>	<b>City, State</b>	<b>Title, Company Name</b>
Ronald Roy Anderson	Ethel, Louisiana	Farmer and President, Louisiana Farm Bureau Federation
Thomas Herndon Arthur	Brandon, Mississippi	Vice President – Investments Southern Farm Bureau Casualty Insurance Company
Max Turner Courtney	Brandon, Mississippi	Sr. Vice President – CFO Southern Farm Bureau Casualty Insurance Company
John Lawrence Hoblick	De Leon Springs, Florida	Farmer and President, Florida Farm Bureau Federation
Robert Duff Wallace	Madison, Mississippi	President –CEO Southern Farm Bureau Casualty Insurance Company

## Holding Company System

A simplified organizational chart as of December 31, 2020, reflecting the holding company system, is shown below. Schedule Y of the Company's 2020 annual statement provided a list of all related companies of the holding company group.

### Florida Farm Bureau Casualty Insurance Company Simplified Organizational Chart December 31, 2020





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

### **Multi-Line Reinsurance Agreement**

Effective January 1, 2004, the Company entered into a Multi-Line Reinsurance Agreement with its wholly owned subsidiary, Florida Farm Bureau General Insurance Company (Florida General).

### **Flood Retro Reinsurance Agreement**

Effective January 1, 2015, the Company entered into a Flood Retro Reinsurance Agreement with its parent, Southern Casualty. The Company retroceded to Southern Casualty all premiums assumed by the Company for flood insurance under all flood policies issued in the State of Florida in the name of Florida Farm Bureau General Insurance Company.

### **Tax Allocation Agreement**

The Company, along with its parent, Southern Casualty, and affiliates file a consolidated federal income tax return. The method of allocation among companies was made primarily on a separate return basis with current credit for any net operating losses or other items utilized in the consolidated return. Intercompany tax balances were settled annually in the subsequent year. Effective July 1, 2019, the Tax Allocation Agreement was amended and restated.

### **Joint Expense Allocation Agreement**

Effective February 13, 2009, the Company and Florida General entered into a Joint Expense Allocation Agreement. Joint expenses allocated under this agreement are those expenses that are for the mutual benefit of both Florida Casualty and Florida General. All joint overhead expenses incurred in operating the companies are allocated pursuant to the formula prescribed in one of the following four categories: loss adjustment expense, information system expense, other routing/reoccurring joint expenses and other expenses.

### **Expense Allocation Agreement**

Effective July 1, 2005, the Company entered into an Expense Allocation Agreement with its parent, Southern Casualty.

### **Cost Sharing Agreement**

Effective July 1, 2008, the Company entered into a cost-sharing agreement with Florida Farm Bureau Insurance Agency, Inc. (Florida Agency). Whereby the companies share in certain overhead expenses, including telephone, supplies, mail, printing, personnel, data processing and office space, which are mutually beneficial to both companies and allow for their more efficient and economical operation.

### **Service Fee Agreement**

Effective January 1, 2015, the Company entered into a service fee agreement with Florida Agency whereby Florida Agency agrees to pay service fees to the Company for brokerage business conducted through Florida Agency.

## **ACCOUNTS AND RECORDS**

The Company maintained its principal operational offices in Gainesville, Florida.

## **TERRITORY AND PLAN OF OPERATIONS**

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

The Company began insurance transactions in Florida on June 1, 1974, and is currently authorized for the following lines of business as of December 31, 2020:

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

## **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.

### **Reinsurance Assumed**

The Company assumed one hundred percent (100%) of the premiums written, less the premium ceded to the Florida Hurricane Catastrophe Fund (FHCF), of its subsidiary, Florida General.

### **Reinsurance Ceded**

As of December 31, 2020, the Company's ceded reinsurance program consisted of an affiliated agreement with Southern Casualty, several excess of loss and catastrophe reinsurance agreements that were directly placed with America Agricultural Insurance Company (American Ag), and participation in the FHCF.

Effective January 1, 2015, the Company entered into a Flood Retro Reinsurance Agreement with its parent, Southern Casualty. The Company retroceded to Southern Casualty all premiums assumed by the Company for flood insurance under all flood policies issued in the State of Florida in the name of Florida Farm Bureau General Insurance Company. The Company also agreed to cede all assessments by virtue of participation in any pool arrangement, joint underwriting association, guaranty fund or similar arrangements.

The primary plan underlying the Company's reinsurance program is to retain all "property" business up to its limits and cede or retrocede all automobile policies. The excess above the Company's retention is ceded or retroceded to American Ag.

The Company is required under Florida Statute 215.555 to pay premiums into the FHCF. Under this contract, the reinsurers will be liable to the Company in each occurrence.

## **FINANCIAL STATEMENTS**

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus, and Other Funds; statutory Statement of Income; and the statutory Analysis of Changes in Surplus for the year ended December 31, 2020. The financial statements are based on the statutory financial statements filed by the Company with the Florida Office of Insurance Regulation and present the financial condition of the Company for the period ending December 31, 2020. (Note: Failure of the columns to add to the totals reflected in this Report is due to rounding.)

**Florida Farm Bureau Casualty Insurance Company**  
**Assets**  
**December 31, 2020**

	Per Company
Bonds	\$453,486,804
Stocks	
Common stocks	20,140,603
Real Estate	
Properties occupied by the company	6,504,131
Cash and short-term investments	17,777,554
Subtotals, cash and invested assets	\$497,909,092
Investment income due and accrued	4,402,246
Premiums and considerations	
Uncollected premiums and agents' balances	8,924,650
Deferred premiums, agents' balances, and installments	37,629,082
Reinsurance	
Amounts recoverable from reinsurers	4,093,205
Current federal and foreign income taxes recoverable and interest thereon	8,566,636
Electronic data processing equipment and software	128,816
Furniture and equipment, including health care delivery assets	
Receivable from parent, subsidiaries, and affiliates	459,741
Aggregate write-in for other than invested assets	575,186
<b>Totals</b>	<b>\$562,688,654</b>

**Florida Farm Bureau Casualty Insurance Company**  
**Liabilities, Surplus, and Other Funds**  
**December 31, 2020**

	Per Company
Losses	\$121,450,499
Loss adjustment expenses	24,117,383
Commissions payable, contingent commissions and other similar charges	2,502,508
Other expenses	2,279,515
Taxes, licenses, and fees	586,220
Unearned premiums	125,036,384
Advance premiums	6,366,786
Ceded reinsurance premiums payable	1,988,305
Amounts withheld or retained by company for account of others	194,265
Payable to parent, subsidiaries, and affiliates	20,909
Aggregate write-in for liabilities	20,053,310
Total liabilities	\$304,598,084
Aggregate write-ins for special surplus funds	1,939,285
Common capital stock	500,000
Gross paid-in and contributed surplus	77,090,000
Unassigned funds (surplus)	178,563,286
Surplus as regards policyholders	258,092,571
Totals	\$562,688,655

**Florida Farm Bureau Casualty Insurance Company**  
**Statement of Income**  
**December 31, 2020**

	Per Company
<b>Underwriting Income</b>	
Premiums earned	\$275,129,403
<b>Deductions</b>	
Losses Incurred	234,128,778
Loss adjustment expenses incurred	30,652,263
Other underwriting expenses incurred	56,18,136
Total Underwriting deductions	\$320,968,177
Net underwriting gain (loss)	\$(45,838,774)
<b>Investment Income</b>	
Net investment income earned	15,997,461
Net realized capital gains or (losses)	167,897
Net investment gain or (loss)	\$16,165,358
<b>Other Income</b>	
Net gain or (loss) from agents' or premium balances charged off	\$(126,960)
Finance and service charges not included in premiums	997,709
Aggregate write-ins for miscellaneous income	284,301
Total other income	\$1,155,050
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$(28,518,366)
Federal & foreign income taxes incurred	(6,941,232)
Net Income	\$(21,577,134)

**Florida Farm Bureau Casualty Insurance Company**  
**Reconciliation of Capital and Surplus**  
**December 31, 2020**

	Per Company
<b>Capital and Surplus Account</b>	
Surplus as regards policyholders, December 31 prior year	\$279,537,658
Net Income	(21,577,134)
Change in net unrealized capital gains or losses less capital gains tax	(1,484,387)
Change in non-admitted assets	(134,677)
Aggregate write-ins for gains and losses in surplus	1,751,111
Change in surplus as regards policyholders for the year	\$(21,445,087)
Surplus as regards policyholders, December 31, current year	\$258,092,571

**Florida Farm Bureau Casualty Insurance Company**  
**Reconciliation of Capital and Surplus**  
**December 31, 2020**

<b>Capital/Surplus Change during Examination Period</b>			
Surplus at December 31, 2015, per Company			\$292,326,184
	Increase	Decrease	
Net Income or (loss)		\$29,614,120	
Change in net unrealized capital gain (loss)	\$910,966		
Change in net deferred income tax		18,591,895	
Change in non-admitted assets	5,775,171		
Aggregate write-in for gains and losses in surplus	7,286,265		
Net increase (or decrease)			(\$34,233,613)
Surplus at December 31, 2020 per Company			\$258,092,571

No adjustments were made to surplus as regards policyholders as a result of the examination.

## **COMMENTS ON FINANCIAL STATEMENT ITEMS**

### **Capital and Surplus**

The amount of capital and surplus reported by the Company of \$258,092,571, exceeded the minimum of \$29,702,436 required by Section 624.408, Florida Statutes.

### **SUBSEQUENT EVENTS**

FFBCIC infused a cash sum of \$3,500,000 in additional capital to the contributed surplus of its wholly owned subsidiary, FFBGIC, on June 8, 2021. The source of the funds used in this transaction came from the unencumbered surplus of FFBCIC. The purpose of this capital infusion was to increase FFBGIC's statutory surplus to comply with the July 1, 2021, surplus requirement contained in Section 624.408(1)(g), Florida Statutes.

Beginning February 1, 2022, the Company began a temporary moratorium on new business policy writings and non-renewals for policies with certain risk characteristics for its homeowner and dwelling line of business. In addition, in order for the Company to reduce its loss exposure for older roofs, the Company began non-renewing approximately 7,500 residential property policies in total when a shingle roof is 20 years or older and when a tile roof is 25 years or older. With the passage of SB-2D by the Florida State Legislature, the Company plans to allow a homeowner policyholder to obtain a roof inspection and if the inspection indicates the roof has 5 years or more of useful life remaining, the non-renewal is rescinded. This non-renewal process will continue for one renewal cycle beginning with policies effective July 1, 2022.



## CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Florida Farm Bureau Casualty Insurance Company as of December 31, 2020, consistent with the insurance laws of the State of Florida.

In addition to the undersigned, the following also participated in the examination

Rachelle Gowins	Examination Manager	Examination Resources, LLC
Sigurd K. Proudfit	Assisting Examiner	Examination Resources, LLC
Don Catmull	Assisting Examiner	Examination Resources, LLC
Jake Powel	Actuarial Examiner	Baker Tilly US, LLP
Dave Wolfe	Actuarial Supervisor	Baker Tilly US, LLP

Respectfully submitted,



Joanne Campanelli, CFE  
Senior Insurance Examiner  
Examination Resources, LLC  
Representing the Florida Office of Insurance Regulation



Daniel W. Applegarth, CFE, CPA, PIR  
Chief Financial Examiner  
Property & Casualty Financial Oversight  
Florida Office of Insurance Regulation