



MISSISSIPPI INSURANCE DEPARTMENT

501 N. WEST STREET, SUITE 1001
WOOLFOLK BUILDING
JACKSON, MISSISSIPPI 39201
www.doi.state.ms.us
June 9, 2009

MAILING ADDRESS
Post Office Box 79
Jackson, Mississippi 39205-0079
TELEPHONE: (601) 359-3569
FAX: (601) 359-2474
WATS: 1-800-562-2957 (Incoming - USA)

MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Mr. David Whitmire Waide, President & Chairman of the Board
Southern Farm Bureau Property Insurance Company
1800 East County Line Road
Ridgeland, MS 39157

RE: Report of Examination as of December 31, 2007

Dear Mr. Waide:

In accordance with Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999), an examination of your Company has been completed. Enclosed herewith is a copy of the Order adopting the report and a copy of the final report as adopted.

Pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 1999), the Mississippi Department of Insurance shall continue to hold the content of said report as private and confidential for a period of ten (10) days from the date of the Order. After the expiration of the aforementioned 10-day period, the Department of Insurance will open the report for public inspection.

If you have any questions or comments, please feel free to contact me.

Sincerely,

MIKE CHANEY
COMMISSIONER OF INSURANCE

BY

Christina J. Kelsey
Senior Attorney

GD/CJK/bs
Encls. Order w/exhibit

**BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF MISSISSIPPI**

**IN RE: REPORT OF EXAMINATION OF SOUTHERN
FARM BUREAU PROPERTY INSURANCE COMPANY CAUSE NO. 09-5918**

ORDER

THIS CAUSE came on for consideration before the Commissioner of Insurance of the State of Mississippi ("Commissioner"), or his designated appointee, in the Offices of the Commissioner, 1001 Woolfolk Building, 501 North West Street, 10th Floor, Jackson, Hinds County, Mississippi, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999). The Commissioner, having fully considered and reviewed the Report of Examination together with any submissions or rebuttals and any relevant portions of the examiner's work papers, makes the following findings of fact and conclusions of law, to-wit:

JURISDICTION

I.

That the Commissioner has jurisdiction over this matter pursuant to the provisions of Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999).

II.

That Southern Farm Bureau Property Insurance Company is a Mississippi-domiciled company licensed to write Boiler and Machinery; Fire/Allied Lines; Home/Farm Owners; Inland Marine; and Plate Glass coverages.

FINDINGS OF FACT

III.

That the Commissioner, or his appointee, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999), called for an examination of Southern Farm Bureau Property Insurance Company and appointed Joseph May, Examiner-In-Charge, to conduct said examination.

IV.

On or about May 10, 2009, the draft Report of Examination concerning Southern Farm Bureau Property Insurance Company for the period of January 1, 2005, through December 31, 2007, was submitted to the Department by the Examiner-In-Charge, Joseph May.

V.

That on or about May 20, 2009, pursuant to Miss. Code Ann. § 83-5-209(2) (Rev. 1999), the Department forwarded to the Company a copy of the draft report and allowed the Company a 15-day period to submit any rebuttal to the draft report. On or about May 29, 2009, the Company responded by e-mail with no suggested rebuttal or revisions.

CONCLUSIONS OF LAW

VI.

The Commissioner, pursuant to Miss. Code Ann. § 83-5-209(3) (Rev. 1999), must consider and review the report along with any submissions or rebuttals and all relevant portions of examiner work papers and enter an Order: (1) adopting the Report of Examination as final or with modifications or corrections; (2) rejecting the Report of Examination with directions to reopen; or (3) calling for an investigatory hearing.

IT IS, THEREFORE, ORDERED, after reviewing the Report of Examination and all relevant examiner work papers, that the Report of Examination of Southern Farm Bureau Property Insurance Company, attached hereto as Exhibit "A", should be and same is hereby adopted as final.

IT IS FURTHER ORDERED that a copy of the adopted Report of Examination, accompanied with this Order, shall be served upon the Company by certified mail, postage pre-paid, return receipt requested.

IT IS FURTHER ORDERED that the Mississippi Department of Insurance shall continue to hold the content of this report as private and confidential information for a period of ten (10) days from the date of this Order, pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 1999).

IT IS FURTHER ORDERED, pursuant to Miss. Code Ann. § 83-5-209(4) (Rev. 1999), that within thirty (30) days of the issuance of the adopted report, Southern Farm Bureau Property Insurance Company shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related orders.

IT IS FURTHER ORDERED that Southern Farm Bureau Property Insurance Company take the necessary actions and implement the necessary procedures to ensure that all recommendations contained in the Report of Examination are properly and promptly complied with.

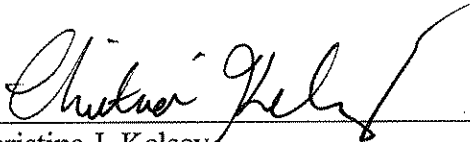
SO ORDERED, this the 9th day of June, 2009.


MIKE CHANEY
COMMISSIONER OF INSURANCE
STATE OF MISSISSIPPI

CERTIFICATE OF MAILING

I hereby certify that a true and correct copy of the above and foregoing Order and a copy of the final Report of Examination, as adopted by the Mississippi Department of Insurance, was sent by certified mail, postage pre-paid, return receipt requested, on this the 9th day of June, 2009, to:

**Mr. David Whitmire Waide, President & Chairman of the Board
Southern Farm Bureau Property Insurance Company
1800 East County Line Road
Ridgeland, MS 39157**



Christina J. Kelsey
Senior Attorney

Christina J. Kelsey
Senior Attorney
Counsel for the Mississippi Department of Insurance
Post Office Box 79
Jackson, MS 39205-0079
(601) 359-3577
Miss. Bar No. 9853



Mississippi Insurance Department

Report of Examination

of

**Southern Farm Bureau Property
Insurance Company**

**1800 East County Line Road
Ridgeland, Mississippi 39157**

As of December 31, 2007

**NAIC Group Code 0483
NAIC Company Code 10058
NAIC ETS No. MS029-C44**

Southern Farm Bureau Property Insurance Company

Table of Contents
December 31, 2007

EXAMINER AFFIDAVIT	2
SALUTATION	3
INTRODUCTION	4
SCOPE OF EXAMINATION	4
HISTORY OF THE COMPANY	4
HOLDING COMPANY STRUCTURE	5
Organizational Chart	5
Related Party Transactions	6
MANAGEMENT AND CONTROL	7
Stockholders	7
Board of Directors	7
Officers	9
Committees	9
Conflict of Interest	10
CORPORATE RECORDS	10
FIDELITY BONDS AND OTHER INSURANCE	10
DIRECTORS', OFFICERS', EMPLOYEES' AND AGENTS' WELFARE	10
REINSURANCE	10
ACCOUNTS AND RECORDS	11
STATUTORY DEPOSITS	11
FINANCIAL STATEMENTS	12
Introduction	12
Statement of Admitted Assets, Liabilities, Surplus and Other Funds	13
Statement of Income	14
Reconciliation of Surplus as Regards Policyholders	15
Reconciliation of Examination Adjustments	16
MARKET CONDUCT ACTIVITIES	17
Territory and Plan Operation	17
COMMITMENTS AND CONTINGENT LIABILITIES	17
COMPLIANCE WITH PREVIOUS RECOMMENDATIONS	17
CURRENT EXAMINATION COMMENTS AND RECOMMENDATIONS	17
ACKNOWLEDGMENT	18

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

State of Mississippi,

County of Madison,

Joseph R. May being duly sworn, states as follows:

1. I have authority to represent the Mississippi Insurance Department in the examination of Southern Farm Bureau Casualty Insurance Company.
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 Southern Farm Bureau Casualty Insurance Company was performed in a manner consistent with the standards and procedures required by the Commissioner of Insurance of the State of Mississippi.

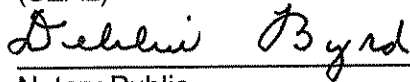
The affiant says nothing further.



Joseph R. May, CFE, CIE, CPA, CMA, FAHM
Examiner-in-charge

Subscribed and sworn before me by Joseph May on this 3RD day of JUNE, 2009.

(SEAL)



Notary Public

My commission expires SEPTEMBER 10, 2010





MISSISSIPPI INSURANCE DEPARTMENT

501 N. WEST STREET, SUITE 1001
WOOLFOLK BUILDING
JACKSON, MISSISSIPPI 39201
www.mid.state.ms.us

MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MAILING ADDRESS
Post Office Box 79
Jackson, Mississippi 39205-0079
TELEPHONE: (601) 359-3569
FAX: (601) 359-2474
WATS: 1-800-562-2957 (Incoming - USA)

May 1, 2009

Honorable Mike Chaney
Commissioner of Insurance
Mississippi Insurance Department
1001 Woolfolk Building (39201)
Post Office Box 79
Jackson, Mississippi 39205

Honorable James J. Donelon
Secretary, Southeaster Zone
Louisiana Department of Insurance
Commissioner of Insurance
1702 North 3rd Street
Baton Rouge, LA 70804

Honorable Alfred W. Gross
Chair, Financial Condition (E) Committee
Commissioner of Insurance
State of Virginia
State Corporation Commission
Bureau of Insurance
Commonwealth of Virginia
Post Office Box 1157
Richmond, Virginia 23218

Dear Sirs / Madam:

Pursuant to the instructions and authorization from the Commissioner of Insurance for the State of Mississippi, and in compliance with statutory provisions, an examination as of December 31, 2007, has been conducted of the affairs and financial condition of:

**SOUTHERN FARM BUREAU PROPERTY INSURANCE COMPANY
(NAIC COMPANY CODE 10058; NAIC-ETS No. MS029-C44)**

Statutory Home Office:
1800 East County Line Road
Ridgeland, Mississippi 39157

This examination was performed at Southern Farm Bureau Property Insurance Company's (SFBPIC or Company) parent company's statutory home office located in Ridgeland, Mississippi, and was conducted in accordance with Miss. Code Ann. § 83-1-201 et seq., and the report of examination is herewith submitted for your review.

INTRODUCTION

The examination period, for purposes of this report, is January 1, 2005 through December 31, 2007, and the examination date is December 31, 2007. The examination was performed by examiners representing the Mississippi Insurance Department (MID) and covered SFBPIC's operations and financial condition through the examination period, including material transactions and/or events that occurred subsequent to the examination date and were noted during the course of the examination. The Company's previous examination was as of December 31, 2004, and the previous report of examination was dated December 30, 2005.

SCOPE OF EXAMINATION

The examination of the Company was a full scope financial examination conducted in a manner consistent with the standards and procedures required by the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook, as amended, as well as the MID, and included the assessment of the Company's financial condition, its ability to fulfill and manner of fulfillment of its obligations, the nature of its operations and compliance with applicable laws. A full scope market conduct examination was not performed; however, limited procedures were performed on certain areas of the Company's market conduct. The examiners tested the underlying data for the Company's loss reserve provisions; however, the amounts reported within this report for loss reserves, including any related items and reinsurance, were based on the review and opinion of the actuary who was assigned to the examination by the MID.

HISTORY OF THE COMPANY

On August 1, 1994, with authorized stock of 100,000 shares of common capital stock (par value \$500 per share), the Company was formed under the laws of the State of Mississippi as a wholly-owned subsidiary of Southern Farm Bureau Casualty Insurance Company (SFBCIC).

On August 23, 1994, which was the Company's business commencement date, and on May 26, 1998, SFBCIC contributed \$8.5 million and \$15 million, respectively, of additional paid-in capital to the Company. This investment was made in accordance with the Company's June 28, 1994 organizational meeting whereby a resolution was passed that permitted the Company to obtain additional capital from SFBCIC.

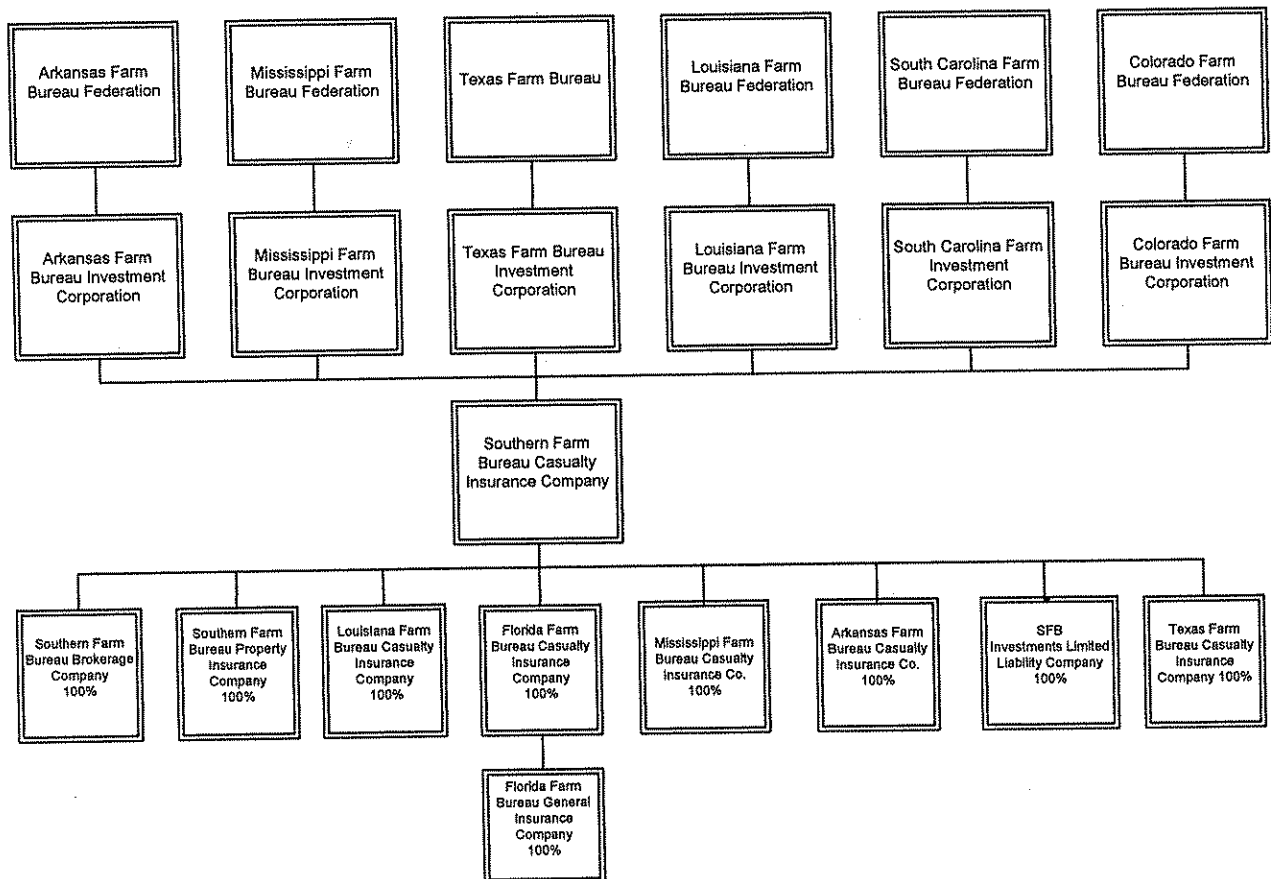
In 2004, after four hurricanes made landfall in the Southeast, the Company incurred significant losses, and to combat the deterioration of its surplus caused by these losses, SFBCIC made \$35 million in capital contributions prior to year-end 2004, and an additional \$20 million after year-end 2004.

HOLDING COMPANY STRUCTURE

The Company is a member of an insurance holding company system as defined within Miss. Code Ann. §83-6-1. Holding Company Registration Statements, for the period under examination, were filed with the MID in accordance with Miss. Code Ann. §83-6-5 and §83-6-9. These filed statements and applicable amendments were reviewed and it appeared that any changes and material transactions by and between the Company and its affiliates were disclosed appropriately.

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 Farm Bureau Brokerage Company: This company was incorporated on June 20, 1994 under the laws of the State of Mississippi, and its principal business is compiling, organizing and analyzing insurance related data and statistics; soliciting, brokering, negotiating and/or placing all forms of insurance contracts (except life, health and accident insurance); engaging in real estate transactions, joint ventures, and real estate development; and engaging in any other lawful activities of a Mississippi business corporation.

Louisiana Farm Bureau Casualty Insurance Company: This company was incorporated on February 16, 1981 under the laws of the State of Louisiana, and its principal business is providing casualty insurance coverage (principally automobile) and processing claims in the State of Louisiana.

Florida Farm Bureau Casualty Insurance Company: This company was incorporated on April 16, 1974 under the laws of the State of Florida, and its principal business, in association with its wholly owned subsidiary, Florida Farm Bureau General Insurance Company, is providing casualty insurance coverage (principally automobile, property and general liability) in the State of Florida.

Mississippi Farm Bureau Casualty Insurance Company: This company was incorporated on May 19, 1986 under the laws of the State of Mississippi, and its principal business is providing casualty insurance coverage (principally automobile and homeowner) in the State of Mississippi.

Arkansas Farm Bureau Casualty Insurance Company: This company was incorporated on February 6, 2004 under the laws of the State of Arkansas and its principal business purpose is providing casualty insurance coverage in the State of Arkansas. At the report date, this company was inactive.

SFB Investments Limited Liability Company: This company was incorporated on August 11, 1997 under the laws of the State of Mississippi and was formed to take advantage of certain investment opportunities. At the report date this subsidiary was inactive.

Texas Farm Bureau Casualty Insurance Company: This company was formed during 2007 in anticipation of the withdrawal of the Texas Farm Bureau and the Texas Farm Bureau Investment Corporation from SFBCIC.

Related Party Transactions

The Company's transactions with its related parties were reviewed and the following items were deemed notable for purposes of this report:

- The Company filed consolidated federal income tax returns, which included the operating results of SFBCIC and its subsidiaries; income taxes were allocated to the subsidiaries as though separate tax returns had been filed.
- The Company receives certain administrative services under a cost sharing agreement with its parent. The Company paid \$300,000 in 2007, \$972,400 in 2006, and \$926,100 in 2005 under the terms of this agreement.
- As previously discussed in this report, SFBCIC owns 100% of the voting common stock of the Company. During much of the examination period the Company operated as the primary reinsurer for associated mutual companies in Arkansas, Louisiana, South Carolina and Texas, as well as the Florida Farm Bureau Casualty Insurance Company. As a result of significant losses from the devastating hurricanes which struck the Gulf Coast during August and September of 2005 the Company received \$71,000,000 under a previously

approved line of credit agreement with SFBCIC in order to help provide cash flow for the coverage of these losses. During 2006, the line of credit and the applicable interest was paid in full. Effective January 1, 2007, the Company no longer conducted any active underwriting activities and essentially became inactive.

MANAGEMENT AND CONTROL

Stockholders

The Company's parent company, SFBCIC, was owned by the Farm Bureau Investment Corporations in the States of Arkansas, Colorado, Louisiana, Mississippi, South Carolina and Texas which are controlled by the Farm Bureau Federation in each state, respectively. Each shareholder owned 666.67 shares (or 1/6th) of SFBCIC's 4,000 shares of common stock issued and outstanding.

Board of Directors

The Articles of Association and Bylaws vest the management and control of the Company's business affairs with the Board of Directors (Board). The members of the duly elected Board, along with their place of residence and principal occupation, at December 31, 2004, were as follows:

<u>Name and Place of Residence</u>	<u>Principal Occupation</u>
Mr. Ronald Roy Anderson Ethel, Louisiana	Farmer and President of Louisiana Farm Bureau Federation
Mr. John Andrews, II Walnut Ridge, Arkansas	Self-employed Farmer
Mr. Kenneth William Dierschke San Angelo, Texas	Farmer and President of Texas Farm Bureau Federation
Mr. Ben Martin Gramling, II Gramling, South Carolina	Farmer and President of Gramling Brothers, Inc.
Mr. John Lawrence Hoblick, Sr. DeLeon Springs, Florida	Farmer
Mr. Stanley Eldon Reed Marianna, Arkansas	Farmer, Attorney and President of Arkansas Farm Bureau Federation
Mr. Jackie Joseph Theriot St. Martinville, Louisiana	General Manager, Louisiana Sugarcane Cooperative
Mr. Harry Randall Veach Manila, Arkansas	Farmer

Name and Place of Residence

Principal Occupation

Mr. David Whitemire Waide
West Point, Mississippi

Farmer and President of Mississippi
Farm Bureau Federation

Mr. Joy Pinckney Weatherford
Holly Hill, South Carolina

Farmer

Mr. David Melton Winkles, Jr.
Sumter, South Carolina

President of D.M. Winkles, Inc. and
President of South Carolina Farm
Bureau Federation

Mrs. Linda Zaunbrecher
Gueydan, Louisiana

Farmer

Mr. Mark Allen Byrd
Apopka, Florida

Farmer

Mr. Donald Mack Smith
Sulphur Springs, Texas

Farmer and Rancher

Mr. Bobby Alvin Nedbalek
Mathis, Texas

Farmer

Mr. Randy Lee Knight
Pelahatchie, Mississippi

Farmer

Mr. Michael Joseph Dooner
Havana, Florida

Farmer

Mr. Alan Lee Foutz
Akron, Colorado

Farmer

Mr. Donald Hubert Gant
Merigold, Mississippi

Farmer

Officers

The officers duly elected by the Board and holding office at December 31, 2007, were as follows:

<u>Name</u>	<u>Position</u>
Mr. David Whitmire Waide	President and Chairman of the Board
Mr. Stanley Eldon Moore	First Vice President
Mr. Roderick Algene Moore	Executive Vice President - Chief Executive Officer
Mr. Dennis Ray Griffin	Senior Vice President - Chief Financial Officer
Mr. Steve Walter Ingram	Senior Vice President - Legal & Secretary
Mrs. Judy Goodwin Blackburn	Senior Vice President - Treasurer
Mr. John Russell McCollough	Senior Vice President - Actuary
Mr. Mickey Joseph Nugent	Senior Vice President - Operations
Mr. Mark Gerard Gianfrancesco	Senior Vice President - Marketing
Mr. Jack Pinkney Anderson	Senior Vice President - State Manager
Mr. Herbert Wynne Jacobs	Senior Vice President - State Manager
Mr. Robert Paul Jarratt	Senior Vice President - State Manager
Mr. Robert Duff Wallace	Senior Vice President - State Manager
Mr. Phillip Eugene Love, Jr.	Senior Vice President - State Manager
Mr. Michael Frank Gerik	Senior Vice President - State Manager
Mr. William O. Courtney	Senior Vice President

Committees

The following officers and directors served on the Investment Committee at December 31, 2007.

Mrs. Judy Blackburn	Mr. Roderick Moore
Mr. Dennis Griffin	Mr. David Waide
Mr. Harry Hyslop	

The following directors served on the Executive Committee at December 31, 2007.

Mr. Ronald Anderson	Mr. Stanley Reed
Mr. Kenneth Dierschke	Mr. David Waide
Mr. Alan Foutz	Mr. David M. Winkles, Jr.
Mr. John Hoblick, Sr.	

The following directors served on the Audit Committee at December 31, 2007.

Mr. Ronald Anderson	Mr. Stanley Reed
Mr. Kenneth Dierschke	Mr. David Waide
Mr. Alan Foutz	Mr. David M. Winkles, Jr.
Mr. John Hoblick, Sr.	

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 is, 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.

CORPORATE RECORDS

The minutes of the meetings of the Stockholders and Board of Directors, regarding the Company's business affairs as recorded during the period covered by the examination, were reviewed and appeared to be complete and in order with regard to recording action on matters brought up at the meetings for deliberation, which included the approval and support of the Company's transactions and events, as well as the review of its audit, actuarial and examination reports.

FIDELITY BOND AND OTHER INSURANCE

The Company was insured under various insurance policies to protect its interest. In particular, the Company maintained directors and officers coverage, professional liability coverage, electronic and computer crime coverage, and fidelity coverage that, with its \$5 million single loss limit of liability, exceeded the NAIC's suggested minimum amount for fidelity coverage.

DIRECTORS', OFFICERS', EMPLOYEES' AND AGENTS' WELFARE

The Company, during the period under examination, did not have any employees of its own and received management services from its parent company, SFBCIC.

REINSURANCE

As discussed elsewhere within this report, the Company was essentially inactive and as such had no active reinsurance treaties in place at the examination date.

ACCOUNTS AND RECORDS

The Company received administrative services from its parent company, which included regulatory filings and maintenance of its books and records. SFBCIC's accounting and record keeping system was built around an IBM 2064-1CM mainframe computer which administered several major application programs, as well as proprietary software packages.

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 deposits at December 31, 2007.

Description	State Deposited	Par Value	Fair Value
Bond: Mississippi State Rev.	Mississippi	\$ 980,000	\$ 1,009,723
Bond: FHLMC	Arkansas	250,000	252,308
Bond: FHLMC	South Carolina	150,000	151,385
Bond: New Orleans General Obligation	Louisiana	20,000	20,653
Total		<u>\$ 1,400,000</u>	<u>\$ 1,434,069</u>

**SOUTHERN FARM BUREAU PROPERTY INSURANCE COMPANY
FINANCIAL STATEMENTS
EXAMINATION AS OF DECEMBER 31, 2007**

Introduction

The following financial statements reflect the same amounts reported by the Company and consist of a Statement of Admitted Assets, Liabilities, Surplus and Other Funds at December 31, 2007, a Statement of Income for year ended December 31, 2007, a Reconciliation of Surplus as Regards Policyholders for examination period ended December 31, 2007, and a Reconciliation of Examination Changes to Surplus at December 31, 2007.

Southern Farm Bureau Property Insurance Company

Statement of Admitted Assets, Liabilities, Surplus and Other Funds

December 31, 2007

Admitted Assets		
Bonds	\$	41,842,599
Cash and short term investments		2,566,618
Investment income due and accrued		131,930
Amounts recoverable from reinsurers		571,430
Federal income taxes recoverable		4,423,448
Other amounts receivable		106,290
Total admitted assets	\$	49,642,315
Liabilities, Surplus and Other Funds		
Payable to parent, subsidiaries and affiliates	\$	75,000
Total liabilities		75,000
Capital common stock:		
(par value \$500 per share; 100,000 shares authorized; 3,000 shares issued and outstanding)		1,500,000
Gross paid in and contributed surplus		78,500,000
Unassigned funds		(30,432,685)
Total surplus and other funds		49,567,315
Total liabilities, surplus and other funds	\$	49,642,315

Southern Farm Bureau Property Insurance Company

Statement of Income

For the Year Ended December 31, 2007

Revenues	
Premiums earned	\$ -
Net investment income	2,236,616
Net realized capital losses	(8,895)
Other income	19,849
Total revenues	2,247,570
Benefits and expenses	
Losses incurred	29,366
Other underwriting expenses	305,717
Total benefits and expenses	335,083
Income before federal income taxes	1,912,487
Federal income tax benefit	4,423,341
Net income	\$ 6,335,828

Southern Farm Bureau Property Insurance Company

Reconciliation of Surplus as Regards Policyholders

For the examination period ended December 31, 2007

	2005	2006	2007
Surplus as regards policyholders, beginning of the year	\$ 76,024,755	\$ 43,017,326	\$ 47,533,219
Net income (loss)	(53,044,091)	250,822	6,335,828
Change in net deferred income tax	5,005,631	64,238	(5,069,867)
Change in non-admitted assets	(4,968,969)	4,200,833	768,135
Surplus adjustments paid in	20,000,000	-	-
<u>Change in surplus for the year</u>	<u>(33,007,429)</u>	<u>4,515,893</u>	<u>2,034,096</u>
Surplus as regards policyholders, end of the year	\$ 43,017,326	\$ 47,533,219	\$ 49,567,315

**SOUTHERN FARM BUREAU PROPERTY INSURANCE COMPANY
RECONCILIATION OF EXAMINATION ADJUSTMENTS
DECEMBER 31, 2007**

There were no changes made to the admitted assets, liabilities or surplus balances reported by the Company for the year ended December 31, 2007. The surplus as regards policyholders, which totaled \$49,567,316 as of the examination date, was determined to be reasonably stated and in compliance with Miss. Code Ann. § 83-19-31.

MARKET CONDUCT ACTIVITIES

At the examination date the Company had ceased underwriting activities and was inactive. As such the report commentary for market conduct activities was limited to the following:

Territory and Plan of Operation

The Company formerly operated as the primary reinsurer for associated companies. As a result of significant hurricane losses incurred during 2005, effective January 1, 2007 the Company ceased conducting underwriting activities and essentially became inactive.

COMMITMENTS AND CONTINGENT LIABILITIES

At December 31, 2007, the Company was involved as a defendant in various litigation matters. Although the outcome of such legal actions cannot be predicted, in the opinion of management and its legal counsel, the resolution of any currently pending or threatened actions should not have a material adverse effect on the surplus position of the Company.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

There were no comments and/or recommendations noted in the previous examination performed by MID examiners.

CURRENT EXAMINATION COMMENTS AND RECOMMENDATIONS

There were no comments and/or recommendations deemed necessary for purposes of this examination report.

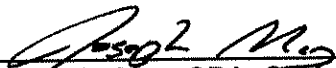
ACKNOWLEDGMENT

The examiners representing the Mississippi Insurance Department and participating in this examination were:

Administrative	Elton H. Sims, CPA
Examiner-In-Charge	Joseph R. May, CPA, CMA, CFE, CIE, FAHM
Assisting Examiner	Rebecca Dennis, CPA
Assisting Examiner	Whitney Craig, CPA
Assisting Examiner	D'Anna White, CPA
Assisting Examiner	Miller Woods
Assisting Examiner	Angie Plunkett
Assisting Examiner	Kim Scharl
Examination Actuary	Robert Daniels, ACAS, MAAA
Automation Specialist	Francois Houde, CA, CISA

The courteous cooperation of the officers and employees of the Company responsible for assisting in the examination is hereby acknowledged and appreciated.

Respectfully submitted,



Joseph R. May, CPA, CMA, CFE, CIE, FAHM
Examiner-in-charge