



MISSISSIPPI INSURANCE DEPARTMENT

MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

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MARK HAIRE
Deputy Commissioner of Insurance

June 18, 2012

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

Mr. Robert Paul Jarratt, President & CEO
Southern Farm Bureau Property Insurance Company
1800 East County Line Road
Ridgeland, MS 39157

RE: Report of Examination as of December 31, 2010

Dear Mr. Jarratt:

In accordance with Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011), 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.

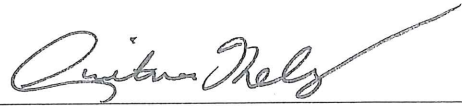
Pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 2011), the Mississippi Department of Insurance shall continue to hold the content of said report as private and confidential for a period of ten (10) days from the date of the Order. After the expiration of the aforementioned 10-day period, the Department 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. 12-6529**

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. 2011). 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. 2011).

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. 2011), called for an examination of Southern Farm Bureau Property Insurance Company and appointed Dale Miller, Examiner-In-Charge, to conduct said examination.

IV.

On or about May 3, 2012, the draft Report of Examination concerning Southern Farm Bureau Property Insurance Company for the period of January 1, 2008, through December 31, 2010, was submitted to the Department by the Examiner-In-Charge, Dale Miller.

V.

That on or about May 10, 2012, pursuant to Miss. Code Ann. § 83-5-209(2) (Rev. 2011), the Department forwarded to the Company a copy of the draft report and allowed the Company until June 4, 2012, to submit any rebuttal to the draft report. No response or rebuttal was submitted by the Company.

CONCLUSIONS OF LAW

VI.

The Commissioner, pursuant to Miss. Code Ann. § 83-5-209(3) (Rev. 2011), 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. 2011).

IT IS FURTHER ORDERED, pursuant to Miss. Code Ann. § 83-5-209(4) (Rev. 2011), 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 18th day of June 2012.


J. MARK HAIRE
DEPUTY 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 18th day of June 2012, to:

**Mr. Robert Paul Jarratt, President & CEO
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
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MISSISSIPPI INSURANCE DEPARTMENT

Report of Examination

of

**SOUTHERN FARM BUREAU PROPERTY
INSURANCE COMPANY**

as of

December 31, 2010

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

State of Mississippi,

County of Madison,

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

1. I have authority to represent the Mississippi Insurance Department in the examination of Southern Farm Bureau Property 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 Property 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.

R. Dale Miller

R. Dale Miller, CPA, CFE, CFF
Examiner -in-charge

Subscribed and sworn before me by *R. DALE MILLER* on this *12TH* day of *JUNE*, 20 *12*.

(SEAL)

Debbie Byrd

Notary Public



My commission expires *9-10-14* [date].



MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MARK HAIRE
Deputy Commissioner of
Insurance

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April 2, 2012

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

Dear Commissioner Chaney:

Pursuant to your instructions and authorization and in compliance with statutory provisions, an examination has been conducted, as of December 31, 2010, of the affairs and financial condition of:

SOUTHERN FARM BUREAU PROPERTY INSURANCE COMPANY

1800 East County Line Road
Ridgeland, MS 39157

License #	NAIC Group #	NAIC #	FEETS#	ETS#
9400014	0483	10058	MS029-F5	MS120-M5

This examination was commenced in accordance with Miss. Code Ann. §83-5-201 *et seq.* and was performed primarily in Ridgeland, Mississippi, at the statutory home office of the Company. The report of examination is herewith submitted.

SCOPE OF EXAMINATION

We have performed our full-scope financial examination of Southern Farm Bureau Property Insurance Company (“SFBPIC” or “Company”). For purposes of this examination report, the examination date is defined as December 31, 2010. The examination period is defined as January 1, 2008 through December 31, 2010, including material transactions and/or events occurring subsequent to the examination date through April 2, 2012. The last examination was completed as of December 31, 2007.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook* (“Handbook”). The Handbook requires that we plan and perform the examination to evaluate the financial condition 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, 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.

COMMENTS AND RECOMMENDATIONS OF PREVIOUS EXAMINATION

There were no comments and/or recommendations made by the Mississippi Insurance Department (“MID”) examination team in the previous examination report, which covered the period from January 1, 2005 through December 31, 2007.

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.

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. The sole reinsurance activities consist of runoff associated with reinsurance contracts entered into and terminated prior to January 1, 2007. No new contracts have been executed subsequent to January 1, 2007.

CORPORATE RECORDS

The Articles of Incorporation, Bylaws and amendments thereto were reviewed and duly applied in other sections of this report where appropriate. Minutes of the meetings of the stockholders, Board of Directors (“Board”) and various committees, as recorded during the period covered by this examination, were reviewed and appeared to be complete and in order with regard to actions brought up at the meetings for deliberation and appropriate action, which included the approval and support of the Company’s transactions and events, as well as the review of the audit and examination report.

MANAGEMENT AND CONTROL

Stockholders

The Company is a wholly-owned subsidiary of SFBCIC which owns 100% of the 3,000 outstanding shares (100,000 authorized) of \$500 par value common stock issued and outstanding. The parent company’s outstanding shares are owned by the following: Arkansas Casualty Investment Corporation, Mississippi Farm Bureau Holding Corporation, Louisiana Farm Bureau Investment Corporation, South Carolina Farm Bureau Investment LLC, Colorado Farm Bureau Investment Company and FFBF Investment Corporation. No dividends were paid to stockholders during the examination period.

Board of Directors

The Articles of Incorporation and Bylaws vest the management and control of the Company’s business affairs with the Board. The Company’s Board is comprised of six members, all of whom are president of the State Farm Bureaus of Arkansas, Colorado, Florida, Louisiana, Mississippi and South Carolina. The members of the duly elected Board, along with their place of residence, year elected/appointed, and principal occupation, at December 31, 2010, were as follows:

Name and Residence	Year Elected/Appointed	Principal Occupation
Ronald Roy Anderson Chairman of the Board Ethel, LA	1985	Farmer and President of Louisiana Farm Bureau Federation
John Lawrence Hoblick, Sr., Vice Chairman of the Board DeLeon Springs, FL	2000	Farmer and President of Florida Farm Bureau Federation
Alan Lee Foutz Akron, CO	2005	Farmer and President of Colorado Farm Bureau Federation
Harry Randall Veach Manila, AR	2004	Farmer and President of Arkansas Farm Bureau Federation
David Whitmire Waide West Point, MS	1995	Farmer and President of Mississippi Farm Bureau Federation
David Melton Winkles, Jr. West Columbia, SC	1998	Farmer and President of South Carolina Farm Bureau Federation

Committees

During the time period covered by this examination, the following committees were utilized by the Company to carry out certain specified duties: Audit Committee and Investment Committee. The Company has no employees and as such all compensation decisions are performed by the Compensation Committee and/or Board of SFBCIC.

Audit Committee:

The Audit Committee has six members, all of whom are outside directors. The Audit Committee is responsible for reviewing the audit report prepared by the outside accounting firm and making recommendations to the Board regarding the audit report and the selection of an outside accounting firm. The Audit Committee is also responsible for overseeing the Company's compliance with the Annual Financial Reporting Model Regulation and for making sure management establishes, implements, and monitors the system of internal controls over financial reporting.

Investment Committee:

The Investment Committee is comprised of Board and non-Board members; however, one member of the committee must be the Chairman of the Board. The committee delegates the authority to transact the routine day to day investment duties including, but not limited to, the sale, purchase, and transfer of stocks, bonds, securities, and other investments, both real and personal. The Investment Committee reports to the Board regarding the condition of the funds, securities and investments of the Company.

The following members served on the committees mentioned above at December 31, 2010.

Audit	Investment
John Lawrence Hoblick, Sr., Chairman	Dennis Ray Griffin, Chairman
Ronald Roy Anderson	Ronald Roy Anderson
Alan Lee Foutz	Thomas Arthur
Harry Randall Veach	Judith Goodwin Blackburn, Secretary
David Whitmire Waide	Robert Paul Jarratt
David Melton Winkles, Jr.	

Officers

The officers of the Company at December 31, 2010 were:

Name of Officer	Number of Years with Company	Title
Ronald Roy Anderson	25	Chairman of the Board
Robert Paul Jarratt	42	President and Chief Executive Officer
Dennis Ray Griffin	32	Senior Vice President - Chief Financial Officer
Steven Walter Ingram	28	Senior Vice President - Legal and Secretary
Judith Goodwin Blackburn	28	Senior Vice President and Treasurer
John Russell McCollough	15	Senior Vice President - Actuary
Mark Gerard Gianfrancesco	13	Senior Vice President - Marketing
Geoffrey Alan Mercer	25	Senior Vice President - Technology
Jack Carlton Williams, Jr.	22	Senior Vice President – State Manager – Mississippi
Blaine Vernon Briggs	25	Senior Vice President - State Manager – Louisiana
William O’Neil Courtney	26	Senior Vice President – State Manager – Florida
Robert Duff Wallace	27	Senior Vice President - State Manager – Arkansas
Phillip Eugene Love, Jr.	26	Senior Vice President - State Manager - South Carolina
Jack Pinkney Anderson	34	Senior Vice President – State Manager – Colorado

Conflict of Interest

The Company has formal procedures whereby disclosures were made to the Board of any material interest or affiliation on the part of any officer or director that was, or would likely be, a conflict with their official duties.

Corporate Governance

Effective January 1, 2007, the Company no longer conducted any active underwriting activities and essentially became inactive. No new contracts have been executed subsequent to January 1, 2007. However, the Company's management and operational structure is exactly the same as its parent, SFBCIC, and as such, the assessment of the parent's corporate governance is noted below.

Upon review of the corporate governance structure, it was noted that SFBCIC has a very stable and experienced management team with the vast majority of officers having at least 15 years of experience with the company. There did not appear to be any compensation arrangements that caused unusual emphasis on earnings. Management records, such as Board minutes, appeared to be in order.

The Board's involvement and oversight was considered during the course of our examination. Other key variables in our consideration of the Board's involvement included but were not limited to factors such as: (1) the frequency of Board meetings and attendance of the directors, (2) the sufficiency and timeliness of information provided to the Board prior to meetings, (3) the topics discussed along with the depth and quality of discussions, (4) key communication channels between management and the Board, and (5) the Board's role in setting the overall "tone at the top".

The appropriateness of the entity's organizational structure and its ability to provide the necessary information flow to manage its activities were considerations in obtaining our understanding of the organizational structure. This includes consideration of the entity's decentralized structure and SFBCIC's move toward a more centralized organization. Our consideration also encompassed understanding the assignment of authority and responsibility. Our consideration of corporate governance encompassed the risk management function through discussions with senior management and members of the Board and through gaining an understanding of the risk management function including inspection of relevant risk management documentation. Upon our review and consideration of these components and functions, there were no material concerns or exceptions noted.

Management competence is a consideration in overall assessment of corporate governance. In our review of this area, we considered factors such as management's experience level and management turnover. Key management has significant experience with SFBCIC and the officer/employee turnover ratio was low. There were no material concerns noted upon our consideration of this area.

HOLDING COMPANY STRUCTURE

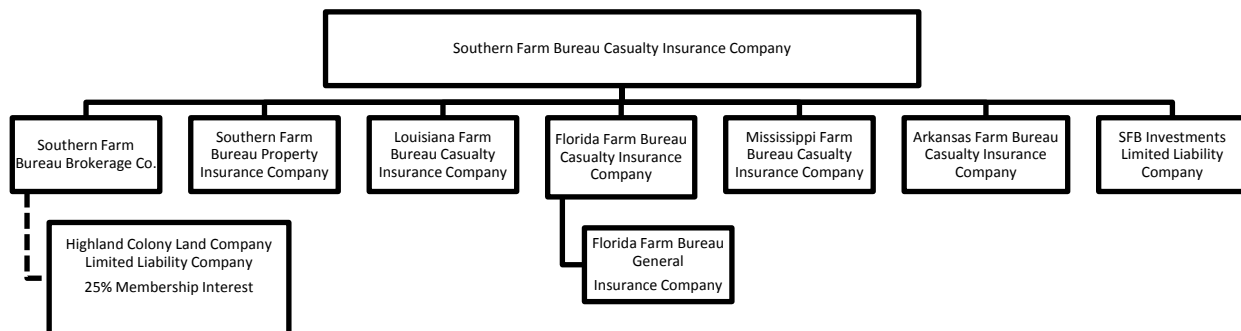
During the time period covered by this examination, the Company reported as a member of an insurance company holding system as defined by Miss. Code Ann. §83-6-1. Holding Company

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.

On April 2, 2012, the MID gave notice that it would conduct an examination of SFBCIC and other Farm Bureau related entities pursuant to §83-6-27, Mississippi Code of 1972 (the “Code”) and other applicable laws and regulations of the MID including, but not limited to, §83-6-1, *et seq.* of the Code (the “Holding Company Act”). The examination will include a review of the relationships between SFBCIC and other associated companies and entities to determine compliance with applicable Mississippi laws and MID regulations.

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:



SFBCIC was reported as the ultimate controlling person in the Holding Company Registration Statements filed with the MID as of December 31, 2010.

Below is a description of SFBCIC’s wholly owned subsidiaries at December 31, 2010:

Southern Farm Bureau Property Insurance Company: The Company was incorporated on August 1, 1994, under the laws of the State of Mississippi. Effective January 1, 2007, the Company no longer conducted any active underwriting activities and essentially became inactive. The sole reinsurance activities of SFBPIC consist of runoffs associated with reinsurance contracts entered into and terminated prior to January 1, 2007. No new contracts have been executed subsequent to January 1, 2007. For more information see the History of the Company section of this report.

Southern Farm 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.

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) and property coverage in the State of Mississippi.

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.

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.

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 in the State of Arkansas. At the report date, this company was inactive.

SFB Investments, LLC: 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. Subsequent to the examination date, this subsidiary was administratively dissolved.

Affiliated and 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 had a management contract with its parent in which the Company receives certain administrative services in the areas of legal, accounting, claims, underwriting, information services, etc. The Company paid \$315,000 for services rendered for all three years under examination.

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. The Company had a financial institution bond with a \$5 million single loss limit of liability and a fiduciary liability policy with a \$10 million single loss limit of liability. These coverages exceeded the NAIC's suggested minimum amount for fidelity coverage.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company had no employees, and the administrative functions were performed by employees at SFBCIC through a management agreement.

TERRITORY AND PLAN OF OPERATION

Effective January 1, 2007, the Company no longer conducted any active underwriting activities and essentially became inactive. The sole reinsurance activities consist of runoff associated with reinsurance contracts entered into and terminated prior to January 1, 2007. No new contracts have been executed subsequent to January 1, 2007. Management does not envision significant operations taking place in the Company on a going-forward basis and has no intention of making additional investments into the company in the near future. The company continues to satisfy its obligations under reinsurance contracts previously in place.

GROWTH OF COMPANY

	2010	2009	2008
Total admitted assets	\$ 50,893,000	\$ 49,737,000	\$ 50,746,000
Total liabilities	\$ 384,000	\$ 79,000	\$ 250,000
Total capital and surplus	\$ 50,509,000	\$ 49,658,000	\$ 50,496,000
Net cash from operations	\$ 1,551,000	\$ 1,342,000	\$ 5,898,000
Total adjusted capital	\$ 50,510,000	\$ 49,659,000	\$ 50,496,000
Authorized control level risk-based capital	\$ 132,000	\$ 197,000	\$ 207,109
Net underwriting loss	\$ (321,000)	\$ (320,000)	\$ (353,000)
Investment income	\$ 1,631,000	\$ (913,000)	\$ 1,567,000
Net income (loss)	\$ 1,072,000	\$ (1,267,000)	\$ 929,000

MORTALITY AND LOSS EXPERIENCE

The MID contracted with Merlinos & Associates, Inc. to review the actuarial analysis supporting the Company's carried loss and loss adjustment expense reserves. Based on the examination actuarial evaluation, the Company's estimates for gross and net unpaid loss and loss adjustment expenses appear to be reasonably stated in all material aspects.

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.

The Company did not have an internal audit department; however, there was an independent Audit Committee that met regularly to discuss financial issues relative to the Company. The Company was audited annually by an independent CPA firm.

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, 2010.

Description	State Deposited	Par Value	Carrying Value	Fair Value
State Bond	Mississippi	\$ 1,000,000	\$ 1,072,113	\$ 1,104,450
Total Held in Mississippi		1,000,000	1,072,113	1,104,450
State Bond	Arkansas	250,000	261,217	269,623
State Bond	Louisiana	20,000	20,000	20,037
State Bond	South Carolina	150,000	156,730	161,774
Total Held in all Other States		420,000	437,947	451,434
Total of all States		\$ 1,420,000	\$ 1,510,060	\$ 1,555,884

**SOUTHERN FARM BUREAU PROPERTY INSURANCE COMPANY
FINANCIAL STATEMENTS
EXAMINATION AS OF DECEMBER 31, 2010**

Introduction

The following financial statements reflect the same amounts reported by the Company and consist of a Statement of Assets, Liabilities, Surplus and Other Funds - Statutory at December 31, 2010, a Statement of Income - Statutory for year ended December 31, 2010, a Reconciliation of Capital and Surplus - Statutory for examination period ended December 31, 2010, and a Reconciliation of Examination Changes to Surplus - Statutory at December 31, 2010.

Southern Farm Bureau Property Insurance Company
Statement of Assets, Liabilities,
Surplus and Other Funds – Statutory

<i>December 31,</i>	2010
Assets	
Bonds	\$ 47,094,664
Cash, cash equivalents and short-term investments	2,893,847
Investment income due and accrued	418,309
Amounts recoverable from reinsurers	277,625
Net deferred tax assets	208,858
<hr/>	
Total admitted assets	\$ 50,893,303
<hr/>	
Liabilities, Surplus and Other Funds	
Reinsurance payable on paid losses and loss adjustment expenses	259,039
Current federal and foreign income taxes	45,629
Payable to parent, subsidiaries and affiliates	78,900
<hr/>	
Total liabilities	383,568
<hr/>	
Capital common stock	1,500,000
Gross paid in and contributed surplus	78,500,000
Unassigned funds (surplus)	(29,490,265)
<hr/>	
Surplus as regards policyholders	50,509,735
<hr/>	
Total liabilities and surplus as regards policyholders	\$ 50,893,303
<hr/>	

Southern Farm Bureau Property Insurance Company
Statement of Income - Statutory

For the Year Ended December 31, 2010

Underwriting income

Premiums earned \$ -

Deductions

Other underwriting expenses incurred 321,425

Total underwriting deductions 321,425

Net underwriting gain (loss) (321,425)

Investment Income

Net investment income earned 1,378,127

Net realized capital gains 252,584

Net investment gain 1,630,711

Other income

Worldcom Settlement 10,717

Total other income 10,717

Net income before dividends to policyholders, after capital gains tax
and before all other federal and foreign income taxes 1,320,003

Federal and foreign income taxes incurred 247,897

Net income \$ 1,072,106

Southern Farm Bureau Property Insurance Company
Reconciliation of Capital and Surplus - Statutory

For the examination period ended December 31, 2010

	2008	2009	2010
Surplus as regards policyholders beginning of the year	\$ 49,567,316	\$ 50,496,025	\$ 49,658,648
Net income (loss)	928,709	(1,267,254)	1,072,106
Change in net deferred income tax	-	429,877	13,928
Change in non-admitted assets	-	-	(234,947)
Change in surplus for the year	928,709	(837,377)	851,087
Surplus as regards policyholders end of the year	\$ 50,496,025	\$ 49,658,648	\$ 50,509,735

Southern Farm Bureau Property Insurance Company
Reconciliation of Examination Adjustments to Surplus - Statutory

There were no changes made to the assets, liabilities or surplus balances reported by the Company for the year ended December 31, 2010. The surplus as regards policyholders, which totaled \$50,509,735 as of the examination date, was determined to be reasonably stated and in compliance with Miss. Code Ann. §83-19-31.

MARKET CONDUCT ACTIVITIES

Effective January 1, 2007, the Company no longer conducted any active underwriting activities and essentially became inactive. No new contracts have been executed subsequent to January 1, 2007, and as such, no market conduct procedures were performed.

COMMITMENTS AND CONTINGENT LIABILITIES

During and subsequent to the examination period, the Company was not involved in litigation outside the normal course of business.

SUBSEQUENT EVENTS

On April 2, 2012, the MID gave notice that it would conduct an examination of SFBCIC and other Farm Bureau related entities pursuant to §83-6-27, Mississippi Code of 1972 (the "Code") and other applicable laws and regulations of the MID including, but not limited to, §83-6-1, *et seq.* of the Code (the "Holding Company Act"). The examination will include a review of the relationships between SFBCIC and other associated companies and entities to determine compliance with applicable Mississippi laws and MID regulations.

COMMENTS AND RECOMMENDATIONS

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

ACKNOWLEDGMENT

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Respectfully submitted,



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