



MISSISSIPPI INSURANCE DEPARTMENT

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JACKSON, MISSISSIPPI 39201
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Post Office Box 79
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MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MARK HAIRE
Deputy Commissioner of Insurance

October 27, 2014

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

Mr. Duff Wallace, President-Chief Executive Officer
Southern Farm Bureau Casualty Insurance Company
1800 East County Line Road
Ridgeland, MS 39157

RE: Report of Examination

Dear Mr. Wallace:

In accordance with Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011), an examination of your Company has been completed. Enclosed herewith is the Order adopting the report and a copy of the final report as adopted.

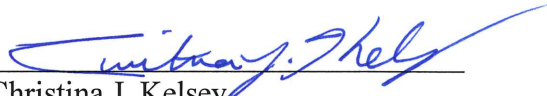
Pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 2011), the Mississippi Department of Insurance shall continue to hold the content of said report as private and confidential for a period of ten (10) days from the date of the Order. After the expiration of the aforementioned 10-day period, the Department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

MC/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 CASUALTY
 INSURANCE COMPANY**

CAUSE NO. 14-6802

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 Casualty Insurance Company is a Mississippi-domiciled company licensed to write Accident and Health; Automobile Physical Damage/Liability; Boiler and Machinery; Casualty/Liability; Fidelity; Fire/Allied Lines; Home/Farm Owners; Inland Marine; Ocean Marine; Plate Glass and Surety coverages.

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 Casualty Insurance Company and appointed Joseph R. May, Examiner-In-Charge, to conduct said examination.

IV.

That on or about October 16, 2014, the draft Report of Examination concerning Southern Farm Bureau Casualty Insurance Company was submitted to the Department by the Examiner-In-Charge, Joseph R. May. Per notice of examination letter dated April 2, 2012, the Mississippi Insurance Department (“Department” or “MID”) determined to conduct an examination of Southern Farm Bureau Casualty Insurance Company (“SFBCIC” or “Company”) and other Farm Bureau related entities (the “Examination”) pursuant to §83-6-27, Mississippi Code of 1972 (the “Code”), and other applicable laws and regulations of the Department including, but not limited to, §83-6-1, *et seq.* of the Code (the “Holding Company Act”). The examination included a review of relationships between the Company and other associated companies and entities, and included a review of certain agreements between the Company and those entities that the Department determined to be “affiliated” in accordance with the Holding Company Act and/or “related” in accordance with statutory accounting guidance to determine compliance with applicable Mississippi laws and Department regulations.

V.

That on or about October 16, 2014, 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 a 30-day period to submit any rebuttal to the draft report. On or about October 21, 2014, the Company

provided an initial response via email with suggested corrections. On October 22, 2014, the Company provided an additional response via email with additional corrections. In response thereto, minor revisions were made to the report.

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, the Company's rebuttal, and all relevant examiner work papers, that the Report of Examination of Southern Farm Bureau Casualty 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 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 Casualty

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 Casualty 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 27th day of October 2014.






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 27th day of October 2014, to:

**Mr. Duff Wallace, President-Chief Executive Officer
Southern Farm Bureau Casualty 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 the Holding Company Target Examination

of

SOUTHERN FARM BUREAU CASUALTY INSURANCE COMPANY

1800 East County Line Road
Ridgeland, MS 39157

As of September 30, 2014

**NAIC Group Code 0483
NAIC Company Code 18325
NAIC FEETS No. 18325-MS-2011-20**

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**EXAMINER'S AFFIDAVIT AS TO STANDARDS AND
PROCEDURES USED IN AN 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 holding company target examination of Southern Farm Bureau Casualty Insurance Company as of September 30, 2014.
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 holding company target examination of Southern Farm Bureau Casualty Insurance Company was performed in a manner consistent with the standards and procedures required by the National Association of Insurance Commissioners and the Mississippi Insurance Department.

The affiant says nothing further.



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

Subscribed and sworn before me by Joseph R. May on this 24th day of October, 2014.

(SEAL)



Notary Public



My commission expires _____ [date].



MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MARK HAIRE
Deputy Commissioner of
Insurance

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TELEPHONE: (601) 359-3569
FAX: (601) 359-1951

October 16, 2014

Honorable Mike Chaney
Commissioner of Insurance
Mississippi Insurance Department
1001 Woolfolk Building
501 North West Street
Jackson, Mississippi 39201

RE: Special Holding Company Examination of Southern Farm Bureau Casualty Insurance Company

Dear Commissioner Chaney:

Pursuant to your instructions and authorization and in compliance with statutory provisions, a holding company targeted examination has been conducted, as of September 30, 2014, of the affairs of:

SOUTHERN FARM BUREAU CASUALTY INSURANCE COMPANY

1800 East County Line Road
Ridgeland, MS 39157

License #	NAIC Group #	NAIC #	FEETS#
7700932	0483	18325	18325-MS-2011-20

This examination was commenced in accordance with Miss. Code Ann. § 83-5-201 *et seq.* and other applicable laws and regulations of the Department including, but not limited to, §83-6-1, *et seq.* of the Code (the "Holding Company Act") and was performed primarily at the following locations:

- Administrative Office for Southern Farm Bureau Casualty Insurance Company in Ridgeland, MS
- Carr, Riggs and Ingram's office in Ridgeland, MS
- Baker, Donelson, Bearman, Caldwell & Berkowitz's office in Jackson, MS
- Mississippi Insurance Department's office in Jackson, MS
- Merlino and Associate's office in Atlanta, GA

The report of examination is herewith submitted.

SCOPE OF EXAMINATION

Per notice of examination letter dated April 2, 2012, the Mississippi Insurance Department (“Department” or “MID”) determined to conduct an examination of Southern Farm Bureau Casualty Insurance Company (“SFBCIC” or “Company”) and other Farm Bureau related entities (the “Examination”) pursuant to §83-6-27, Mississippi Code of 1972 (the “Code”), and other applicable laws and regulations of the Department including, but not limited to, §83-6-1, *et seq.* of the Code (the “Holding Company Act”). The examination included a review of relationships between the Company and other associated companies and entities, and included a review of certain agreements between the Company and those entities that the Department determined to be “affiliated” in accordance with the Holding Company Act and/or “related” in accordance with statutory accounting guidance to determine compliance with applicable Mississippi laws and Department regulations.

The initial focus of the examination was on certain loss ratio agreements, reinsurance agreements, or other operational and management agreements, and the relationship between the Company and state Farm Bureau Mutual companies in Colorado, Arkansas, Louisiana and South Carolina (collectively, the “Farm Bureau Mutual Agreements and the “Farm Bureau Mutual Companies” or “Mutuals” , respectively).

In conducting the Examination, the Department requested certain formation and organizational documentation from the Company, the Farm Bureau Mutual Companies and other entities. By copy of notice of examination letter, the Department advised the Farm Bureau Mutual Companies and their domiciliary insurance departments of the Examination, and advised the Farm Bureau Mutual Companies to expect requests for production of relevant information and documents from the Department.

To assist the Department in connection with the Examination, the Department retained the certified public accounting firm of Carr, Riggs and Ingram, LLC (“CRI”), the law firm of Baker, Donelson, Bearman, Caldwell & Berkowitz, PC (“BDBC”) and the actuarial consulting firm of Merlinos and Associates (“Merlinos”) as authorized by §83-6-27(3) of the Mississippi Code. Collectively, MID, CRI, BDBC and Merlinos are referred to as the “Examination Team” throughout this report.

The Examination was called (18325-MS-2011-20), in accordance with the *Financial Condition Examiners Handbook* guidelines, through the NAIC’s Financial Examination Electronic Tracking System (“FEETS”). Additionally, the Arkansas, Colorado, Louisiana and South Carolina Insurance Departments were copied on the notice of examination letter to the Company, dated April 2, 2012.

HISTORY OF THE COMPANY

In 1947, the Farm Bureau Federations located in the states of Arkansas, Florida, Mississippi and Texas organized individual investment corporations for the purpose of organizing SFBCIC, which has assets of approximately \$2 billion. On September 25, 1947, the Company was incorporated under the laws of the State of Mississippi as a property and casualty insurance company, with business commencing on September 30, 1947. Subsequently, the Louisiana,

South Carolina and Colorado Farm Bureau Federations acquired equal shares of the Company's capital stock and Florida sold its interest back to the Company.

Through December 31, 2008, the outstanding shares of the Company were owned by the Farm Bureau Federations in six states through the following investment/holding corporations: Arkansas Casualty Investment Corporation, Mississippi Farm Bureau Holding Corporation, Texas Farm Bureau Investment Corporation, Louisiana Farm Bureau Investment Corporation, South Carolina Farm Bureau Investment Corporation and Colorado Farm Bureau Investment Company. Each entity held 666.6 shares or 16.67% of the 4,000 authorized shares of the Company.

The Texas parties withdrew from the Company as of December 31, 2008, and surrendered its 666.6 shares of the Company's stock in exchange for the shares of the Company's wholly-owned subsidiary operating in the state of Texas formed for purposes of the withdrawal. Because of the withdrawal of the Texas parties, the Company and its remaining shareholders desired to amend the Articles of Association, the Bylaws and the Amended Membership Treaty under which it had operated. On December 14, 2009, the Treaty was terminated and a new organizational structure for the Company was created (the "reorganization").

In connection with the reorganization, the Company amended and restated its existing Articles and Bylaws and entered into a Shareholders Agreement with the Farm Bureau State Organizations (other than the Florida Farm Bureau Federation) and Investment Companies (other than FFBF Investment Corporation.) All existing shares of equity in the Company were exchanged for newly-issued shares of the Company in connection with the reorganization. At the time of the reorganization, shares were also issued to FFBF Investment Corporation pursuant to a Subscription Agreement between FFBF Investment Corporation and the Company under which FFBF Investment Corporation and Florida Farm Bureau Federation became parties to the Shareholder Agreement. Subsequent to the reorganization, there are now 10,428,000 shares of \$1 par value common stock authorized and 1,082,842 issued. Of the issued shares, 2,640 shares are voting and 1,080,202 are non-voting shares.

The Company has three classes of common stock: 14,000 shares of "Class A" common stock, 10,400,000 shares of "Class B" common stock, and 14,000 shares of "Class C" common stock. They are described below.

- Class A common stock has the right to one vote for each such share and is entitled to notice of any shareholders' meeting in accordance with the Bylaws of the Company.
- Class B common stock does not have the right to vote on any matters submitted to the shareholders of the Company.
- Class C common stock has the right to one vote for each such share until the shares of Class C Common Stock are converted to shares of Class B Common Stock pursuant to the terms of the Transition Period (defined below). Holders of Class C common stock are entitled to notice of any shareholders' meeting in accordance with the Bylaws.

The Transition Period as stated in the Amended Articles began on December 21, 2009, and will expire upon the later of (a) the close of business on the date that the Company pays the aggregate amount of Additional Dividends or (b) 10 years from the date of December 21, 2009. During the Transition Period, the Class A and Class C shares vote together as one class. After the Transition Period, Class C will convert to Class B shares. The ownership by state is as presented in the following chart:

Shares Outstanding:	Arkansas	Colorado	Florida	Louisiana	Mississippi	South Carolina	Total
Class A	220	220	220	220	220	220	1,320
Class B	370,765	1,316	--	321,893	229,104	157,124	1,080,202
Class C	550	--	--	440	220	110	1,320
Total	371,535	1,536	220	322,553	229,544	157,454	1,082,842

The Company has the following subsidiaries at December 31, 2013:

- Southern Farm Bureau Property Insurance Company (“SFBPIC”)
- Southern Farm Bureau Brokerage Company (“SFBBC”)
 - Highland Colony Land Company, LLC (“HCLC”)
- Mississippi Farm Bureau Casualty Insurance Company (“MFBCIC”)
- Florida Farm Bureau Casualty Insurance Company (“FFBCIC”)
 - Florida Farm Bureau General Insurance Company (“FFBGIC”)
- Louisiana Farm Bureau Casualty Insurance Company (“LFBCIC”)
- Arkansas Farm Bureau Casualty Insurance Company (“AFBCIC”)
- Florida Farm Bureau Insurance Agency, Inc. (“FFBIA”)

Prior to this Examination, the Company had a disclaimer of control and affiliation (“Disclaimer”) in regards to the following entities, as disclosed in the disclaimer:

- A. Arkansas Farm Bureau Federation
- B. Colorado Farm Bureau
- C. Florida Farm Bureau Federation
- D. Louisiana Farm Bureau Federation, Inc.
- E. Mississippi Farm Bureau Federation
- F. South Carolina Farm Bureau
- G. Arkansas Casualty Investment Corporation
- H. Colorado Farm Bureau Investment Company
- I. FFBF Investment Corporation
- J. Louisiana Farm Bureau Investment Corporation
- K. Mississippi Farm Bureau Holding Corporation
- L. South Carolina Farm Bureau Investment LLC
- M. South Carolina Farm Bureau Holding Company

The six companies listed above as (A) through (F) are referred to as "Farm Bureau State Organizations." The seven companies listed above as (G) through (M) are referred to as the "Investment Companies." Per the Company's Disclaimer, no Farm Bureau State Organization

had the power or authority to direct or cause the direction of the management and policies of SFBCIC. Each of the Farm Bureau State Organizations was represented to be independent and separate organizations from the other Farm Bureau State Organizations. The Disclaimer stated no Farm Bureau State Organization possessed the power or right to control any other Farm Bureau State Organization. The Disclaimer further stated that there was no common ownership and there were no common Board members among the Farm Bureau State Organizations, and there were no common managers. The Disclaimer also represented that there were no agreements among the Farm Bureau State Organizations, the Investment Companies or the individual Directors requiring any Farm Bureau State Organization to vote in any given way.

Per the Disclaimer, each of the Farm Bureau State Organizations listed below held the proxies of the policyholder of the mutual insurance companies listed below:

Farm Bureau State Organization	Mutual Insurance Company
Arkansas Farm Bureau Federation	Farm Bureau Mutual Insurance Company of Arkansas, Inc. ("AR Mutual")
Colorado Farm Bureau	Colorado Farm Bureau Mutual Insurance Co. ("CO Mutual")
Louisiana Farm Bureau Federation	Louisiana Farm Bureau Mutual Insurance Company ("LA Mutual")
Mississippi Farm Bureau Federation	Mississippi Farm Bureau Mutual Insurance Company ("MS Mutual") [see footnote * below]
South Carolina Farm Bureau	South Carolina Farm Bureau Mutual Insurance Company ("SC Mutual")

As a result of the Examination, the Company has agreed to a Resolution Plan which will require the formation of a new holding company, Southern Casualty Holding Company ("SCHC") which will own the Company. SCHC will have the same ownership structure as that presently of the Company. Furthermore, the Company will file a new disclaimer and an amended Form B with the MID. The aforementioned actions will have an effective date of January 1, 2015. This is further discussed in the Conclusions and Findings section of this report.

*Footnote *: At the time the current Disclaimer was filed in 2009, MS Mutual was under the supervision of the MID. In 2013 MS Mutual was dissolved.*

MANAGEMENT AND OWNERSHIP

Stockholders

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. Pursuant to these filings, the 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. Shares owned by each of the aforementioned entities are as follows:

Shares Outstanding:	Arkansas	Colorado	Florida	Louisiana	Mississippi	South Carolina	Total
Class A	220	220	220	220	220	220	1,320
Class B	370,765	1,316	--	321,893	229,104	157,124	1,080,202
Class C	550	--	--	440	220	110	1,320
Total	371,535	1,536	220	322,553	229,544	157,454	1,082,842

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 24 members, all of whom are chosen from among the states of Arkansas, Colorado, Florida, Louisiana, Mississippi or South Carolina (each a "State Farm Bureau"). Each State Farm Bureau President is a member of the Board. The members of the duly elected Board, along with their place of residence, year elected/appointed, and principal occupation, as of the date of this Examination, 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
Mark Allen Byrd Apopka, FL	2007	Nursery Owner
Joe Wayne Christian Jonesboro, AR	2010 – 2012 and elected again in 2014	Farmer
Jon Harrison Carroll Moro, AR	2014	Farmer

Thomas Michael Freeze Keo, AR	2014	Fish Farmer
Johnny Barnard Loftin El Dorado, AR	2014	Farmer
Donald Hubert Gant Merigold, MS	2007	Farmer
Ben Martin Gramling II Gramling, SC	1997	Agri-business / Development
Jim Toney Harper Cheneyville, LA	2010	Farmer
Rich Edward Hillman II Carlisle, AR	2009	Farmer and Vice President of Arkansas Farm Bureau Federation
Harold Gene Pharr Lincoln, AR	2014	Farmer/Poultry Grower
Randy Lee Knight Pelahatchie, MS	2007	Farmer and President of Mississippi Farm Bureau Federation
Billy Regionald Magee Mt. Olive, MS	2010 and 1999-2007	Farmer
Clinton Willie Sease Lexington, SC	2009	Farmer
Donald James Shawcroft Alamosa, CO	2010	Self-Employed Farmer and President of Colorado Farm Bureau
Greg Joseph Gravois Vacherie, LA	2012	Farmer
Carlyle Wallace Currier Molina, CO	2011	Farmer/Rancher
Jackie Joseph Theriot St. Martinville, LA	2003	General Manager
Harry Randall Veach Manila, AR	2004	Farmer and President of Arkansas Farm Bureau Federation
Theodore Hastings Kendall, IV Bolton, MS	2011	Farmer Manger
Scott McDonald Wiggers, Jr. Winnsboro, LA	2010	Farmer
David Milton Winkles, Jr. West Columbia, SC	1998	Farmer and President of South Carolina Farm Bureau
Linda Zaunbrecher Gueydan, LA	1993	Farmer

Committees

During the time period covered by this examination, the following committees were utilized by the Company to carry out certain specified duties: Executive Committee, Audit Committee, Investment Committee and Compensation Committee.

Executive Committee:

The Executive Committee consists of the Presidents from each of the State Farm Bureaus who serve on the Board. The Chairman of the Board is also the Chairman of the Executive Committee. The Executive Committee has the power to exercise, conduct and control the business of the Company between meetings of the Board. The Executive Committee has the sole and exclusive power and authority to declare additional dividends.

Audit Committee:

The Audit Committee has six members, all of whom are outside directors which meets the requirements set forth by the Model Audit Rule. 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.

Compensation Committee:

The Compensation Committee is comprised of the Presidents from each of the State Farm Bureaus. The Chairman of the Board is also the Chairman of the Compensation Committee. The Compensation Committee duties include reviewing and making recommendations to the Board with respect to compensation and to perform such other duties as appropriate for the committee or as delegated by the Board.

The following members served on the committees mentioned above as of the date of this Examination:

Executive	Audit	Investment	Compensation
Ronald Roy Anderson, Chairman	John Lawrence Hoblick, Sr., Chairman	Dennis Ray Griffin, Chairman	Ronald Roy Anderson, Chairman
Donald James Shawcroft	Ronald Roy Anderson	Ronald Roy Anderson	Donald James Shawcroft
John Lawrence Hoblick, Sr.	Donald James Shawcroft	Thomas Arthur	John Lawrence Hoblick, Sr.
Harry Randall Veach	Harry Randall Veach	Judith Goodwin Blackburn, Secretary	Harry Randall Veach
Randy Lee Knight	Randy Lee Knight	Robert Duff Wallace	Randy Lee Knight
David Milton Winkles, Jr.	David Milton Winkles, Jr.	Dave Stipe	David Milton Winkles, Jr.

Officers

The senior officers of the Company as of the date of this Examination were:

Name of Officer	Number of Years with Company	Title
Ronald Roy Anderson	29	Chairman of the Board
Robert Duff Wallace	30	President and Chief Executive Officer
Dennis Ray Griffin	35	Senior Vice President - Chief Financial Officer
Steven Walter Ingram	31	Senior Vice President - Legal and Secretary
Judith Goodwin Blackburn	33	Senior Vice President and Treasurer
John Russell McCollough	18	Senior Vice President - Actuary
Geoffrey Alan Mercer	28	Senior Vice President - Technology
Jack Carlton Williams, Jr.	38	Senior Vice President – State Manager – Mississippi
Blaine Vernon Briggs	28	Senior Vice President - State Manager – Louisiana
William O’Neil Courtney	29	Senior Vice President – State Manager – South Carolina
David Leon Moore	25	Senior Vice President – State Manager - Arkansas
Steven Clay Murray	33	Senior Vice President - Florida
Jack Pinkney Anderson	37	Senior Vice President – State Manager – Colorado

TERRITORY AND PLAN OF OPERATION

The Company specializes in personal lines, primarily casualty insurance coverages with an emphasis on private passenger auto and farm general liability coverages. The Company is a multi-line regional property and casualty insurance company operating in six states: Arkansas, Colorado, Florida, Louisiana, Mississippi and South Carolina.

The Company direct writes automobile business in the states of Arkansas, Louisiana and South Carolina. Additionally, the Company assumes the automobile business from Farm Bureau mutual companies in the states of Colorado, Louisiana and South Carolina. MFBCIC has written policies on a direct basis and is ceding all general liability and automobile business to SFBCIC under a quota share agreement. No automobile business is written directly by SFBCIC in the state of Florida, nor is any automobile business assumed from Florida.

CONCLUSIONS AND FINDINGS

In 2010, the Company approached the MID regarding a Plan of Merger/Reorganization wherein the state Farm Bureau Mutual Insurance Companies in Colorado, Arkansas, Louisiana and South Carolina would merge into one Mississippi domiciled insurance company. As part of the Merger/Reorganization, a new Mutual Holding Company would be formed. The Mutual Holding Company would own an intermediate stock company, which would own the merged Mississippi insurance company (formerly a mutual company that would be converted to a stock company through the transaction). The merged Mississippi insurance company would then form new stock subsidiary insurance companies in Arkansas, South Carolina and Louisiana. The new state stock insurance companies would write the homeowners insurance policies in their respective states and those risks would be 100% reinsured into the merged Mississippi insurance company. The Colorado risks would be written directly by the Company. The subsidiaries of the merged mutual companies would become subsidiaries of the new Mississippi insurance company. As part of these transactions the Company would also make an investment into the intermediate holding company.

The same Examination Team was retained by the MID for the Merger/Reorganization and for this Examination. As a result of requests by the Company the Merger/Reorganization and the Examination were both delayed and suspended at times to allow the Company to address regulatory issues in other jurisdictions. The Merger/Reorganization is still suspended due to pending litigation between the Louisiana Farm Bureau Mutual Insurance Company and the Louisiana Insurance Department.

During the course of the MID's review and analysis of the Merger/Reorganization, new facts and transactions involving the Company were brought to light that resulted in this Holding Company Target Examination.

As a result of the delays discussed above, as of the date of this report, the examination team has not yet completed all fieldwork or received all information requested during the examination process. However, in an effort to resolve the Examination and to allow the Company to focus its resources on the pending Merger/Reorganization, the Company presented a Resolution

Plan("Plan") to the MID to resolve the pending Examination. As a result of timing issues and the annual reporting requirements of the Company and the other insurers involved, the Plan will have an effective date of January 1, 2015. The Plan as presented and accepted by the MID included, but is not limited to, the following:

1. The Company will form with an effective date of January 1, 2015, Southern Casualty Holding Company ("SCHC"), which would own the Company. SCHC will be the ultimate controlling party of the Company. The ownership of SCHC would be the same ownership structure as that of the Company pre-Examination. The MID has reviewed the Plan and doesn't think it would be a Change of Control under the applicable laws of the State of Mississippi, therefore no Form A will be required.
2. The Company would classify the state Farm Bureau Mutual Insurance Companies in Arkansas, Louisiana, Colorado and South Carolina, along with the State Farm Bureau Federations in those states, and Mississippi and Florida as "related parties", pursuant to applicable provisions of Statement of Statutory Accounting Principles ("SSAP"), No. 25.
3. The Company would implement the necessary procedures to ensure that all transactions with any related party and the Company or the Company's subsidiaries are in compliance with applicable Mississippi laws and regulations of the MID and proper statutory accounting guidance pursuant to the NAIC Accounting Practices and Procedures Manual.
4. The Company, regardless of materiality standards, will file for preapproval certain transactions and agreements with related parties.

As a condition of the Plan, the Company has submitted drafts of a proposed new Disclaimer and an amended Form B that have both been reviewed and agreed to by the MID. The Plan, along with the proposed Disclaimer and amended Form B and other documents, are collectively referred to as the Resolution. The new proposed organizational chart, filed as a part of the Plan, is attached as Exhibit A to this report. The Plan as proposed will allow the MID to close the Examination. However, the Company shall keep the MID updated on the implementation of the Plan and the MID will continue to monitor the implementation of the Plan.

As noted in the scope section of this report, to assist the Department in connection with the Examination, the Department retained the certified public accounting firm of CRI, the law firm of BDBCBCB and the actuarial consulting firm of Merlinos. As a part of the originally planned examination procedures, Merlinos was tasked with performing certain procedures relating to reinsurance contracts, which included the loss ratio plans ("LRPs") and quota share agreements. The examination procedures performed by Merlinos produced certain comments and recommendations relating to the agreements and these comments and recommendations have been communicated to the Company.


ACKNOWLEDGMENT

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

Examiner-in-charge: Joseph R. May, CPA, CMA, CFE, FAHM
Supervising Examiner: R. Dale Miller, CPA, CFE, CFF
Lead Actuary: Matt Merlino, FCAS, MAAA
Lead Legal Counsel: Lee Harrell, Esq.
Lead Legal Counsel: Alan Moore, Esq.
Examiner: Sara Schumacher, CPA, AFE
Examiner: Cole Durant, CPA
Examiner: Larry Knight, Jr., CFE

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

Respectfully submitted,



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

Post-Reorganization Organizational Chart

¹ Southern Casualty Holding Company is owned by six shareholders: Arkansas Casualty Investment Corporation, Colorado Farm Bureau Investment Company, FFBF Investment Corporation, Mississippi Farm Bureau Holding Corporation, Louisiana Farm Bureau Investment Corporation, and South Carolina Farm Bureau Investment LLC (each an "Investment Company")

Each Investment Company is majority owned by its respective Farm Bureau State Organization.

² The Farm Bureau State Organizations and their subsidiaries who own the stock of Southern Casualty Holding Company are deemed "related parties" of Southern Farm Bureau Casualty Insurance Company by MID pursuant to applicable provisions of SSAP 25.

Likewise, Farm Bureau Mutual Insurance Company of Arkansas, Inc., Colorado Farm Bureau Mutual Insurance Company, Louisiana Farm Bureau Mutual Insurance Company, and South Carolina Farm Bureau Mutual Insurance Company are deemed "related parties" of Southern Farm Bureau Casualty Insurance Company by MID pursuant to applicable provisions of SSAP 25.

