

STATE OF MISSOURI



DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

RE: Examination Report of Farm Bureau New Horizons Insurance Company

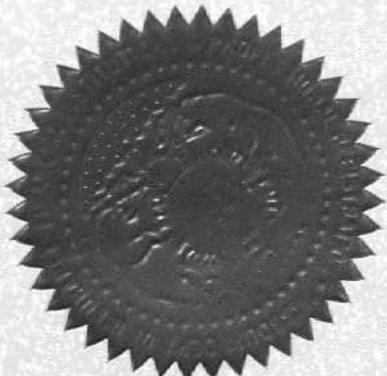
ORDER

After full consideration and review of the report of the financial examination of Farm Bureau New Horizons Insurance Company for the period ended December 31, 2009, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, the findings and conclusions of the examination report are incorporated by reference and deemed to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo.

Based on such findings and conclusions, I hereby ORDER, to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement, and verify compliance with, each item mentioned in the General Comments and/or Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 25th day of February, 2011.

John M. Huff, Director
Department of Insurance, Financial Institutions
and Professional Registration



REPORT OF THE
ASSOCIATION FINANCIAL EXAMINATION OF
**FARM BUREAU NEW HORIZONS
INSURANCE COMPANY OF MISSOURI**

AS OF
DECEMBER 31, 2009

FILED
MAR 07 2011
DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION



STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION
JEFFERSON CITY, MISSOURI

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Jefferson City, Missouri
January 12, 2011

Honorable Alfred W. Gross, Commissioner
Virginia Bureau of Insurance
Chairman, Financial Condition (E) Committee

Honorable Mary Jo Hudson, Director
Ohio Department of Insurance
Secretary, Midwestern Zone, NAIC

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial Institutions
and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Ladies and Gentlemen:

In accordance with your financial examination warrant, a full scope association financial examination has been made of the records, affairs and financial condition of

Farm Bureau New Horizons Insurance Company of Missouri

hereinafter referred to as such, as FBNH, or as the Company. Its administrative office is located at 701 South Country Club Drive, Jefferson City, Missouri, 65109, telephone number (573) 893-1400. This examination began on April 6, 2010, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

A pre-licensing financial examination of FBNH was made as of September 30, 2005, and was conducted by examiners from the State of Missouri. The current full scope association financial examination covered the period from October 1, 2005, through December 31, 2009, and was conducted by examiners from the State of Missouri, representing the Midwestern Zone of the NAIC, with no other zones participating.

This examination was conducted concurrently with the examination of the Company's direct parent companies, Farm Bureau Town & Country Insurance Company of Missouri (FBT&C) and Farm Bureau Life Insurance Company of Missouri (FBL).

This examination also included the material transactions and/or events occurring subsequent to the examination date, which are noted in this report.

Procedures

This examination was conducted in accordance with the NAIC Financial Condition Examiners Handbook, except where practices, procedures and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) and statutes of the State of Missouri prevailed. 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 corporate governance, identifying and assessing inherent risks, and evaluating the Company's 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.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The key activities identified in our examination of FBNH, were as follows:

- Investments
- Premiums
- Underwriting
- Claims Handling
- Reserving
- Related Party Transactions
- Reinsurance

The examiners relied upon information supplied by the Company's independent auditor, Williams Keepers, LLC, of Jefferson City, Missouri, for its audit covering the period from January 1, 2009 through December 31, 2009. Areas in which the testing and results from the CPA workpapers were relied upon in our examination included internal controls, paid claims data, income taxes, deferred taxes, legal representations, bank confirmations, and fraud assessment.

SUMMARY OF SIGNIFICANT FINDINGS

It was determined that the Company does not have an adequate process for the disclosure of possible conflicts of interest by directors, officers, and key employees. The current process only requires signatures from all individuals collectively on a single piece of paper. There is no process for the individual reporting of conflicts of interest, which is the common business practice for most insurance companies.

SUBSEQUENT EVENTS

The ultimate parent company, Missouri Farm Bureau Federation (MFB-Federation), issued a press release on July 28, 2010 stating that its President, Charles E. Kruse, would not seek re-election to office. Mr. Kruse is also the President and a director for FBNH. Mr. Kruse will continue to serve as President for MFB-Federation and all subsidiaries until the next election of officers in December 2010.

COMPANY HISTORY

General

FBNH was incorporated on August 17, 2005 under the laws of the State of Missouri and commenced business on November 8, 2005. The Company operates as a stock property and casualty insurer under the insurance laws of Chapter 379 RSMo (Insurance Other Than Life).

Capital Stock

The Company's Articles of Incorporation allow for the issuance of 120,000 shares of common stock with a par value of \$10 per share. As of December 31, 2009, all 120,000 shares were issued and outstanding for a total capital stock balance of \$1,200,000. The Company's outstanding common stock was owned equally (60,000 shares each) by FBT&C and FBL.

Dividends and Capital Contributions

The Bylaws allow for dividends to be paid on common stock shares, pursuant to a declaration of the Board of Directors. However, no dividends were declared or paid by FBNH during the examination period. No capital contributions were made to the Company during the examination period.

Mergers and Acquisitions

Upon its formation in 2005, FBNH was owned equally (33.3% each) by FBT&C, FBL and Missouri Farm Bureau Insurance Brokerage, Inc. (MFB-Brokerage). Each of the three parties owned 40,000 shares of FBNH common stock. On September 4, 2009, FBT&C and FBL each purchased 20,000 shares of FBNH stock from MFB-Brokerage for a purchase price of \$985,400 or \$1,970,800 in total. This transaction eliminated MFB-Brokerage's ownership of FBNH and increased FBT&C's and FBL's ownership of FBNH from 33.3% to 50.0%.

CORPORATE RECORDS

The Company’s Articles of Incorporation and Bylaws were reviewed. There were no amendments during the examination period. The minutes of the Board of Directors’ meetings, written consents in lieu of meeting, and the sole shareholder written consents were reviewed for proper approval of corporate transactions. In general, the minutes and written consents appear to properly reflect and approve the Company’s major transactions and events for the period under examination.

MANAGEMENT AND CONTROL

Corporate Governance

The management of the Company is vested in a Board of Directors, which is appointed by the sole shareholder. The Company’s Bylaws specify that the Board of Directors shall consist of twelve (12) members. The directors of the ultimate parent, MFB-Federation, simultaneously serve as directors all of its subsidiaries, including FBNH.

The Board of Directors elected and serving, as of December 31, 2009, were as follows:

<u>Name</u>	<u>Principal Occupation and Business Affiliation</u>
William C. Bastin, Jr.	Farmer and Seed Dealer, Self-Employed
Todd P. Hays	Farmer, Self-Employed
C. Blake Hurst	Farmer, Self-Employed
Leon Kreisler	Rancher, Self-Employed
Charles E. Kruse	Farmer, President of MFB-Federation
Paul W. LePage	Farmer, Self-Employed
Denny W. Mertz	Farmer, Self-Employed
Allen Rowland	Farmer, Self-Employed
J. Dwayne Schad	Farmer, Self-Employed
Teribeth A. Spargo	Owner, Spargo Farms, Inc.
Hal R. Swaney	Farmer, Self-Employed
Barbara L. Wilson	Pension Administrator, Steve P. Hagan & Assoc.

The Company’s current practice for disclosing possible conflicts of interest is to require all officers, directors, and key employees to sign the same sheet of paper, which states that they collectively do not currently have any conflicts and will promptly notify the Board of Directors if any conflict situation should occur in the future. This process does not allow for disclosure or elaboration of any potential conflicts on an individual basis. It is recommended that the Company create a conflict of interest disclosure form to be completed separately by each officer, director, and key employee on an annual basis.

A recommended format for a conflict of interest form would list various examples of transactions and relationships that may be a conflict of interest and require the individual to respond “Yes” or “No” to each item. The form should provide space for each individual to describe the specifics for any “Yes” responses. The Company’s policy on conflict of interest, as included in the Code of Conduct, may also be included in the form for reference.

Committees

The Articles of Incorporation and Bylaws do not require any committees, but the Articles of Incorporation do allow for committees to be appointed by the Board of Directors. The FBNH committees formally appointed and serving as of December 31, 2009, were as follows:

<u>Audit Committee</u>	<u>Compensation Committee</u>	<u>Per Diem & Expense Committee</u>
Hal Swaney, Chairman	Blake Hurst, Chairman	Blake Hurst, Chairman
Todd Hays	Paul LePage	Dwayne Schad
Carl Bastin	Allen Rowland	Leon Kreisler
	Barbara Wilson	Teribeth Spargo

The Company also has two informal committees. The Investment Committee consists of staff members from all areas of the Company, including the CFO and representatives of the Company’s investment firm. This committee meets quarterly to review compliance with the investment policy, address concerns arising from the economic outlook as related to the investment portfolio, review areas of credit concentration, review credit concerns arising from downgraded investments in the portfolio, evaluate shock analysis for movement in market rates and consider other strategic issues. The Personnel Committee consists of the President, Secretary, Treasurer and Director of Human Resources. This committee provides recommendations to the Board of Directors for companywide pay increases, incentive plan payouts and benefit plan policies.

Officers

The officers elected by the Board of Directors and serving as of December 31, 2009, were as follows:

<u>Officer</u>	<u>Position</u>
Charles E. Kruse	Chairman and President
C. Blake Hurst	Vice President
Daniel L. Cassidy	Chief Administrative Officer, Secretary, Asst. Treasurer
Randall J. Campbell	Chief Financial Officer, Treasurer, Asst. Secretary

Holding Company, Subsidiaries and Affiliates

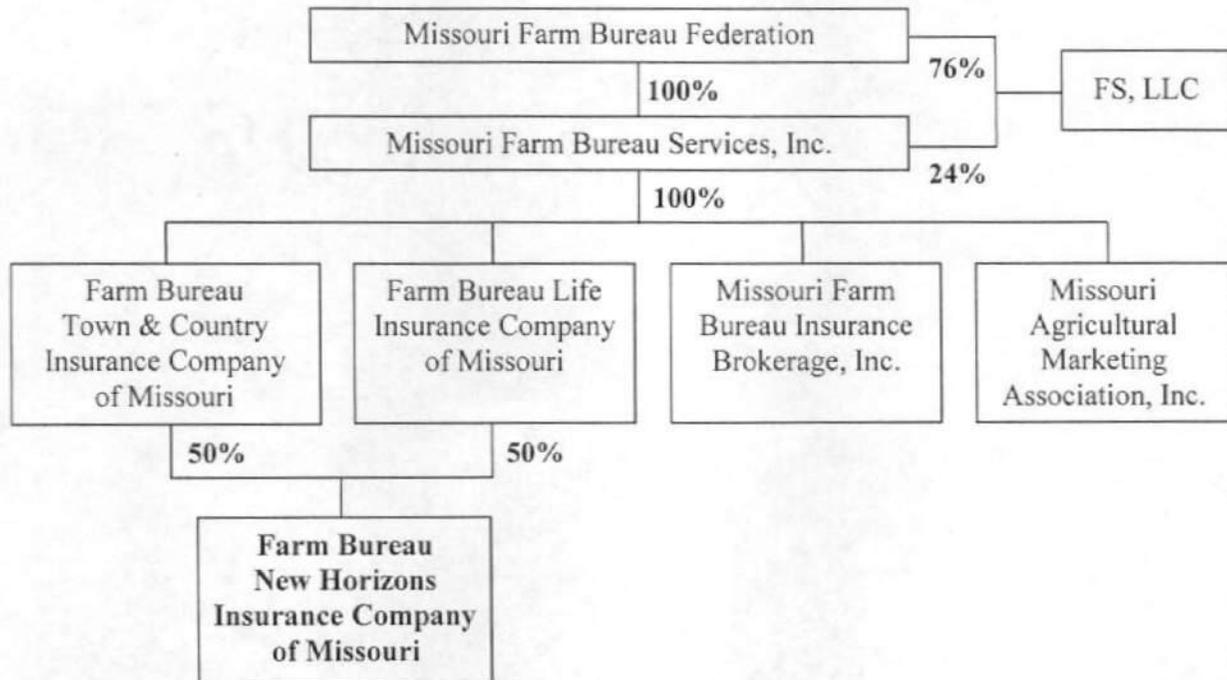
The Company is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions). An Insurance Holding Company System Registration Statement was filed by the holding company, MFB-Services, on behalf of FBNH and its other insurance subsidiaries for each year of the examination period. FBNH is ultimately owned 100% by Missouri Farm Bureau Federation.

Below is a description of the business operations of all affiliated entities.

- **MFB-Federation** – The ultimate parent company is a not-for-profit organization that promotes the interests of its member farmers and the agriculture industry. Profits from the insurance operations of FBT&C, FBL and FBNH are the main source of income for the consolidated operations of MFB-Federation.
- **MFB-Services** – A holding company that directly or indirectly owns all insurance entities. Employees of MFB-Services conduct most of the daily operations of the insurance entities.
- **FBT&C** – A property and casualty insurer that writes primarily homeowners, farmowners, automobile physical damage and automobile liability lines of business.
- **FBL** – A life insurance company that offers mostly whole life, term life and individual annuity products.
- **Missouri Farm Bureau Insurance Brokerage, Inc.** – A brokerage designed to place insurance coverages either not offered by or not available through FBT&C, FBL or FBNH. Coverages offered range from workers' compensation, non-standard automobile, professional liability, individual and group health products, disability, Medicare supplements, long-term care and many specialty coverages.
- **Missouri Agricultural Marketing Association, Inc.** – A dormant entity that had no business operations during the examination period.
- **FS, LLC** – An entity formed in 2006 for the sole purpose of holding ownership to the main office building in Jefferson City, Missouri. Ownership of the building was transferred from MFBF to FS, LLC at the time of its formation to provide tax advantages that could not be utilized by MFBF.

Organizational Chart

Below is an organization chart reflecting FBNH’s ownership and affiliates, as of December 31, 2009. [Note: All entities incorporated / domiciled in Missouri.]



Intercompany Agreements

The Company’s agreements with related parties that were in effect, as of December 31, 2009 and subsequent periods are outlined below.

1. **Type:** Allocation of Consolidated Tax Liability Agreement
- Parties:** MFB-Federation, MFB-Services and all subsidiaries
- Effective:** September 1, 2005
- Terms:** MFB-Services and its subsidiaries (including FBNH) agree to file a consolidated federal income tax return. The Company will pay estimated federal income tax payments to MFB-Services on or before April 15, June 15, September 15, and December 15 of each current tax year and on or before March 15 of the following year for the extension filing. Settlement of the remaining tax liability or receivable due with the final tax return will be made after the final tax return is filed. The allocation of the consolidated federal income tax payments to each entity will be based upon the proportion of each entity’s individual taxable income to the consolidated taxable income. A separate adjustment shall be made each year between MFB-Services and each subsidiary for the difference, if any, between the allocated tax payments and the tax liability that would have resulted from each entity filing a separate federal tax return.

2. **Type:** Claims Service Agreement
Parties: FBT&C and FBNH
Effective: January 1, 2006
Terms: FBT&C will provide claims adjusting and claims payment functions for FBNH. FBNH will pay a fee for each claim processed by FBT&C personnel. The per claim fees vary depending on the amount of the claim payment, as follows: \$175 fee for claims \$1,000 and under; \$240 fee for claims between \$1,000 and \$2,500; \$335 fee for claims between \$2,500 and \$5,000; \$560 fee for claims between \$5,000 and \$10,000; \$670 fees for claims between \$10,000 and \$15,000; \$810 for claims above \$15,000. Fees are to be paid by FBNH to FBT&C on a monthly basis and are due within 60 days after the actual total fees for the month are determined.
3. **Type:** Service Agreement
Parties: MFB-Services, FBT&C, FBL and FBNH
Effective: January 1, 2007
Terms: MFB-Services will provide the following services for the subsidiary insurers: executive management, human resources, accounting, legal, audit, investment, information technology, public affairs, mailroom, imaging, printing, supplies, furniture & equipment, fleet rental, building maintenance, janitorial, cafeteria, copying, customer service, and actuarial. The insurers will pay fees to MFB-Services on a monthly basis for the services provided. The fees for most of the provided services are calculated based upon various allocation methods that are specified in the agreement. The fees for some services may be directly attributable to an entity and will be billed based upon actual usage. Fees payable to MFB-Services are to be paid within 60 days after the fees have been calculated.
4. **Type:** Cost Sharing Agreement
Parties: MFB-Federation, MFB-Services, FBT&C, FBL, FBNH and MFB-Brokerage
Effective: January 1, 2007
Terms: The parties utilize common management and employees for various operational activities. The costs will be shared among the parties for the following operational functions: underwriting, sales (commissions), sales contests, promotional events, agents payroll, Partners for Growth program (county office expenses), and other miscellaneous areas. The allocation of costs shall be computed on a monthly basis after actual expenses are determined and are due within 60 days of the computations. The allocation basis for underwriting, commissions, and service center costs is not specified but is to be based upon predetermined percentages that are reviewed annually. Allocation of agents' payroll is to be based upon the production attributable to each entity in the

preceding month. The allocation basis for the costs of other activities was not explained in the agreement.

Intercompany Payments

Fees and other payments to related parties, pursuant to the above agreements, are listed in the following table:

Related Party	Agreement	Amount Incurred (Earned)			
		2006	2007	2008	2009
MFB-Services	Tax Allocation	(\$ 4,763)	\$109,048	(\$ 73,357)	(\$155,998)
FBT&C	Claims Service	0	8,100	44,260	55,365
MFB-Services	Service	127,188	105,053	97,470	88,338
MFB-Services	Cost Sharing	156,923	109,163	150,890	170,319
MFB-Brokerage	Cost Sharing	35,596	108,062	145,880	204,768
TOTAL		\$314,944	\$439,426	\$365,143	\$362,792

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a financial institution bond that covers losses resulting from dishonest or fraudulent acts of employees. Additional named insureds on the bond are the parent companies and several other affiliates. The bond has a liability limit of \$2,000,000 with a \$25,000 deductible, which meets the minimum coverage that is recommended by the NAIC.

The Company is also a named insured on various other insurance policies that provide coverage for the following risks: general liability, excess liability, professional liability, umbrella liability, earthquake, worker’s compensation and employers liability, directors’ and officers’ liability, employment practices liability, and computer crime.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

FBNH does not have any direct employees and therefore, has no liabilities for employee benefits. The Company’s business operations are managed by the employees of the parent, MFB-Services, and by the employees of an affiliate, MFB-Brokerage.

As of December 31, 2009, MFB-Services had 694 employees and MFB-Brokerage had 234 employees. Approximately 230 of the MFB-Services employees are located in the home office in Jefferson City, Missouri, where most functions of the Company are performed. The remaining MFB-Services employees are located in approximately 160 offices located in the 114 counties in the State of Missouri. The county office employees provide various policyholder services, including policy issuance, policy changes and claims adjudication. The MFB-Brokerage employees comprise the statewide agency force that produces business for FBNH and other affiliated insurers.

FBNH has a Cost Sharing Agreement with MFB-Services and MFB-Brokerage and a Services Agreement with MFB-Services, which are described in the Intercompany Agreements section of this report. The Company indirectly pays for the salaries and benefits of MFB-Services and MFB-Brokerage employees through allocated expenses that are paid each month, pursuant to the Agreements.

TERRITORY AND PLAN OF OPERATION

FBNH is licensed only in the State of Missouri under Chapter 379 RSMo (Insurance Other Than Life). The major lines of business, based upon 2009 direct and net written premiums, are listed in the table below.

<u>Line of Business</u>	<u>Direct Premiums</u>	<u>Net Premiums</u>
Homeowners Multiple Peril	70.2%	70.2%
Farmowners Multiple Peril	16.8%	16.4%
Fire	13.0%	13.3%
All Other	<u>0.0%</u>	<u>0.2%</u>
Total	100.0%	100.0%

A policyholder must be a member of the ultimate parent, MFB-Federation, in order to be insured by FBNH. The majority of policyholders are located in rural areas.

The Company and its 50% parent, FBT&C, have a combined business plan. FBT&C writes the preferred property risks and all auto business. FBNH specializes in providing property insurance for members that do not qualify for insurance under FBT&C's underwriting standards. As a result of this strategy, the Company mostly insures high risk properties and policyholders with poor claims history.

Business for FBNH is produced by a dedicated agency force employed by an affiliate, MFB-Brokerage. There were 231 agents of MFB-Brokerage, as of December 31, 2009. The agents produce business exclusively for FBT&C and its two affiliates, FBL and FBNH. Any risks for lines of business not written by FBT&C, FBL or FBNH are placed by MFB-Brokerage with third-party insurers.

GROWTH OF COMPANY

The table below shows the Company’s premium writings and writing ratios for the most recent five years, which includes the current examination period.

<u>Year</u>	<u>Direct Premiums Written</u>	<u>Net Premiums Written</u>	<u>Change in Net Premiums</u>	<u>Capital and Surplus</u>	<u>Ratio of Net Premiums to Surplus</u>
2005	\$ 0	\$ 0	na	\$6,017,176	n/a
2006	473,079	328,771	0.9%	6,045,660	0.05
2007	1,071,264	750,715	-4.6%	6,268,523	0.12
2008	1,423,183	1,005,062	15.7%	6,130,849	0.16
2009	1,953,963	1,368,123	1.0%	5,854,483	0.23

Direct writings increased significantly each year, which was expected since FBNH completed only its fourth full year of operations in 2009. The Company is still in its growth stage and significant annual increases in premiums should continue for several years. The premium to surplus ratio was extremely low each year of the examination period, which demonstrates that the Company was well capitalized at its inception. Surplus levels have remained mostly unchanged during the examination period. Large underwriting losses resulted in the surplus declines in 2008 and 2009. Investment income has mostly offset the underwriting losses to minimize any negative impacts to surplus.

LOSS EXPERIENCE

The table below shows the Company’s incurred losses and loss ratios for the most recent five years, which includes the current examination period.

<u>Year</u>	<u>Net Premiums Written</u>	<u>Net Losses and Loss Adjustment Expenses</u>	<u>Loss Ratio</u>
2005	\$ 0	\$ 0	n/a
2006	328,771	105,562	32.1%
2007	750,715	181,058	24.1%
2008	1,005,062	904,854	90.0%
2009	1,368,123	1,269,670	92.8%

FBNH experienced high loss ratios in 2008 and 2009 due to a combination of frequent and severe storm activity in Missouri and lower than expected profitability. Management has planned a rate increase in 2010 to improve underwriting results. Increases to policyholder counts and premium volume in future years is also expected to stabilize results and the predictability of losses.

REINSURANCE

General

The Company's premium activity on a direct written, assumed and ceded basis, for the period under examination, is detailed below:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Direct Business	\$473,079	\$1,071,264	\$1,423,183	\$1,953,963
Reinsurance Assumed:				
Affiliates	0	0	0	0
Non-affiliates	0	0	712	1,422
Reinsurance Ceded:				
Affiliates	0	0	0	0
Non-affiliates	(144,308)	(320,549)	(418,833)	(587,263)
Net Premiums Written	<u>\$328,771</u>	<u>\$ 750,715</u>	<u>\$1,005,062</u>	<u>\$1,368,122</u>

Assumed

The Company does not assume any material business. Assumed premiums for 2009 represented only 0.1% of total net written premiums.

Ceded

All of the Company's reinsurance coverage is provided by American Agricultural Insurance Company (American Ag) through multiple reinsurance agreements. Property risks are reinsured on a individual risk basis through a surplus share agreement. The surplus share agreement provides coverage for property risks over \$100,000 and up to \$2,000,000 in insured value. The amount of losses ceded are based upon varying percentages, depending on the loss amount. The Company's largest retention for any single loss is \$133,200. In general, the Company retains a average maximum of \$100,000 per risk under the surplus share agreement, regardless of the size of the loss.

FBNH has a property catastrophe agreement with American Ag that applies to any catastrophe losses that exceed 5% of net earned premium for property lines of business. For 2009, FBNH's retention was approximately \$60,000 per occurrence. Catastrophe losses in excess of the retention are ceded 95% to American Ag, up to a maximum reinsurer liability limit of 266% of net earned premium or approximately \$3,000,000 per occurrence for 2009 and 2010.

Liability risks are reinsured through an excess of loss agreement with American Ag. The Company cedes 100% of risks in excess of a \$100,000 retention per occurrence with a maximum reinsurer liability limit of \$30,000,000 per occurrence.

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer fails to perform its obligations under the reinsurance agreement.

ACCOUNTS AND RECORDS

The Company's business applications are run through local area networks located in the data center of the home office in Jefferson City, Missouri. The Company utilizes a combination of Microsoft Windows based servers and an IBM iSeries midrange server. The base computer application for insurance operations is a legacy system from Policy Management Systems Corporation (PMSC) that was installed in 1999. The PMSC system is used for policy management, claims management and other functions. Other significant financial applications include the Solomon General Ledger system that is used for accounting and financial reporting and the Portfolio Accounting Management (PAM) system that is used to process investment activity.

The CPA firm, Williams Keepers, LLC, of Jefferson City, Missouri issued audited statutory financial statements of the Company for all years in the examination period.

The actuarial opinions regarding the Company's reserves for losses and loss adjustment expenses was issued by Patrick J. Crowe, FCAS, MAAA, of Crowe Actuarial in Louisville, Kentucky, for all years of the examination period.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Missouri DIFP as of December 31, 2009, as reflected below, were sufficient to meet the capital deposit requirements for the State of Missouri in accordance with Section 379.098 RSMo (Securities to be Deposited). The funds on deposit were as follows:

<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
Municipal Bonds	\$1,215,000	\$1,269,862	\$1,214,960

Deposits with Other States

Since FBNH is only licensed in Missouri, the Company has no funds on deposit with any other states.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of Farm Bureau New Horizons Insurance Company of Missouri for the period ending December 31, 2009. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Comments on Financial Statement Items." The failure of any column of numbers to add to its respective total is due to rounding or truncation.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statement Items." These differences were determined to be immaterial concerning their effect on the financial statements, and therefore, were only communicated to the Company and noted in the workpapers for each individual Annual Statement item.

Assets
as of December 31, 2009

	<u>Assets</u>	Non-Admitted <u>Assets</u>	Net Admitted <u>Assets</u>
Bonds	\$4,580,518	\$ 0	\$4,580,518
Cash, Cash Equivalents and Short-Term Investments	2,249,032	0	2,249,032
Investment Income Due and Accrued	54,352	0	54,352
Uncollected Premiums and Agents' Balances	15,965	6,072	9,893
Deferred Premiums	601,462	0	601,462
Amounts Recoverable from Reinsurers	54,913	0	54,913
Federal Income Tax Recoverable	228,845	0	228,845
Net Deferred Tax Asset	75,421	8,860	66,561
Receivable from Parent, Sub., Affiliates	49,376	0	49,376
Aggregate Write-In Assets	<u>13</u>	<u>0</u>	<u>13</u>
TOTAL ASSETS	<u>\$7,909,897</u>	<u>\$14,932</u>	<u>\$7,894,965</u>

**Liabilities, Surplus and Other Funds
as of December 31, 2009**

Losses	\$ 735,383
Loss Adjustment Expenses	116,202
Commissions Payable	16,785
Other Expenses	711
Taxes, Licenses and Fees	21,597
Unearned Premium	730,435
Advance Premium	254,748
Ceded Reinsurance Premiums Payable	30,092
Drafts Outstanding	94,174
Payable to Parent, Subsidiaries and Affiliates	31,484
Aggregate Write-In Liabilities	<u>8,869</u>
TOTAL LIABILITIES	\$2,040,480
Common Capital Stock	1,200,000
Gross Paid In and Contributed Surplus	4,800,000
Unassigned Funds (Surplus)	<u>(145,517)</u>
Capital and Surplus	<u>\$5,854,483</u>
TOTAL LIABILITIES AND SURPLUS	<u>\$7,894,963</u>

Statement of Income For the Year Ended December 31, 2009

Premium Earned	\$1,145,449
DEDUCTIONS:	
Losses Incurred	1,149,738
Loss Expenses Incurred	119,932
Other Underwriting Expenses Incurred	<u>461,559</u>
Total Underwriting Deductions	\$1,731,229
Net Underwriting Loss	(\$ 585,780)
Net Investment Income Earned	94,809
Net Realized Capital Gains	<u>200</u>
Net Investment Gain	\$ 95,009
Other Income	23,009
Dividends to Policyholders	0
Federal Income Taxes Incurred	<u>(156,101)</u>
Net Income	<u>(\$ 311,661)</u>
CAPITAL AND SURPLUS ACCOUNT:	
Surplus as Regards Policyholders, December 31, 2008	\$6,130,849
Net Income	(311,661)
Change in Net Unrealized Capital Gains or (Losses)	0
Change in Net Deferred Income Tax	26,212
Change in Non-Admitted Assets	9,083
Dividends to Stockholders	<u>0</u>
Surplus as Regards Policyholders, December 31, 2009	<u>\$5,854,483</u>

Comments on Financial Statement Items

None.

Examination Changes

None.

General Comments and/or Recommendations

Conflict of Interest Disclosure (page 5)

The Company's current practice for disclosing possible conflicts of interest is to require all officers, directors, and key employees to sign the same sheet of paper, which states that they collectively do not currently have any conflicts and will promptly notify the Board of Directors if any conflict situation should occur in the future. This process does not allow for disclosure or elaboration of any potential conflicts on an individual basis. It is recommended that the Company create a conflict of interest disclosure form to be completed separately by each officer, director, and key employee on an annual basis.

A recommended format for a conflict of interest form would list various examples of transactions and relationships that may be a conflict of interest and require the individual to respond "Yes" or "No" to each item. The form should provide space for each individual to describe the specifics for any "Yes" responses. The Company's policy on conflict of interest, as included in the Code of Conduct, may also be included in the form for reference.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Farm Bureau New Horizons Insurance Company of Missouri during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Shannon Schmoeger, CFE, Steve Koonse, CFE and Timothy Carroll, examiners for the Missouri DIFP, participated in this examination. Charles Pearl, Jr., FCAS, MAAA, of Milliman, Inc., also participated as a consulting actuary.

VERIFICATION

State of Missouri)
)
County of)

I, Tim L. Tunks, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of Farm Bureau New Horizons Insurance Company of Missouri its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

Tim Tunks
Tim L. Tunks, CPA, CFE
Examiner-In-Charge
Missouri DIFP

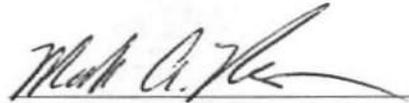
Sworn to and subscribed before me this 10th day of December, 2010.

My commission expires: January 9, 2011 Pamela J. Root
Notary Public

PAMELA J. ROOT
Notary Public - Notary Seal
State of Missouri, County of Cooper
Commission # 07391753
My Commission Expires Jan. 9, 2011

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.



Mark A. Nance, CPA, CFE
Audit Manager
Missouri DIFP