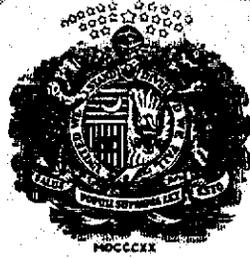


STATE OF MISSOURI



DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

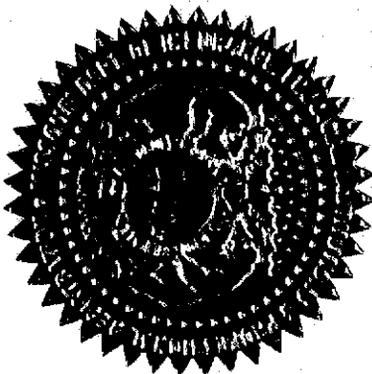
RE: Examination Report of Farm Bureau Town & Country Insurance Company of Missouri as of December 31, 2005

ORDER

After full consideration and review of the report of the financial examination of Farm Bureau Town & Country Insurance Company of Missouri for the period ended December 31, 2005, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, W. Dale Finke, 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 Farm Bureau Town & Country Insurance Company of Missouri, 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 December 11, 2006.



W. DALE FINKE, Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF
FINANCIAL EXAMINATION

FARM BUREAU TOWN & COUNTRY
INSURANCE COMPANY OF MISSOURI

As of:
DECEMBER 31, 2005

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

TABLE OF CONTENTS

SALUTATION	1
SCOPE OF EXAMINATION	1
Period Covered.....	1
Procedures.....	2
Comments - Previous Examination	2
HISTORY	2
General.....	2
Capital Stock.....	2
Dividends.....	3
Management.....	3
Conflict of Interest	4
Corporate Records	4
Acquisitions, Mergers, and Major Corporate Events.....	4
Surplus Debentures	4
AFFILIATED COMPANIES	4
Holding Company.....	4
Organizational Structure	5
Payments to Affiliates.....	6
Intercompany Transactions.....	6
FIDELITY BOND AND OTHER INSURANCE	9
EMPLOYEE BENEFITS AND PENSION PLAN	9
STATUTORY DEPOSITS	9
Deposits with the State of Missouri	9
Deposits with Other States.....	9
INSURANCE PRODUCTS AND RELATED PRACTICES	10
Territory and Plan of Operations	10
Policy Forms & Underwriting; Advertising and Treatment of Policyholders.....	10
REINSURANCE	10
General.....	10
Assumed.....	10
Ceded	11
ACCOUNTS AND RECORDS	12
Independent Auditor	12

Independent Actuary.....	12
Consulting Actuary.....	12
Information Systems Audit.....	12
FINANCIAL STATEMENTS	12
BALANCE SHEET.....	13
INCOME STATEMENT	14
CAPITAL AND SURPLUS.....	15
NOTES TO THE FINANCIAL STATEMENTS.....	16
EXAMINATION CHANGES.....	16
GENERAL COMMENTS AND RECOMMENDATIONS	16
SUBSEQUENT EVENTS.....	16
ACKNOWLEDGEMENT.....	17
VERIFICATION	17
SUPERVISION	17

August 31, 2006
Jefferson City, Missouri

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

Honorable Ann Womer Benjamin, Director
Department of Insurance
State of Ohio
Secretary, Midwestern Zone, NAIC

Honorable W. Dale Finke, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Dear Sirs/Madam:

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

Farm Bureau Town & Country Insurance Company of Missouri

hereinafter referred to as such or as the "Company". The Company's office is located at 701 South Country Club Drive, Jefferson City, Missouri 65109, telephone number (573) 893-1400. Examination fieldwork began on March 6, 2006, and was completed on August 31, 2006.

SCOPE OF EXAMINATION

Period Covered

The last comprehensive financial examination of the Company was performed as of December 31, 2001, by examiners from the state of Missouri.

The current financial examination of the Company covers the period from January 1, 2002, through December 31, 2005, and was conducted by examiners from the state of Missouri. This examination also included material transactions or events occurring subsequent to December 31, 2005.

Procedures

This examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook of the National Association of Insurance Commissioners (NAIC), except where practices, procedures and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration (Department) and statutes of the state of Missouri prevailed.

Workpapers of the Company's independent auditor, Williams Keepers LLC, were made available to the examiners for review. Standard examination procedures were modified as deemed appropriate under the circumstances.

Comments - Previous Examination

The previous examination report contained no comments of weaknesses identified during the examination.

HISTORY

General

Missouri Farm Bureau Federation (Federation) was the first state farm bureau organized in the United States. The federation was formed on March 24, 1915, to represent, protect and service the American farmer. Missouri Farm Bureau Federation serves its members through its various affiliates, including Farm Bureau Town & Country Insurance Company of Missouri.

Farm Bureau Town & Country Insurance Company of Missouri originated as Farm Bureau Mutual Insurance Company of Missouri, which received its Certificate of Authority on January 9, 1946. A separate company, originally named Farm Bureau Casualty Company was organized and incorporated as a stock casualty insurance company in 1971. The stock company subsequently changed its name to Farm Bureau Town & Country Insurance Company of Missouri. The mutual company and the stock company were merged on January 1, 1977, with the stock company being the surviving company.

Capital Stock

The Company has authority to issue 120,000 shares of common stock with a par value of \$10 per share. As of December 31, 2005, all of the shares were outstanding for a balance of \$1,200,000 in the common capital stock account. All shares were owned by the parent, Missouri Farm Bureau Services, Inc. (Services).

Dividends

During the period being examined, the Company paid dividends to the sole stockholder as follows:

2002	\$	-
2003		-
2004		117,518
2005		<u>569,254</u>
Total	\$	686,772

Management

The members of the board of directors serving at December 31, 2005, were as follows:

<u>Name and Location</u>	<u>Position</u>	<u>Name and Location</u>	<u>Position</u>
William C. Bastin, Jr. Jasper	Farmer	Leon Kreisler Salem	Farmer
Gary G. Branum New Madrid	Farmer	Charles E. Kruse Dexter	President, Farm Bureau
Jami M. Geske Matthews	Farmer	Paul W. LePage Jefferson City	Farmer
Ronald G. Hardecke Owensville	Farmer	Dwayne Schad Versailles	Farmer
Todd P. Hays Monroe City	Farmer	Hal R. Swaney Platte City	Farmer
Charles B. Hurst Westboro	Farmer	Barbara L. Wilson Mexico	Farmer

As of December 31, 2005, the Board of Directors had appointed the following members to serve on the committees listed below, in accordance with the Articles of Incorporation:

<u>Audit Committee</u>	<u>Compensation Committee</u>	<u>Per Diem Committee</u>
Gary Branum	Charles Hurst	Charles Hurst
Hal Swaney	Paul LePage	Paul LePage
Ronald Hardecke	Gary Branum	William Bastin
	Jami Geske	Jami Geske

The officers elected and serving as of December 31, 2005, were as follows:

<u>Name</u>	<u>Office</u>
Charles E. Kruse	President
Daniel L. Cassidy	Secretary, Chief Administrative Officer

Randall J. Campbell
Charles B. Hurst

Treasurer, Chief Financial Officer
Vice-President

Conflict of Interest

All officers and directors signed conflict of interest disclosures each year of the examination. No instances of conflict of interest situations were reported.

Corporate Records

A review was made of the Articles of Incorporation and Bylaws of the Company. Neither the Articles of Incorporation nor the Bylaws were amended during the period under examination.

The minutes of the meetings of the Stockholder and Board of Directors were also reviewed for the period under examination. The minutes appeared to properly document and approve applicable corporate events and transactions. Members of the Board of Directors signed affidavits on May 19, 2003, acknowledging receipt of the previous Report of Examination.

Acquisitions, Mergers, and Major Corporate Events

On July 18, 2005 Farm Bureau New Horizons Insurance Company was formed and received a Certificate of Incorporation on August 17, 2005 as an equally owned subsidiary of the Company, Farm Bureau Life Insurance Company of Missouri, and Missouri Farm Bureau Insurance Brokerage, Inc. Farm Bureau New Horizons Insurance Company was licensed as a multi-line property and casualty insurance company pursuant to Chapter 379.010 to 379.105 RSMo on November 8, 2005.

Surplus Debentures

The Company has no surplus debentures.

AFFILIATED COMPANIES

Holding Company

The Company is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo. Pursuant to Missouri Insurance Regulation 20 CSR 200-11.100 and Section 382.100 RSMo., the Company has filed Form B of the Insurance Holding Company System with the Department of Insurance, Financial Institutions and Professional Registration.

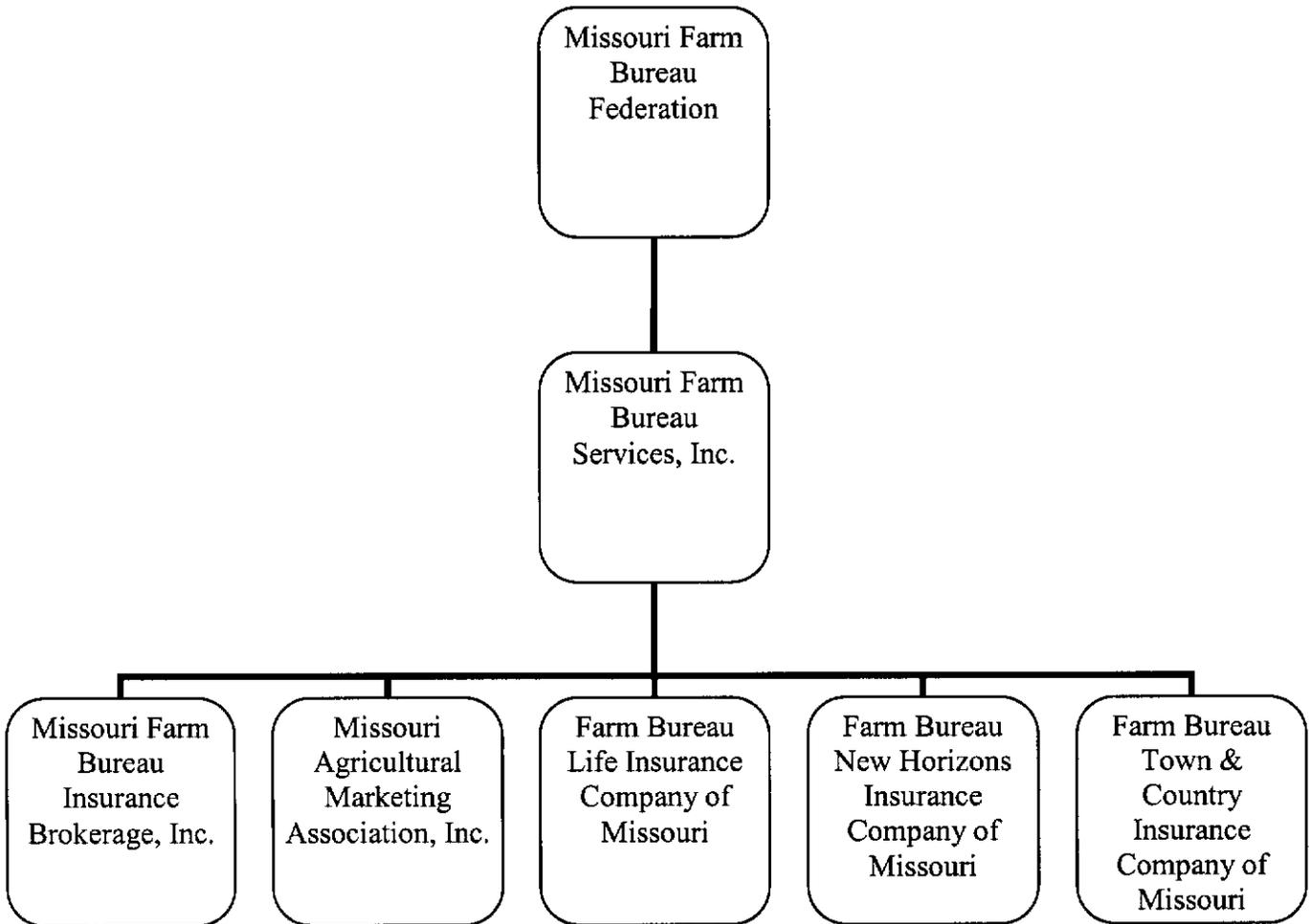
The Federation and Services provides the premises and equipment for the operations of the Company, Farm Bureau Life and New Horizons. Capital expenditures for such

investments are made and funded by the Federation and Services. Services also provides a number of joint activity services to the Company, Farm Bureau Life and New Horizons. Such services include all management and equipment necessary for the day to day operations of the Company.

Services holds all of the outstanding common stock of Missouri Farm Bureau Insurance Brokerage, Inc. (Brokerage). Brokerage provides the sales force and sales operations for the Company, Farm Bureau Life and New Horizons. Brokerage also provides access to health and accident coverages and other types of insurance coverage not underwritten by the Missouri Farm Bureau Affiliated Companies.

Organizational Structure

The following organizational chart depicts the ownership structure of the Company. Missouri Farm Bureau Services, Inc. owns 100% of all the companies below it except for Farm Bureau New Horizons Insurance Company of Missouri, which is owned equally by Missouri Farm Bureau Insurance Brokerage, Inc., Farm Bureau Life Insurance Company of Missouri and the Company.



Payments to Affiliates

The Company made the following payments for various management and service contracts provided by affiliated entities:

2002	\$	25,797,914
2003		27,793,849
2004		35,954,480
2005		<u>39,615,239</u>
Total	\$	129,161,482

Intercompany Transactions

The Company and its affiliates share the use and cost of facilities, equipment and personnel under various service and cost sharing agreements. All agreements had been submitted to the Department and were non-disapproved.

Marketing and Sales Agreement

Parties: Missouri Farm Bureau Insurance Brokerage, Inc., Farm Bureau Town & Country Insurance Company of Missouri and Farm Bureau Life Insurance Company of Missouri

Effective: July 24, 1996

Terms: Missouri Farm Bureau Insurance Brokerage, Inc. provides sales and customer relations for Farm Bureau Life Insurance Company of Missouri and Farm Bureau Town & Country Insurance Company of Missouri in connection with all the insurance products offered by the two insurance companies. All commissions earned as a result of the sale of insurance products are payable through Missouri Farm Bureau Insurance Brokerage, Inc. Missouri Farm Bureau Insurance Brokerage, Inc. is solely responsible to remit the commissions to its agents.

Missouri Farm Bureau Insurance Brokerage, Inc. receives no compensation for the use of its licensed insurance agents.

Service Agreement

Parties: Missouri Farm Bureau Services, Inc., Farm Bureau Life Insurance Company of Missouri and Farm Bureau Town & Country Insurance Company of Missouri

Effective: January 1, 2004

Terms: Missouri Farm Bureau Services, Inc. provides the following services to the two insurance companies: administrative fees, investment, information technology, information (public affairs), furniture and equipment, fleet rental, administrative, customer support, actuarial, print shop and special. Special services include addressing, mail, messenger and imaging. Charges for the special services are based on actual use and rates are designed to cover the costs of operation of these areas.

Charges for most of the services provided are based upon the gross departmental expenses, plus a reasonable profit.

Cost Sharing Agreement

Parties: Missouri Farm Bureau Services, Inc., Missouri Farm Bureau Federation, Farm Bureau Life Insurance Company of Missouri, Farm Bureau Town & Country Insurance Company of Missouri and Missouri Farm Bureau Insurance Brokerage, Inc.

Effective: January 1, 2004

Terms: The companies agree to share the following costs:

Sales:

Sales expenses are paid by Farm Bureau Town & Country Insurance Company of Missouri and split with Farm Bureau Life Insurance Company of Missouri and Missouri Farm Bureau Insurance Brokerage, Inc. on a predetermined percentage basis, which is reviewed annually.

Sales Contests:

These costs are allocated based on the production rules of the specific contest.

Promotional Events:

The cost of various donations, contributions and promotional events share by Town & Country, Life and Brokerage on specific identification bases as determined.

Agents Payroll:

Agent payroll expenses are shared by the companies based upon specific agent production.

Partners for Growth:

This program supports the service center operations for the companies' insurance activities. These expenses will be split among the companies on a predetermined basis and reviewed annually.

Operational Costs:

Allows the companies to share costs for various day to day expenses. (Many of these are already covered in the Service Agreement described above.)

Allocation of Consolidated Tax Liability Agreement

Parties: Missouri Farm Bureau Federation, Missouri Farm Bureau Services, Inc., Farm Bureau Life Insurance Company of Missouri, Farm Bureau Town & Country Insurance Company of Missouri, Missouri Agricultural Marketing Association, Missouri Farm Bureau Insurance Brokerage, Inc. and Missouri Farm Bureau Broadcasting, Inc.

Effective: January 1, 1999

Terms: Each member of the group agrees to pay its share of the consolidated federal income tax liability as allocated among the members under the rules provided by the Internal Revenue Code. Missouri Farm Bureau Services, Inc. is designated as the agent that pays the consolidated tax liability and each member agrees to make timely payment of its share of the tax liability and estimated payments.

Space Rent Agreement

Parties: Missouri Farm Bureau Federation (Lessor), Farm Bureau Life Insurance Company of Missouri and Farm Bureau Town & Country Insurance Company of Missouri.

Effective: January 1, 1999

Terms: The purpose of this agreement is to provide space within the properties owned by the Lessor for the efficient operations of the companies. Rent for the use of the facilities is computed on a pro rata basis using assigned square footage as the basis. The rents are computed annually and will include the various expenses associated with the operation of the facilities including: depreciation, maintenance and repairs, utilities, taxes, management charges, insurance, interest, plus other costs incurred in the building operation, less rental income received plus an amount computed to provide sufficient cash flow to fund the Industrial Revenue Bond financing due December 1, 2005.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a financial institution bond Form 25 purchased by Missouri Farm Bureau Federation with an aggregate loss limit of \$2 million and a single loss limit of \$2 million. The loss limits exceed the NAIC suggested minimum guidelines.

The Company is also insured through policies providing coverage for real and personal property, general liability, automobile liability, fiduciary responsibility, workers compensation and employer liability and directors' and officers' liability.

EMPLOYEE BENEFITS AND PENSION PLAN

The Company and its affiliates provide their employees benefits typical of the industry. The primary benefits provided to full time employees include: paid time off, holidays, cafeteria plan, group life, short-term disability, long-term disability, employee group health plan, educational assistance, 401(k) savings plan and defined benefit or defined contribution retirement plans.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Department of Insurance, Financial Institutions and Professional Registration as of December 31, 2005, as reflected below, were sufficient in par and market value to meet the minimum requirement of \$1,200,000 in accordance with Section 379.098 RSMo – Security Deposits.

<u>Security</u>	<u>Par Value</u>	<u>Market Value</u>	<u>Statement Value</u>
U. S. Treasury Bond	\$ 1,100,000	\$ 1,107,260	\$ 1,102,186
Missouri Storm Water Bond	<u>150,000</u>	<u>160,199</u>	<u>149,099</u>
Total	<u>\$ 1,250,000</u>	<u>\$ 1,267,459</u>	<u>\$ 1,251,285</u>

Deposits with Other States

The Company had no funds on deposit with any other state as of December 31, 2005.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed in Missouri under Chapter 379 RSMo (Insurance of than Life) to write property, liability, fidelity and surety, accident and health and miscellaneous insurance.

The Company primarily writes farmowners multi peril, homeowners multi peril, and private passenger liability and auto physical damage. Insurance is offered in all counties in Missouri. Insurance is produced and serviced through 137 Farm Bureau Service centers. The business is produced by approximately 200 employee agents of an affiliate, Missouri Farm Bureau Insurance Brokerage, Inc. The agents are supervised by 16 district field managers. The districts are divided into Eastern and Western Missouri Regions and are supervised by a Regional Sales Director in each region.

Policy Forms & Underwriting; Advertising and Treatment of Policyholders

The Department of Insurance, Financial Institutions and Professional Registration has a Market Conduct Staff that performs a review of these issues and generates a separate market conduct report. The most recent Missouri Market Conduct examination was for the period of April 1, 2001 through March 31, 2002 and was filed on August 21, 2002. The Market Conduct Report did not disclose any issues having a significant impact on the Company's financial condition.

REINSURANCE

General

Premiums written during the period under examination were as follows:

Direct	\$107,017,235	\$120,621,959	\$126,931,373	\$123,926,110
Reinsurance Assumed	5,238,469	5,804,011	4,716,199	1,956,394
Reinsurance Ceded	<u>(7,617,900)</u>	<u>(12,306,517)</u>	<u>(14,957,322)</u>	<u>(17,316,199)</u>
Net Premiums	\$104,637,804	\$114,119,453	\$116,690,250	\$108,566,305

Assumed

The Company assumed reinsurance from American Agricultural Insurance Company for a multi-line pool and various catastrophe pools, a non standard automobile pool administered by Western Agricultural Insurance Company and mandated pools from the Missouri Property Insurance Placement Facility. In 2005, premiums of \$794,000 were assumed from American Agricultural Insurance Company, \$1,066,000 from the Western Agricultural Insurance Company and \$97,000 from the Missouri Property Insurance Placement Facility.

Ceded

While immaterial amounts were ceded to another company, the vast majority of business ceded was with American Agricultural Insurance Company. That company is owned by the ceding insurers and the American Farm Bureau Federation. Reinsurance treaties with American Agricultural Insurance Company effective January 1, 2005, were as follows:

Excess Liability Reinsurance Agreement

This agreement provides coverage for liability losses in excess of \$350,000 each with a total limit of \$21,500,000.

Umbrella Liability Reinsurance Agreement

This agreement covers losses on umbrella policies issued by the company to various classes of insureds. Losses are reinsured on a quota share basis by policy limit layer. The Company retains 7.5% of the first \$1,000,000 loss per loss event. The reinsurer covers 100% of the remaining layers. Total treaty capacity is \$15,000,000.

Property Surplus Share Reinsurance Agreement

Property risks, insured for more than \$225,000 per risk, are reinsured under a surplus share treaty with a maximum treaty amount of \$40,000,000 per risk. The portion of the risk reinsured is based on the insured amount. The reinsurance percentage ranges from 14.3% for an insured amount of \$225,001 to 99.4% for an insured amount of \$39,000,001 to \$40,000,000.

Property Facultative Obligatory Reinsurance Agreement

This agreement allows the Company to cede property risks (risks that would otherwise qualify for coverage under the property surplus share reinsurance agreement) to the reinsurer. Under the facultative agreement, the reinsurance limit is \$4,000,000 per risk and the minimum retention is \$100,000 per risk.

Occurrence Property Catastrophe Reinsurance Agreement

This agreement provides the Company with protection against a catastrophe. The reinsurer covers 95% of losses that exceed 10% of net earned premium. Total limit of liability is \$50,000,000.

All Lines Aggregate Reinsurance Agreement

The Company is reinsured for property and casualty losses (other than assumed business) when the loss and allocated loss adjustment expense ratio exceeds 77%. The reinsurer will pay 90% of the losses up to the point where liability is equal to 4.41% of net earned premium.

ACCOUNTS AND RECORDS

Independent Auditor

For the years 2002, 2003, 2004 and 2005, the Company's financial statements were audited by the firm of Williams Keepers LLC.

Independent Actuary

Reserve requirements were evaluated and certified by the Company's consulting actuary, Patrick J. Crowe, FCAS, for each year covered by this examination. Mr. Crowe works for the Kentucky Farm Bureau Mutual Insurance Company.

Consulting Actuary

Consulting actuary, Jon Wright Michelson, FCAS, MAAA of Expert Actuarial Services, LLC, was retained by the Department to review the adequacy of losses and other related liabilities.

Information Systems Audit

The Information Systems Examination Specialist with the Department completed an electronic data processing controls audit and concluded that systems controls were reasonable.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2005, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Notes to the Financial Statements," which follow the financial statements.

There may have been additional differences found in the course of this examination, which are not shown in the "Notes to the Financial Statements." These differences were determined to be immaterial in relation to the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual annual statement item.

BALANCE SHEET

Farm Bureau Town and Country Insurance Company December 31, 2005

<i>Assets</i>	Assets	Nonadmitted	Net Admitted Assets
Bonds	\$ 155,207,495	-	\$ 155,207,495
Preferred stocks	10,764,375	-	10,764,375
Common stocks	7,677,899	-	7,677,899
Cash	595,331	-	595,331
Investment income due and accrued	1,919,505	-	1,919,505
Premiums and agents' balances in the course of collection (Note 1)	1,232,511	189,742	1,042,769
Deferred premiums	29,850,365	-	29,850,365
Amounts recoverable from reinsurers	1,058,523	-	1,058,523
Current federal and foreign income tax recoverable and interest thereon	2,548,475	-	2,548,475
Net deferred tax asset	3,517,431	442,065	3,075,366
Receivables from parent, subsidiaries and affiliates	140,283	-	140,283
Aggregate write-ins for other than invested assets (Note 1)	128,986	79,509	49,477
<i>Totals</i>	<u>\$ 214,641,179</u>	<u>711,316</u>	<u>\$ 213,929,863</u>
<i>Liabilities</i>			
Losses			\$ 44,228,340
Loss adjustment expenses			9,184,804
Commissions payable, contingent commissions and other similar charges			1,305,337
Other expenses (excluding taxes, licenses and fees)			937,701
Taxes, licenses and fees (excluding federal and foreign income taxes)			914,367
Unearned premiums			42,387,665
Advance premium			19,382,675
Ceded reinsurance premiums payable (net of ceding commissions)			3,038,912
Remittances and items not allocated			23,432
Drafts outstanding			2,895,509
Payable to parent, subsidiaries and affiliates			1,192,519
Aggregate write-ins for liabilities			<u>929,696</u>
<i>Total liabilities</i>			\$ 126,420,957
<i>Capital and Surplus</i>			
Aggregate write-ins for special surplus funds			\$ 5,576,039
Common capital stock			1,200,000
Gross paid in and contributed surplus			5,000,000
Unassigned funds (surplus)			<u>\$ 75,732,865</u>
<i>Surplus as regards policyholders</i>			\$ 87,508,904
<i>Total Liabilities and Surplus</i>			<u>\$ 213,929,861</u>

INCOME STATEMENT

Farm Bureau Town and Country Insurance Company December 31, 2005

Premiums earned		\$ 111,069,378
Losses incurred	60,297,925	
Loss expenses incurred	11,460,447	
Other underwriting expenses incurred	26,725,696	
Total underwriting deductions		<u>98,484,068</u>
Net underwriting gain (loss)		12,585,310
Net investment income earned	8,591,856	
Net realized capital gains (losses) less capital gains tax of \$0	254,628	
Net investment gain (loss)		<u>8,846,484</u>
Net gain (loss) from agents' or premium balances charged off	(114,489)	
Finance and service charges not included in premiums	2,750,427	
Aggregate write-ins for miscellaneous income	(16,885)	
Total other income		<u>2,619,053</u>
Net income before dividends to policyholders		24,050,847
Federal income taxes recovered / (incurred)		<u>(6,293,933)</u>
Net income		<u>\$ 17,756,914</u>

CAPITAL AND SURPLUS

Farm Bureau Town and Country Insurance Company December 31, 2005

Surplus as regards policyholders, December 31 prior year		\$ 70,497,895
Net income	17,756,914	
Change in net unrealized capital gains or (losses)	35,323	
Change in net deferred income tax	(20,006)	
Change in nonadmitted assets	(191,965)	
Dividends to stockholders	(569,254)	
Change in surplus as regards policyholders for the year		<u>17,011,012</u>
Surplus as regards policyholders, December 31 current year		<u>\$ 87,508,907</u>

NOTES TO THE FINANCIAL STATEMENTS

(Note 1) Premiums and agents' balances in the course of collection;	\$1,042,769
Aggregate write-ins for other than invested assets	49,477

The Company had shown \$506,091 (premiums that had been collected at the field office but not yet submitted to the central office) as a write-in asset. The characteristics of these transactions indicate that the proper reporting would be premiums and agents' balances in the course of collection. This was a reclassification that did not result in any change in surplus.

EXAMINATION CHANGES

None.

GENERAL COMMENTS AND RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

None.

