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

ORDER

After full consideration and review of the report of the financial examination of Farm Bureau Town & Country 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 TOWN & COUNTRY 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 Town & Country Insurance Company of Missouri

hereinafter referred to as such, as FBT&C, 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

The prior full scope association financial examination of FBT&C was made as of December 31, 2005, and was conducted by examiners from the State of Missouri representing the Midwestern Zone of the National Association of Insurance Commissioners (NAIC), with no other zones participating.

The current full scope association financial examination covered the period from January 1, 2006, 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 affiliate, Farm Bureau Life Insurance Company of Missouri (FBL), and the Company's subsidiary, Farm Bureau New Horizons Insurance Company of Missouri (FBNH).

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 FBT&C, 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 FBT&C. 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

FBT&C was incorporated on January 9, 1946 under the laws of the State of Missouri and commenced business on April 1, 1946. The Company operates as a stock property and casualty insurer under the insurance laws of Chapter 379 RSMo (Insurance Other Than Life).

The Company was originally a mutual insurer named "Farm Bureau Mutual Insurance Company of Missouri" when it was formed in 1946. An affiliated stock company named "Farm Bureau Casualty Company" was formed in 1971 and subsequently changed its name to "Farm Bureau Town & Country Insurance Company of Missouri." These two entities were merged in 1977, which resulted in the current FBT&C entity.

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 to Missouri Farm Bureau Services, Inc. (MFB-Services) for a total capital stock balance of $1,200,000.

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. The ultimate parent, Missouri Farm Bureau Federation has adopted a general policy to require an annual dividend from FBT&C that is equal to 10% of the prior year's net income. The following dividends were declared and paid to the direct parent, MFB-Services, during the examination period.

Year	Dividends Paid
2006	$ 887,846
2007	285,670
2008	1,562,784
2009	355

No capital contributions were made to the Company during the examination period.

Mergers and Acquisitions

On September 4, 2009, FBT&C paid $985,400 to acquire an additional 20,000 shares of its jointly owned subsidiary, FBNH, from an affiliate, Missouri Farm Bureau Insurance Brokerage, Inc. This purchase increased the Company'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 FBT&C.

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

Name	Principal Occupation and Business Affiliation
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 FBT&C committees formally appointed and serving as of December 31, 2009, were as follows:

Audit Committee	Compensation Committee	Per Diem & Expense Committee
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:

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

Holding Company, Subsidiaries and Affiliates

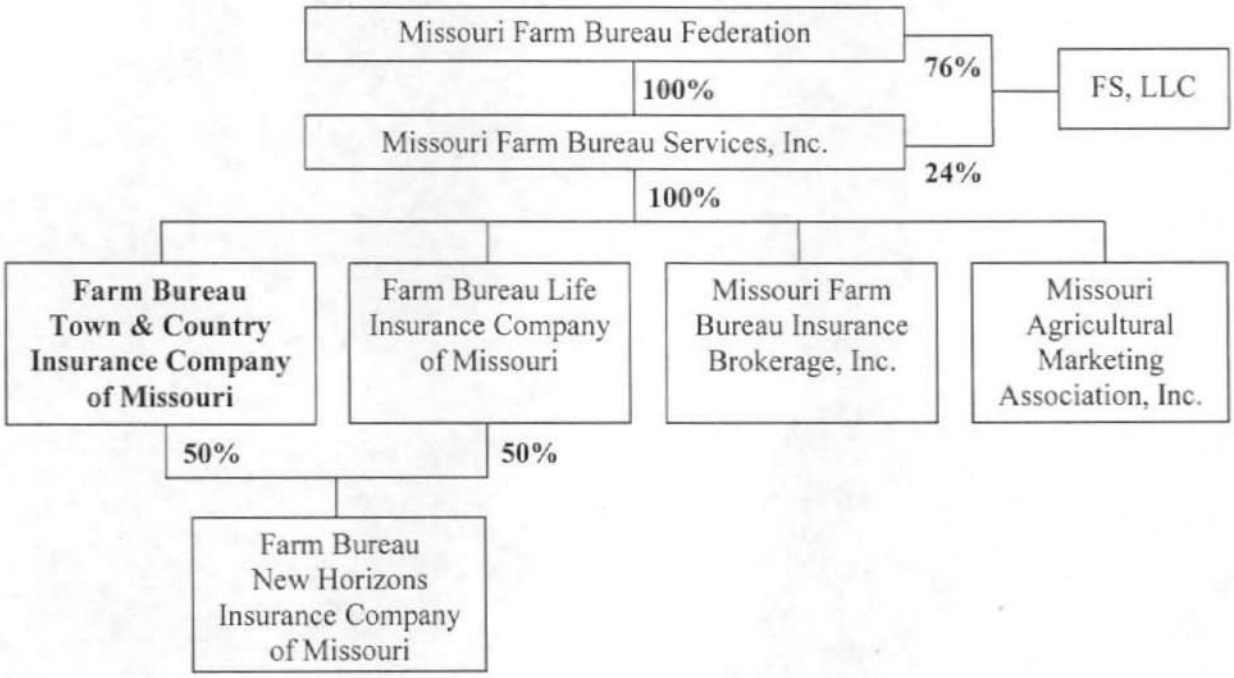
The Company is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions). An Insurance Holding Company System Registration Statement was filed by the direct parent, MFB-Services, on behalf of FBT&C and its other insurance subsidiaries for each year of the examination period. FBT&C 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.
- **FBL** – A life insurance company that offers mostly whole life, term life and individual annuity products.
- **FBNH** – A property and casualty insurer formed in 2005 that specializes in writing property business for individuals with poor claims history or properties with higher risks due to poor condition or other reasons.
- **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 FBT&C'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 FBT&C) 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:** Space Rent Agreement

   Parties: FS, LLC, FBT&C and FBL

   Effective: October 1, 2006

   Terms: FBT&C and FBL utilize office space and facilities in a building located in Jefferson City, Missouri that is owned by FS, LLC. This building serves as the home office for FBT&C and FBL to conduct all major business functions. FBT&C and FBL will pay rent to FS, LLC for the following expenses associated with operating the building: depreciation, maintenance and repairs, utilities, taxes, building management, insurance, interest, and other costs. The rent shall be calculated on an annual basis and charged to FBT&C and FBL based upon the assigned square footage of each entity.

4. **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.

5. **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:

		Amount Incurred (Earned)			
Related Party	Agreement	**2006**	**2007**	**2008**	**2009**
MFB-Services	Tax Allocation	$1,931,718	$6,381,380	($69,480)	($780,370)
FBNH	Claims Service	0	(8,100)	(44,260)	(55,365)
FS, LLC	Space Rent	183,612	163,388	165,007	162,913
MFB-Services	Service	5,306,610	5,413,238	5,032,720	5,129,899
FBL	Cost Sharing	(437,667)	(445,077)	(475,230)	(341,074)
MFB-Services	Cost Sharing	10,141,848	10,502,014	10,909,746	11,040,711
MFB-Brokerage	Cost Sharing	14,128,859	14,191,748	14,686,482	15,376,875
TOTAL		$31,254,980	$36,198,591	$30,204,985	$30,533,589

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

FBT&C 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 FBT&C and other affiliated insurers.

FBT&C 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

FBT&C 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.

Line of Business	Direct Premiums	Net Premiums
Homeowners Multiple Peril	26.0%	24.8%
Auto Physical Damage	22.7%	24.7%
Private Passenger Auto Liability	21.7%	23.3%
Farmowners Multiple Peril	21.9%	19.2%
Commercial Multiple Peril	4.0%	3.7%
All Other	3.7%	4.3%
Total	100.0%	100.0%

The Company writes business in all 114 counties in the State of Missouri. The geographic concentration of property risks is diversified among all areas of Missouri. No single county accounts for more than 5% of total insured property risks. The highest concentration of risks are located in the Kansas City and St. Louis metropolitan areas, which in total account for approximately 20% of insured property risks.

FBT&C is the largest writer of farmowners insurance in Missouri and the sixth largest writer of all property and casualty lines in Missouri. The majority of policyholders are located in rural areas. A policyholder must be a member of the ultimate parent, MFB-Federation, in order to be insured by FBT&C. This requirement results in the high percentage of farmowner policies and a large number of policies in sparsely populated farming regions.

Business for FBT&C 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.

Year	Direct Premiums Written	Net Premiums Written	Change in Net Premiums	Capital and Surplus	Ratio of Net Premiums to Surplus
2005	$123,926,110	$108,566,305	na	$ 87,508,904	1.24
2006	121,399,534	109,509,538	0.9%	92,408,231	1.19
2007	124,038,801	104,496,249	-4.6%	105,485,043	0.99
2008	126,701,815	120,882,448	15.7%	95,894,228	1.26
2009	133,589,382	122,104,631	1.0%	101,065,931	1.21

Direct writings were mostly stable during the examination period. The increase in direct premiums in 2009 corresponds to a premium increase that was implemented during the year. The premium to surplus ratio has remained virtually unchanged from the end of the prior examination period (2005) to the end of the current examination period (2009). Surplus levels increased each year in the examination period, except for 2008. Significant unrealized and realized investment losses were mostly responsible for the 2008 decline.

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.

Year	Net Premiums Written	Net Losses and Loss Adjustment Expenses	Loss Ratio
2005	$108,566,305	$ 71,758,372	66.1%
2006	109,509,538	89,059,928	81.3%
2007	104,496,249	70,120,681	67.1%
2008	120,882,448	95,937,918	79.4%
2009	122,104,631	101,322,167	83.0%

FBT&C's loss ratios have shown large year-to-year variances due the frequency and severity of major storm activity in Missouri. There were large property losses from significant storms in 2006, 2008 and 2009, which resulted in the high loss ratios for those years.

REINSURANCE

General

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

	2006	2007	2008	2009
Direct Business	$121,399,534	$124,038,801	$126,701,815	$133,589,382
Reinsurance Assumed:				
Affiliates	0	0	0	0
Non-affiliates	1,899,499	1,472,296	1,403,269	1,461,810
Reinsurance Ceded:				
Affiliates	0	0	0	0
Non-affiliates	(13,789,495)	(21,014,848)	(7,222,635)	(12,946,560)
Net Premiums Written	**$109,509,538**	**$104,496,249**	**$120,882,449**	**$122,104,632**

Assumed

The Company assumes property business on a retrocessional basis from American Agricultural Insurance Company (American Ag). American Ag has underlying reinsurance agreements to assume property catastrophe risks from approximately 18 insurers (including FBT&C) that operate under the "Farm Bureau" name. FBT&C and the other Farm Bureau insurers assume varying percentages of American Ag's catastrophe losses from its primary reinsurance agreements. The percentage assumed by FBT&C increases as the severity of losses incurred by American Ag increases under its primary reinsurance agreements. The Company assumes a minimum of 1% of subject losses up to a maximum of 2.5% of American Ag's largest catastrophe losses. The retrocession business from American Ag accounted for 90% of total assumed business in 2009.

Ceded

All of the Company's reinsurance coverage is provided by American Agricultural Insurance Company (American Ag) through multiple reinsurance agreements. American Ag is collectively owned 100% by twenty-four insurance companies in numerous states that operate under the "Farm Bureau" name. FBT&C owns only 1.1% of the outstanding common stock of American Ag and therefore, the entities are not related parties. However, FBT&C has a long standing business relationship with American Ag, which has been the exclusive reinsurer for the Company for several years. The Company's President, Charles Kruse, is also a director and an officer for American Ag.

Property risks are reinsured on a individual risk basis through an excess of loss agreement and a surplus share agreement with American Ag. The excess of loss agreement provides coverage for 100% of property losses in excess of a $250,000 retention per risk with a reinsurance liability limit of $250,000 per risk. The surplus share agreement provides coverage for property risks over $500,000 and up to $40,000,000 in insured value. The amount of losses ceded are based upon varying percentages, depending on the value of each reinsured risk. In general, the Company retains an approximate maximum of $500,000 per risk under the surplus share agreement, regardless of the size of the loss. Individual property claims in excess of $500,000 are first applied to the surplus share agreement and the remaining loss is then applied to the excess of loss agreement. By using the combination of the two agreements, FBT&C's maximum retention for any one property risk is $321,000.

Property catastrophe coverage is provided through two agreements with American Ag. The Company has a property catastrophe agreement that applies to any catastrophe losses that exceed 10% of net earned premium for property lines of business. For 2009, FBT&C's retention was $5,110,000 per occurrence. Catastrophe losses in excess of the retention were ceded 95% to American Ag, up to a maximum reinsurer liability limit of $33,000,000 per occurrence for 2009. An additional catastrophe agreement is named "over other protections" or "OOPS". This agreement provides an additional layer of coverage that reinsures $19,800,000 of property losses in excess of an approximate $40,000,000 retention per occurrence. The Company's property catastrophe coverage for 2010 was structured the same as 2009, except that the overall maximum coverage was increased by $5,000,000.

Most liability risks are reinsured through an excess of loss agreement with American Ag. The Company cedes 100% of risks in excess of a $500,000 retention per occurrence with a maximum reinsurer liability limit of $30,000,000 per occurrence. A separate reinsurance agreement with American Ag provides coverage for umbrella liability risks. The Company cedes 90% of the first $1,000,000 of umbrella risks and 100% of umbrella risks in excess of $1,000,000.

FBT&C had an aggregate excess of loss agreement with American Ag for 2009 and prior years that was applicable to all lines of business. The Company ceded 90% of losses in excess of an 81% loss ratio, subject to a maximum reinsurance limit of $5,000,000 per year. The Company decided to discontinue this agreement beginning in 2010 because the coverage provided did not justify the high level of reinsurance premiums.

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 Eagle TM 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:

Type of Security	Par Value	Fair Value	Statement Value
State and Municipal Bonds	$1,250,000	$1,297,345	$1,253,718

Deposits with Other States

Since FBT&C 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 Town & Country 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

	Assets	Non-Admitted Assets	Net Admitted Assets
Bonds	$173,389,859	$ 0	$173,389,859
Preferred Stocks	4,299,675	0	4,299,675
Common Stocks	9,963,562	0	9,963,562
Cash, Cash Equivalents and Short-Term Investments	7,139,147	0	7,139,147
Investment Income Due and Accrued	1,802,036	0	1,802,036
Uncollected Premiums and Agents' Balances	633,879	191,316	442,563
Deferred Premiums	32,986,800	0	32,986,800
Amounts Recoverable from Reinsurers	953,573	0	953,573
Federal Income Tax Recoverable	672,525	0	672,525
Net Deferred Tax Asset	7,074,709	2,473,569	4,601,140
Receivable from Parent, Sub., Affiliates	423,240	0	423,240
Aggregate Write-In Assets	262,153	193,994	68,159
TOTAL ASSETS	**$239,601,158**	**$2,858,879**	**$236,742,279**

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

Losses	$ 43,787,572
Loss Adjustment Expenses	8,886,267
Commissions Payable	1,033,221
Other Expenses	193,727
Taxes, Licenses and Fees	1,274,175
Unearned Premium	49,794,659
Advance Premium	22,293,199
Ceded Reinsurance Premiums Payable	2,085,913
Remittances and Items Not Allocated	30,608
Drafts Outstanding	4,416,628
Payable to Parent, Subsidiaries and Affiliates	730,521
Aggregate Write-In Liabilities	1,149,860
TOTAL LIABILITIES	**$135,676,350**
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)	89,289,892
Capital and Surplus	**$101,065,931**
TOTAL LIABILITIES AND SURPLUS	**$236,742,281**

Statement of Income
For the Year Ended December 31, 2009

Premium Earned	$119,059,295
DEDUCTIONS:	
Losses Incurred	91,855,428
Loss Expenses Incurred	9,466,739
Other Underwriting Expenses Incurred	28,787,111
Total Underwriting Deductions	$130,109,278
Net Underwriting Loss	($ 11,049,983)
Net Investment Income Earned	8,613,725
Net Realized Capital Gains	159,582
Net Investment Gain	$ 8,773,307
Other Income	2,382,666
Dividends to Policyholders	0
Federal Income Taxes Incurred	(862,579)
Net Income	$ 968,569
CAPITAL AND SURPLUS ACCOUNT:	
Surplus as Regards Policyholders, December 31, 2008	$ 95,894,233
Net Income	968,569
Change in Net Unrealized Capital Gains or (Losses)	2,149,585
Change in Net Deferred Income Tax	2,904,997
Change in Non-Admitted Assets	(851,098)
Dividends to Stockholders	(355)
Surplus as Regards Policyholders, December 31, 2009	$101,065,931

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 Town & Country 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 Town & Country 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: Jan 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