

# STATE OF MISSOURI



## DEPARTMENT OF COMMERCE & INSURANCE

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

### 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, 2018, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri Department of Commerce and Insurance pursuant to section 374.205.3(3)(a), RSMo, adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant findings, subsequent events, company history, corporate records, management and control, territory and plan of operation, growth of company and loss experience, reinsurance, financial statements, comments on financial statement items, examination changes and summary of recommendations

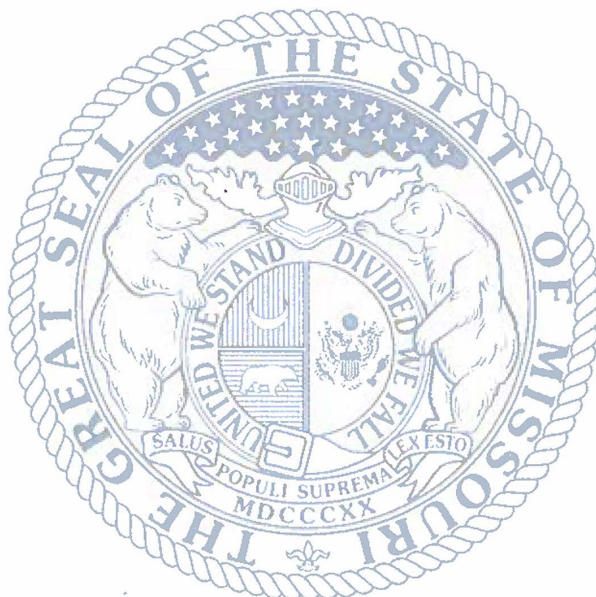
Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Farm Bureau Town & Country Insurance Company of Missouri as of December 31, 2018 be and is hereby ADOPTED as filed and for Farm Bureau Town & Country Insurance Company of Missouri to take the following 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) 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 10<sup>th</sup> day of March, 2020.



*Chlora Lindley-Myers*

Chlora Lindley-Myers, Director  
Department of Commerce and Insurance



**FILED**

**MAR 20 2020**

**DIRECTOR OF  
MISSOURI DEPARTMENT OF  
COMMERCE AND INSURANCE**

REPORT OF THE  
FINANCIAL EXAMINATION OF

**FARM BUREAU TOWN & COUNTRY  
INSURANCE COMPANY OF MISSOURI**

AS OF  
DECEMBER 31, 2018

STATE OF MISSOURI  
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

## TABLE OF CONTENTS

<b>SCOPE OF EXAMINATION</b> .....	<b>1</b>
PERIOD COVERED .....	1
PROCEDURES.....	1
RELIANCE UPON OTHERS .....	2
<b>SUMMARY OF SIGNIFICANT FINDINGS</b> .....	<b>2</b>
<b>SUBSEQUENT EVENTS</b> .....	<b>2</b>
<b>COMPANY HISTORY</b> .....	<b>3</b>
GENERAL .....	3
DIVIDENDS AND CAPITAL CONTRIBUTIONS.....	3
MERGERS, ACQUISITIONS AND MAJOR CORPORATE EVENTS.....	3
<b>CORPORATE RECORDS</b> .....	<b>3</b>
<b>MANAGEMENT AND CONTROL</b> .....	<b>4</b>
CORPORATE GOVERNANCE .....	4
OFFICERS .....	4
HOLDING COMPANY, SUBSIDIARIES AND AFFILIATES .....	5
ORGANIZATIONAL CHART.....	6
AFFILIATED TRANSACTIONS .....	6
<b>TERRITORY AND PLAN OF OPERATION</b> .....	<b>7</b>
<b>GROWTH OF COMPANY AND LOSS EXPERIENCE</b> .....	<b>8</b>
<b>REINSURANCE</b> .....	<b>8</b>
GENERAL .....	8
ASSUMED.....	9
CEDED.....	9
<b>FINANCIAL STATEMENTS</b> .....	<b>10</b>
ASSETS .....	11

LIABILITIES, SURPLUS AND OTHER FUNDS..... 12

STATEMENT OF INCOME..... 13

**COMMENTS ON FINANCIAL STATEMENT ITEMS..... 14**

**FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION..... 14**

**SUMMARY OF RECOMMENDATIONS ..... 14**

**ACKNOWLEDGMENT..... 15**

**VERIFICATION..... 15**

**SUPERVISION ..... 16**

Jefferson City, Missouri  
January 31, 2020

Honorable Chlora Lindley-Myers, Director  
Missouri Department of Commerce and Insurance  
301 West High Street, Room 530  
Jefferson City, Missouri 65102

Director Lindley-Myers:

In accordance with your financial examination warrant, a full scope 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 FBTC, 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 10, 2019 and concluded on the above date.

**SCOPE OF EXAMINATION**

**Period Covered**

The Missouri Department of Commerce and Insurance (Department) has performed a full scope financial examination of FBTC. The last examination was completed as of December 31, 2014. This examination covers the period of January 1, 2015, through December 31, 2018 as well as a review of any material transactions and events occurring subsequent to the examination period through the date of this report.

This examination was performed concurrently with the Department examinations of FBTC's affiliate Farm Bureau Life Insurance Company of Missouri (FBL) and FBTC's subsidiaries, New Horizons Insurance Company of Missouri (NH), and Legacy Life Insurance Company of Missouri (LLIC).

**Procedures**

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook (Handbook)*, except where practices, procedures, and applicable regulations of the Department and statutes of the State of Missouri prevailed. The *Handbook* requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated, both on a current and prospective basis.

This examination also included a review of significant estimates made by management and evaluation of management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Those activities considered in the examination as key to FBTC included cash and investments, reinsurance, claims handling and reserving, related party, and premiums and underwriting. The examination also included a review and evaluation of information technology general controls.

This examination report includes significant findings of fact and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

### **Reliance Upon Others**

The examiners relied upon information and workpapers provided by the Company's independent auditor, Williams-Keepers, LLC, of Columbia, Missouri, for its audits covering the periods of January 1, 2017, through December 31, 2017, and January 1, 2018, through December 31, 2018. Such reliance included, but was not limited to, fraud risk analysis, journal entry testing, internal control narratives, tests of internal controls, and substantive testing.

## **SUMMARY OF SIGNIFICANT FINDINGS**

There were no material adverse findings, significant non-compliance issues, or material changes to the financial statements noted during the examination.

## **SUBSEQUENT EVENTS**

There were no significant subsequent events noted from December 31, 2018, through the date of the report.

**COMPANY HISTORY**

**General**

FBTC 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 FBTC entity.

**Dividends and Capital Contributions**

The Bylaws allow for dividends to be paid on common stock shares, pursuant to a declaration by the Board of Directors. The following dividends were declared and paid to the direct parent, Missouri Farm Bureau Services, Inc. (MFB-Services), during the examination period.

Year	Amount
2015	\$ 1,734,151
2016	1,708,820
2017	2,123,988
2018	577,430
<b>Total</b>	<b>\$ 6,144,389</b>

In 2016, FBTC contributed \$1.5 million in paid-in capital to its subsidiary, LLIC.

**Mergers, Acquisitions and Major Corporate Events**

There were no mergers or acquisitions involving the Company or the holding company system of the ultimate parent, Missouri Farm Bureau Federation (MFB-Federation), during the examination period.

**CORPORATE RECORDS**

The Company's Articles of Incorporation and Bylaws were reviewed. There were no revisions to either document during the examination period. The minutes of the Board of Directors' meetings, committee meetings, and shareholder meetings were reviewed for proper approval of corporate transactions. The minutes appeared 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 FBTC. The Board of Directors appointed and serving, as of December 31, 2018, were as follows:

<u>Name</u>	<u>Address</u>	<u>Principal Occupation and Business Affiliation</u>
Charles J. Bassett	Dixon, MO	Farmer, Self-Employed
Frank L. Baxter	Rogersville, MO	Farmer, Self-Employed
Amy J. Estes	Rosebud, MO	Regional Manager, Ayusa
Mary C. Fischer	Rockville, MO	Executive Secretary, First Christian Church
Sharon M. Arnold	Drexel, MO	Branch Manager, Hawthorn Bank
Jason W. Kurtz	Oregon, MO	Farmer, Self-Employed
Todd P. Hays	Monroe City, MO	Farmer, Vice-President of MFB-Federation
Charles B. Hurst	Tarkio, MO	Farmer, President of MFB-Federation
Andy H. Clay	Jamestown, MO	Farmer, Self-Employed
Barry B. Bean	Gideon, MO	Owner, Bean & Bean Cotton Co.
Drew E. Lock	La Plate, MO	Farmer, Self-Employed
Christopher D. Brundick	Argyle, MO	Farmer, Self-Employed

The Company has three board committees which include the Audit Committee, Compensation Committee, and Per Diem & Expense Committee. Each board committee consists of four individuals who are members the Board of Directors. The Company also has five management committees which include the Investment Committee, Personnel Committee, Reinsurance Committee, Long Term Planning Committee, and 401(k) Committee. The management committees consist of management and staff members from all areas of the Company.

**Officers**

The officers elected by the Board of Directors and serving as of December 31, 2018, were as follows:

<u>Officer</u>	<u>Position</u>
Charles B. Hurst	President
Todd P. Hays	Vice-President
Daniel L. Cassidy	Secretary and Chief Administrative Officer
Randall J. Campbell*	Treasurer and Chief Financial Officer

\*Effective April 30, 2019, Randall Campbell retired, and Jana Oliver was appointed to fill the Treasurer and Chief Financial Officer positions.



**Holding Company, Subsidiaries and Affiliates**

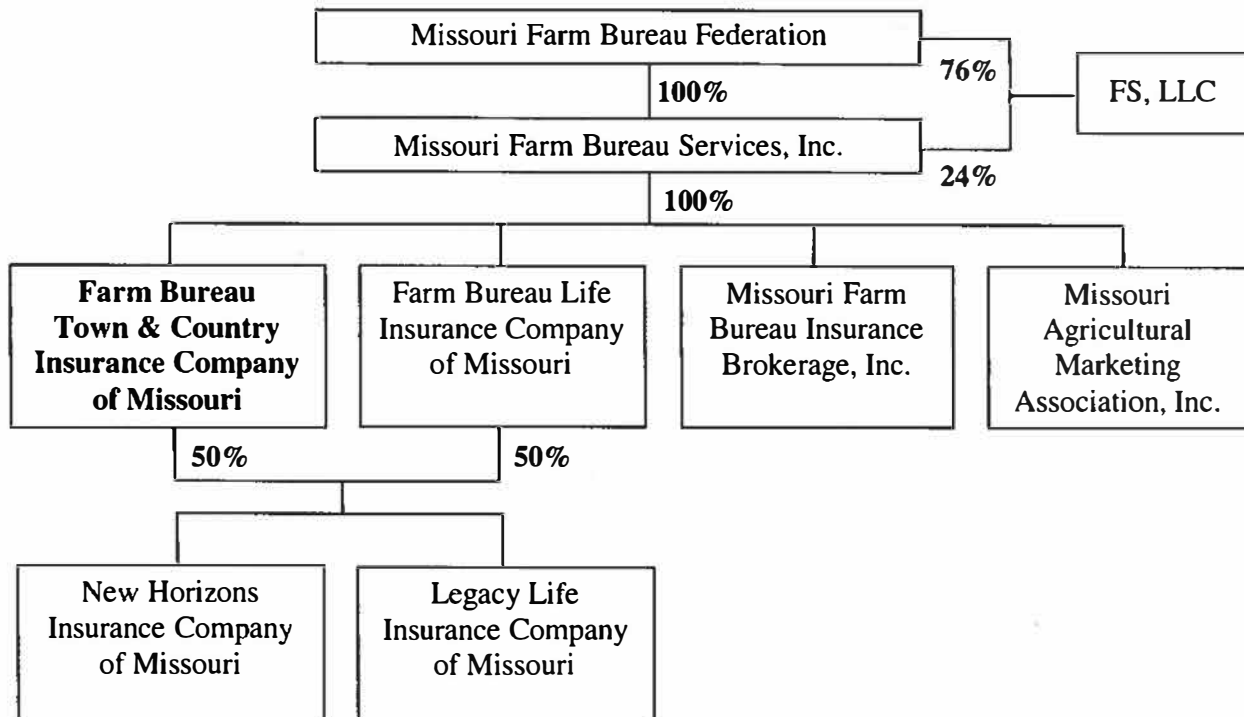
The Company is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions). An Insurance Holding Company System Registration Statement was filed by the direct parent, MFB-Services, on behalf of FBT&C and its other insurance subsidiaries for each year of the examination period. FBTC is ultimately owned 100% by MFB-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 FBTC, FBL, LLIC and NH 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.
- **NH** – NH compliments FBTC by offering additional products, services and coverages to the non-standard market through an existing captive agency force. In 2017, NH broadened its marketing efforts to develop products and services to appeal to the Spanish-speaking market demographic in Missouri as well as in expansion states. Product offerings in states other than Missouri will be marketed directly to the consumer via electronic platforms.
- **LLIC** –Markets products very similar to those currently offered by FBL, focusing on term and whole life insurance to the Spanish-speaking population. Product offerings in states other than Missouri will be marketed directly to the consumer via electronic platforms.
- **Missouri Farm Bureau Insurance Brokerage, Inc.** (Brokerage) – A brokerage designed to place insurance coverages either not offered by or not available through FBTC, FBL, LLIC or NH. 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 MFB-Federation to FS, LLC at the time of its formation to provide tax advantages that could not be utilized by MFB-Federation.

**Organizational Chart**

Below is an organizational chart reflecting FBTC’s ownership and affiliates, as of December 31, 2018. [Note: All entities incorporated / domiciled in Missouri.]



**Affiliated Transactions**

The Company is a party to significant affiliated agreements in effect as of December 31, 2018, as outlined below:

**Service Agreement**

Parties: FBL, FBTC, NH, LLIC, Brokerage and MFB-Services

Effective: January 1, 2018

Terms: MFB-Services provides administrative, accounting, investment, information technology, customer support, actuarial, and various other services to FBL, FBTC, NH, and LLIC. Expenses are allocated on an actual cost basis.

**Space Rent Agreement**

Parties: FBL, FBTC, NH and FS, LLC  
 Effective: July 1, 2013  
 Terms: FS, LLC provides office space to accommodate the business operation of the entities under this agreement. The rent due under the agreement is billed monthly and payable within thirty days. Rents are computed based upon the pro rata square footage assigned to each entity.

**Claims Service Agreement**

Parties: NH and FBTC  
 Effective: January 1, 2006  
 Terms: FBTC provides NH with claims adjusting and claims payment services. Fees are billed on an actual cost and per claim basis.

**Cost Sharing Agreement**

Parties: MFB-Services, MFB-Federation, FBTC, FBL, Brokerage, NH and LLIC  
 Effective: January 1, 2017  
 Terms: Under the terms of the agreement, the entities share and allocate the following costs: underwriting, sales, sales contests, promotional events, agents' payroll, partners for growth and operational.

**Allocation of Consolidated Tax Liability Agreement**

Parties: MFB-Services, MFB-Federation, FBTC, FBL, Brokerage, NH, LLIC and Missouri Agriculture Marketing Association.  
 Effective: October 1, 2016  
 Terms: Under the terms of the agreement, 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 IRS.

**TERRITORY AND PLAN OF OPERATION**

FBTC is licensed only in the State of Missouri under Chapter 379 RSMo (Insurance Other Than Life). The major lines of business, based upon 2018 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	27.63%	26.86%
Farmowners Multiple Peril	23.17%	22.43%
Private Passenger Auto Liability	21.86%	22.70%
Auto Physical Damage	18.61%	19.36%
Commercial Multiple Peril	5.91%	5.75%
All Other	2.82%	2.89%
Total	100.00%	100.00%

FBTC 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 FBTC. This requirement results in the high percentage of farmowner policies and a large number of policies in sparsely populated farming regions.

Business for FBTC is produced by a captive agency sales force that are either employed by or contracted by an affiliate, Missouri Farm Bureau Insurance Brokerage, Inc. (MFB-Brokerage). MFB-Brokerage had 273 licensed producers and 8 regional managers, throughout the 114 counties in Missouri, as of December 31, 2018. The agents produce business exclusively for FBTC and its three affiliates, NH, FBL and LLIC. Any risks for lines of business not written by NH, FBTC, FBL or LLIC are placed by MFB-Brokerage with third-party insurers.

### GROWTH OF COMPANY AND LOSS EXPERIENCE

Net income averaged over \$20 million per year for 2014 to 2018, which contributed to surplus growth of over \$60 million over the exam period. The growth and loss experience of the Company is summarized in the table below:

Year	Direct Premiums Written	Net Premiums Written	Benefit and Loss Payments	Capital and Surplus	Net Income
2015	\$199,286,214	\$187,880,948	\$116,079,387	\$163,842,252	\$17,088,209
2016	212,746,989	201,506,348	116,394,673	186,663,652	21,239,879
2017	229,794,467	216,091,777	157,164,165	191,296,104	5,774,305
2018	248,850,084	236,498,711	138,164,453	224,679,463	36,454,259

### REINSURANCE

#### General

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

	2015	2016	2017	2018
Direct Business	\$199,286,214	\$212,746,989	\$229,794,467	\$248,850,084
Reinsurance Assumed:				
Affiliates	1,031,288	1,014,134	899,596	976,360
Non-affiliates	562,463	531,735	517,384	556,623
Reinsurance Ceded:				
Affiliates	(120,000)	(130,000)	(150,000)	(220,000)
Non-affiliates	(12,879,016)	(12,656,510)	(14,969,670)	(13,664,355)
Net Premiums Written	\$187,880,949	\$201,506,348	\$216,091,777	\$236,498,712

**Assumed**

The Company assumes property business from NH under per risk and catastrophe excess of loss contracts. Under the per risk agreement, FBTC assumes losses in excess of a retention of \$300,000, limited to \$300,000 per risk and \$1 million per occurrence. Under the catastrophe agreement, FBTC assumes losses in excess of a \$1 million retention, limited to \$9 million per occurrence. The Company also assumes certain liability coverages of NH on an excess of loss basis. The retention under the agreement for NH is \$300,000 with the FBTC's limit of liability of \$600,000. All of these agreements were terminated effective January 1, 2019.

The Company assumes property and casualty 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 24 insurers (including FBTC) that operate under the "Farm Bureau" name and write business in 35 states. FBTC and the other Farm Bureau insurers assume varying percentages of American Ag's multi-line and terrorism catastrophe losses from its primary reinsurance agreements under two pooling agreements. FBTC assumes a 1.33% share of the multi-line pool, limited to a capacity of \$50,000 per loss per original contract covered. FBTC and NH collectively assume a 5.6664% share of the terrorism catastrophe pool, and the pool's aggregate limit of liability under the agreement is \$35 million.

**Ceded**

The Company cedes property business to NH under a catastrophe excess of loss agreement. FBTC cedes losses in excess of a \$9 million per occurrence retention, limited to \$1 million per occurrence. This agreement was terminated effective January 1, 2019.

All of the Company's external reinsurance coverage is provided by American Ag through multiple reinsurance agreements, on which both FBTC and affiliate NH are named as reinsureds. American Ag is collectively owned 100% by 24 insurance companies in 35 states that operate under the "Farm Bureau" name. FBTC owns about 1.1% of the outstanding common stock of American Ag and therefore, the entities are not considered related parties. FBTC has a long standing business relationship with American Ag, and the Company's President, Blake Hurst, is a director for American Ag.

Property risks are reinsured on an individual risk basis through an excess of loss agreement with American Ag. The excess of loss agreement provides coverage for 100% of property losses in excess of a \$600,000 retention per risk with a reinsurance liability limit of \$29.4 million per risk.

Property catastrophe coverage is provided through agreements with American Ag, which cover non-terrorism and terrorism occurrences. The occurrence property and auto catastrophe agreement covers non-terrorism events, providing layered coverage totaling \$82 million per occurrence in excess of a retention of \$10 million and a 17% participation in the first \$10 million layer of coverage. The occurrence property catastrophe (terrorism) agreement covers terrorism events, which are excluded in the aforementioned agreement. The Company's retention is \$7,437,400 per occurrence, and the reinsurer's limit is \$14,874,800 per occurrence and in aggregate per year. The agreement also contains a secondary limitation that limits the reinsurer's losses under all terrorism catastrophe agreements with all Farm Bureau companies to \$35 million per occurrence and in aggregate per year. In the event this secondary limit is exceeded, the Farm Bureau companies would recover losses on a pro rata basis, based on each company's losses submitted under the contract in proportion to the total losses of all companies submitted under the contracts.

An additional catastrophe agreement, termed Over Other Protections (OOPS), is also in effect. Under the agreement, the Company has a retention of \$92 million per occurrence, and the reinsurer's limits are \$48 million per occurrence and \$96 million in aggregate. The agreement also contains a secondary limitation that limits the reinsurer's losses under all OOPS agreements with all Farm Bureau companies to \$200 million per occurrence and \$400 million in aggregate for the year. In the event this secondary limit is exceeded, the Farm Bureau companies would recover losses on a pro rata basis, based on each company's losses submitted under the contract in proportion to the total losses of all companies submitted under the contracts.

Most liability risks are reinsured through an excess of loss agreement with American Ag. The Company cedes 100% of risks in excess of a \$900,000 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.

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.

## **FINANCIAL STATEMENTS**

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2018. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Comments on Financial Statements 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 activity.

**ASSETS**  
**as of December 31, 2018**

	Assets	Non-Admitted Assets	Net Admitted Assets
Bonds	\$310,730,028	\$ 0	\$310,730,028
Preferred Stocks	310,360	0	310,360
Common Stocks	57,633,792	0	57,633,792
Cash, Cash Equivalents and Short-Term Investments	18,712,403	0	18,712,403
Other Invested Assets	8,442,647	0	8,442,647
Receivable for Securities	32,731	0	32,731
Investment Income Due and Accrued	3,345,470	0	3,345,470
Uncollected Premiums and Agents' Balances	803,013	231,052	571,962
Deferred Premiums	63,557,062	0	63,557,062
Amounts Recoverable from Reinsurers	354,038	0	354,038
Net Deferred Tax Asset	3,484,049	0	3,484,049
Receivables from Parent, Subsidiaries and Affiliates	324,295	0	324,295
Aggregate Write-In Assets	<u>409,358</u>	<u>364,156</u>	<u>45,202</u>
<b>TOTAL ASSETS</b>	<b><u>\$468,139,246</u></b>	<b><u>\$595,208</u></b>	<b><u>\$467,544,038</u></b>

**LIABILITIES, SURPLUS AND OTHER FUNDS**  
**as of December 31, 2018**

Losses	\$ 67,404,811
Reinsurance Payable	41
Loss Adjustment Expenses	10,063,918
Commissions Payable	3,583,819
Other Expenses	3,566,642
Taxes, Licenses and Fees	390,121
Current Federal Income Taxes	829,618
Unearned Premium	100,370,081
Advance Premium	41,028,521
Ceded Reinsurance Premiums Payable	997,248
Remittances and Items Not Allocated	20,119
Drafts Outstanding	11,935,049
Payable to Parent, Subsidiaries and Affiliates	887,947
Derivatives	12,353
Payable for Securities	8,400
Aggregate Write-Ins for Liabilities	<u>1,765,888</u>
<b>TOTAL LIABILITIES</b>	<b>242,864,575</b>
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>212,903,423</u>
Capital and Surplus	<b><u>224,679,463</u></b>
<b>TOTAL LIABILITIES AND SURPLUS</b>	<b><u>\$467,544,038</u></b>



**STATEMENT OF INCOME**  
**For the Year Ended December 31, 2018**

<b>Premium Earned</b>	<b>\$229,967,379</b>
DEDUCTIONS:	
Losses Incurred	140,526,416
Loss Adjustment Expenses Incurred	14,208,530
Other Underwriting Expenses Incurred	<u>49,818,988</u>
<b>Total Underwriting Deductions</b>	<b>\$204,553,944</b>
<b>Net Underwriting Gain</b>	<b>\$ 25,413,435</b>
Net Investment Income Earned	13,423,630
Net Realized Capital Losses	<u>2,516,012</u>
<b>Net Investment Gain</b>	<b>\$ 15,939,642</b>
Other Income	3,761,541
Federal Income Taxes Incurred	<u>8,660,359</u>
<b>Net Income</b>	<b><u>\$ 36,454,259</u></b>

**RECONCILIATION OF CAPITAL AND SURPLUS**  
**Changes from January 1, 2015 to December 31, 2018**  
**(\$000's omitted)**

	2015	2016	2017	2018
Capital and surplus, prior year-end	148,395	163,842	186,663	191,296
Net income	17,088	21,239	5,774	36,454
Change in net unrealized capital gains / (losses)	(512)	2,759	2,805	(2,669)
Change in net deferred income tax	588	497	(1,709)	327
Change in nonadmitted assets	17	33	(114)	(151)
Dividends to stockholders	<u>(1,734)</u>	<u>(1,708)</u>	<u>(2,124)</u>	<u>(577)</u>
Net change in capital and surplus for the year	<u>15,448</u>	<u>22,821</u>	<u>4,632</u>	<u>33,383</u>
<b>CAPITAL AND SURPLUS, END OF YEAR</b>	<b><u>163,842</u></b>	<b><u>186,663</u></b>	<b><u>191,296</u></b>	<b><u>224,679</u></b>

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

None.

**FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION**

None.

**SUMMARY OF RECOMMENDATIONS**

None.

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, Brian Hammann, CPA, AFE, Anna Duncan, and Kim Dobbs, CFE, AES, examiners for the Department, participated in this examination. Robert Daniel ACAS, MAAA, of Merlinos & Associates, Inc., also participated as a consulting actuary.

VERIFICATION

State of Missouri )
) ss
County of Cole )

I, Marc Peterson, CFE, 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.

Marc Peterson (handwritten signature)

Marc Peterson, CFE
Examiner-In-Charge
Missouri Department of
Commerce and Insurance

Sworn to and subscribed before me this 19th day of February, 2020.

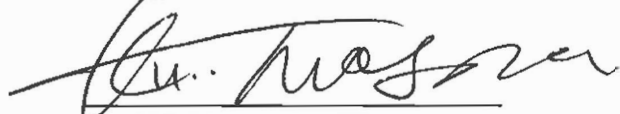
My commission expires: March 30, 2023 (handwritten)
Hailey Liebert (handwritten signature)
Notary Public



HAILEY LIEBERT
My Commission Expires
March 30, 2023
Osage County
Commission #15634366

**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, except where practices, procedures and applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the State of Missouri prevailed.



Levi N. Nwasoria, CPA, CFE  
Assistant Chief Financial Examiner  
Missouri Department of  
Commerce and Insurance