



MISSISSIPPI INSURANCE DEPARTMENT

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

June 9, 2009

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Mr. David Whitmire Waide, President & Chairman of the Board
Southern Farm Bureau Casualty Insurance Company
1800 East County Line Road
Ridgeland, MS 39157

RE: Report of Examination as of December 31, 2007

Dear Mr. Waide:

In accordance with Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999), an examination of your Company has been completed. Enclosed herewith is a copy of the Order adopting the report and a copy of the final report as adopted.

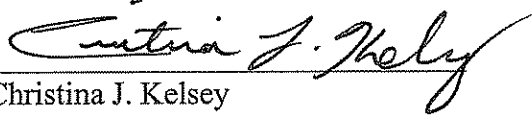
Pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 1999), the Mississippi Department of Insurance shall continue to hold the content of said report as private and confidential for a period of ten (10) days from the date of the Order. After the expiration of the aforementioned 10-day period, the Department of Insurance will open the report for public inspection.

If you have any questions or comments, please feel free to contact me.

Sincerely,

MIKE CHANEY
COMMISSIONER OF INSURANCE

BY


Christina J. Kelsey
Senior Attorney

GD/CJK/bs
Encls. Order w/exhibit

**BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF MISSISSIPPI**

**IN RE: REPORT OF EXAMINATION OF SOUTHERN
FARM BUREAU CASUALTY INSURANCE COMPANY CAUSE NO. 09-5919**

ORDER

THIS CAUSE came on for consideration before the Commissioner of Insurance of the State of Mississippi ("Commissioner"), or his designated appointee, in the Offices of the Commissioner, 1001 Woolfolk Building, 501 North West Street, 10th Floor, Jackson, Hinds County, Mississippi, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999). The Commissioner, having fully considered and reviewed the Report of Examination together with any submissions or rebuttals and any relevant portions of the examiner's work papers, makes the following findings of fact and conclusions of law, to-wit:

JURISDICTION

I.

That the Commissioner has jurisdiction over this matter pursuant to the provisions of Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999).

II.

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

FINDINGS OF FACT

III.

That the Commissioner, or his appointee, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999), called for an examination of Southern Farm Bureau Casualty Insurance Company and appointed Joseph May, Examiner-In-Charge, to conduct said examination.

IV.

On or about May 10, 2009, the draft Report of Examination concerning Southern Farm Bureau Casualty Insurance Company for the period of January 1, 2005, through December 31, 2007, was submitted to the Department by the Examiner-In-Charge, Joseph May.

V.

That on or about May 20, 2009, pursuant to Miss. Code Ann. § 83-5-209(2) (Rev. 1999), the Department forwarded to the Company a copy of the draft report and allowed the Company a 15-day period to submit any rebuttal to the draft report. On or about May 29, 2009, the Company responded by e-mail with no suggested rebuttal or revisions.

CONCLUSIONS OF LAW

VI.

The Commissioner, pursuant to Miss. Code Ann. § 83-5-209(3) (Rev. 1999), must consider and review the report along with any submissions or rebuttals and all relevant portions of examiner work papers and enter an Order: (1) adopting the Report of Examination as final or with modifications or corrections; (2) rejecting the Report of Examination with directions to reopen; or (3) calling for an investigatory hearing.

IT IS, THEREFORE, ORDERED, after reviewing the Report of Examination and all relevant examiner work papers, that the Report of Examination of Southern Farm Bureau Casualty Insurance Company, attached hereto as Exhibit "A", should be and same is hereby adopted as final.

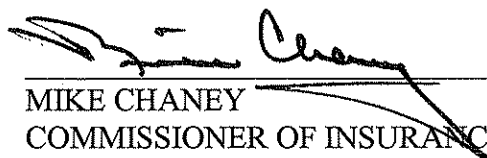
IT IS FURTHER ORDERED that a copy of the adopted Report of Examination, accompanied with this Order, shall be served upon the Company by certified mail, postage pre-paid, return receipt requested.

IT IS FURTHER ORDERED that the Mississippi Department of Insurance shall continue to hold the content of this report as private and confidential information for a period of ten (10) days from the date of this Order, pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 1999).

IT IS FURTHER ORDERED, pursuant to Miss. Code Ann. § 83-5-209(4) (Rev. 1999), that within thirty (30) days of the issuance of the adopted report, Southern Farm Bureau Casualty Insurance Company shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related orders.

IT IS FURTHER ORDERED that Southern Farm Bureau Casualty Insurance Company take the necessary actions and implement the necessary procedures to ensure that all recommendations contained in the Report of Examination are properly and promptly complied with.

SO ORDERED, this the 9th day of June, 2009.



MIKE CHANEY
COMMISSIONER OF INSURANCE
STATE OF MISSISSIPPI

CERTIFICATE OF MAILING

I hereby certify that a true and correct copy of the above and foregoing Order and a copy of the final Report of Examination, as adopted by the Mississippi Department of Insurance, was sent by certified mail, postage pre-paid, return receipt requested, on this the 9th day of June, 2009, to:

**Mr. David Whitmire Waide, President & Chairman of the Board
Southern Farm Bureau Casualty Insurance Company
1800 East County Line Road
Ridgeland, MS 39157**



Christina J. Kelsey
Senior Attorney

Christina J. Kelsey
Senior Attorney
Counsel for the Mississippi Department of Insurance
Post Office Box 79
Jackson, MS 39205-0079
(601) 359-3577
Miss. Bar No. 9853



Mississippi Insurance Department

Report of Examination

of

**Southern Farm Bureau Casualty
Insurance Company**

**1800 East County Line Road
Ridgeland, Mississippi 39157**

As of December 31, 2007

**NAIC Group Code 0483
NAIC Company Code 18325
NAIC ETS No. MS029-C43**

Southern Farm Bureau Casualty Insurance Company

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December 31, 2007

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EXAMINER'S AFFIDAVIT AS TO STANDARDS AND PROCEDURES USED IN THE EXAMINATION

State of Mississippi,

County of Madison,

Joseph R. May being duly sworn, states as follows:

1. I have authority to represent the Mississippi Insurance Department in the examination of Southern Farm Bureau Property Insurance Company.
2. The Mississippi Insurance Department is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Southern Farm Bureau Property Insurance Company was performed in a manner consistent with the standards and procedures required by the Commissioner of Insurance of the State of Mississippi.

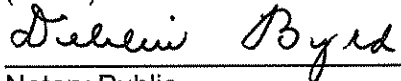
The affiant says nothing further.



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

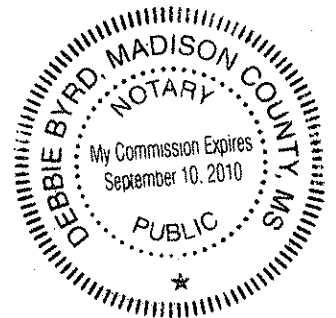
Subscribed and sworn before me by Joseph May on this 3RD day of JUNE, 2009.

(SEAL)



Notary Public

My commission expires SEPTEMBER 10, 2010





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MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

May 1, 2009

Honorable Mike Chaney
Commissioner of Insurance
Mississippi Insurance Department
1001 Woolfolk Building (39201)
Post Office Box 79
Jackson, Mississippi 39205

Honorable James J. Donelon
Secretary, Southeaster Zone
Louisiana Department of Insurance
Commissioner of Insurance
1702 North 3rd Street
Baton Rouge, LA 70804

Honorable Alfred W. Gross
Chair, Financial Condition (E) Committee
Commissioner of Insurance
State of Virginia
State Corporation Commission
Bureau of Insurance
Commonwealth of Virginia
Post Office Box 1157
Richmond, Virginia 23218

Dear Sirs / Madam:

Pursuant to the instructions and authorization from the Commissioner of Insurance for the State of Mississippi, and in compliance with statutory provisions, an examination as of December 31, 2007, has been conducted of the affairs and financial condition of:

**MISSISSIPPI FARM BUREAU CASUALTY INSURANCE COMPANY
(NAIC COMPANY CODE 27669; NAIC-ETS No. MS029-C45)**

Statutory Home Office:
6311 Ridgewood Road
Jackson, Mississippi 39211

This examination was performed at Mississippi Farm Bureau Casualty Insurance Company's (MFBCIC or Company) statutory home office located in Jackson, Mississippi, and MFBCIC's parent company's statutory home office located in Ridgeland, Mississippi and was conducted in accordance with Miss. Code Ann. § 83-1-201 et seq., and the report of examination is herewith submitted for your review.

INTRODUCTION

The examination period, for purposes of this report, is January 1, 2005 through December 31, 2007, and the examination date is December 31, 2007. The examination was performed by examiners representing the Mississippi Insurance Department (MID) and covered SFBCIC's operations and financial condition through the examination period, including material transactions and/or events that occurred subsequent to the examination date and were noted during the course of the examination. The Company's previous examination was as of December 31, 2004, and the previous report of examination was dated December 30, 2005.

SCOPE OF EXAMINATION

The examination of the Company was a full scope financial examination conducted in a manner consistent with the standards and procedures required by the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook, as amended, as well as the MID, and included the assessment of the Company's financial condition, its ability to fulfill and manner of fulfillment of its obligations, the nature of its operations and compliance with applicable laws. A full scope market conduct examination was not performed; however, limited procedures were performed on certain areas of the Company's market conduct.

The examiners tested the underlying data for the Company's loss reserve provisions; however, the amounts reported within this report for loss reserves, including any related items and reinsurance, were based on the review and opinion of the actuary who was assigned to the examination by the MID. In addition, reliance was placed on the audits and/or state insurance examinations for the following subsidiary investments owned by the Company: Southern Farm Bureau Brokerage Company, Louisiana Farm Bureau Casualty Insurance Company, and Florida Farm Bureau Casualty Insurance Company.

HISTORY OF THE COMPANY

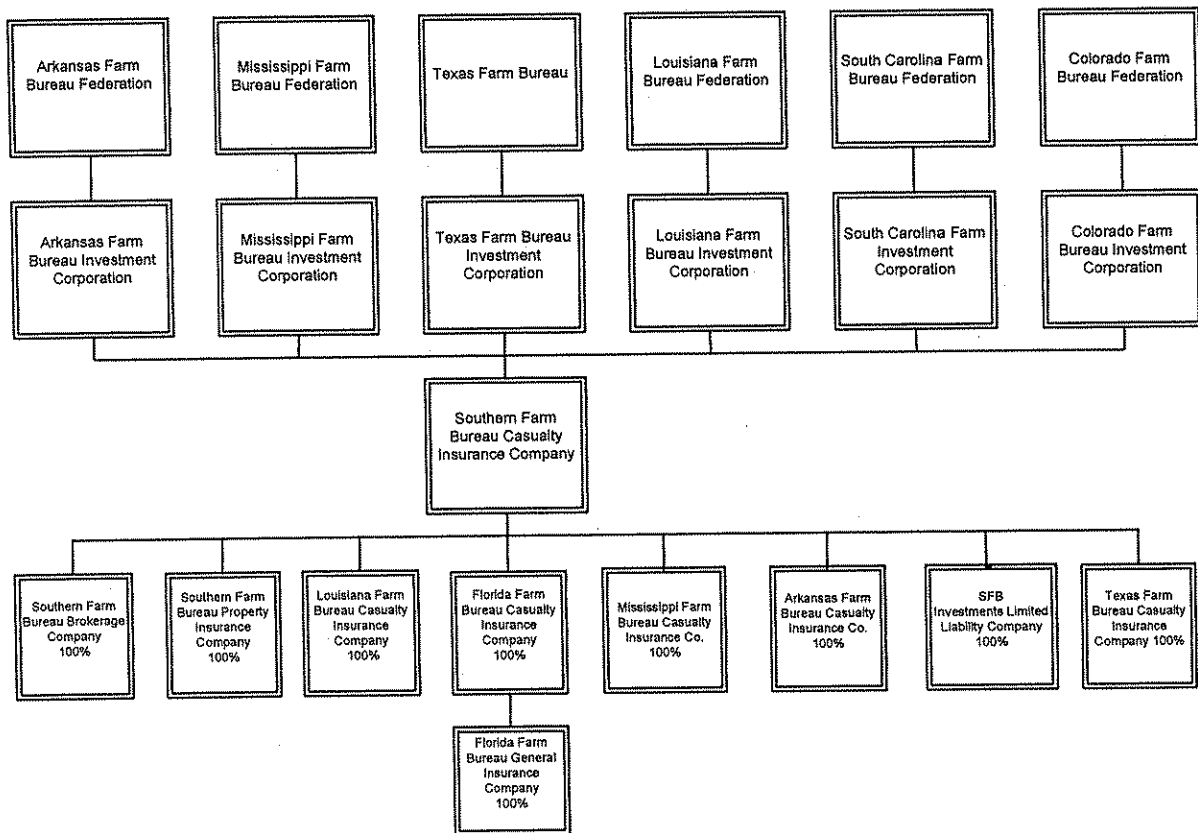
In 1947, the Farm Bureau Federations located in the States of Arkansas, Florida, Mississippi and Texas organized individual investment corporations for the purpose of organizing the Company. On September 25, 1947, the Company was incorporated under the laws of the State of Mississippi as a property and casualty insurance company, with business commencing on September 30, 1947. Subsequently, the Louisiana, South Carolina and Colorado Farm Bureau Federations acquired equal shares of the Company's capital stock, and Florida sold its interest back to the Company.

HOLDING COMPANY STRUCTURE

The Company is a member of an insurance holding company system as defined within Miss. Code Ann. §83-6-1. Holding Company Registration Statements, for the period under examination, were filed with the MID in accordance with Miss. Code Ann. §83-6-5 and §83-6-9. These filed statements and applicable amendments were reviewed and it appeared that any changes and material transactions by and between the Company and its affiliates were disclosed appropriately.

Organizational Chart

The organizational chart below displays the identities of the members of the Company's holding company structure, and is followed by a brief description of the Company's subsidiaries and other interests:



Southern Farm Bureau Brokerage Company: This company was incorporated on June 20, 1994 under the laws of the State of Mississippi, and its principal business is compiling, organizing and analyzing insurance related data and statistics; soliciting, brokering, negotiating and/or placing all forms of insurance contracts (except life, health and accident insurance); engaging in real estate transactions, joint ventures, and real estate development; and engaging in any other lawful activities of a Mississippi business corporation.

Southern Farm Bureau Property Insurance Company: This company was incorporated on August 1, 1994 under the laws of the State of Mississippi, and during much of the examination period, its principal business was providing reinsurance services to related and associated Farm Bureau companies. Effective January 1, 2007, the Company no longer conducted any active underwriting activities and essentially became inactive.

Louisiana Farm Bureau Casualty Insurance Company: This company was incorporated on February 16, 1981 under the laws of the State of Louisiana, and its principal business is providing casualty insurance coverage (principally automobile) and processing claims in the State of Louisiana.

Florida Farm Bureau Casualty Insurance Company: This company was incorporated on April 16, 1974 under the laws of the State of Florida, and its principal business, in association with its wholly owned subsidiary, Florida Farm Bureau General Insurance Company, is providing casualty insurance coverage (principally automobile, property and general liability) in the State of Florida.

Mississippi Farm Bureau Casualty Insurance Company: This company was incorporated on May 19, 1986 under the laws of the State of Mississippi, and its principal business is providing casualty insurance coverage (principally automobile and homeowner) in the State of Mississippi.

Arkansas Farm Bureau Casualty Insurance Company: This company was incorporated on February 6, 2004 under the laws of the State of Arkansas and its principal business purpose is providing casualty insurance coverage in the State of Arkansas. At the report date, this company was inactive.

SFB Investments Limited Liability Company: This company was incorporated on August 11, 1997 under the laws of the State of Mississippi and was formed to take advantage of certain investment opportunities. At the report date this subsidiary was inactive.

Texas Farm Bureau Casualty Insurance Company: This subsidiary was formed during 2007 in anticipation of the withdrawal of the Texas Farm Bureau and Texas Farm Bureau Investment Corporation from the Company. This transaction is discussed more fully in the Subsequent Events section of this report.

Related Party Transactions

The Company's transactions with its related parties were reviewed and the following items were deemed notable for purposes of this report:

- The Company filed consolidated federal income tax returns, which included the operating results of SFBCIC and its subsidiaries; income taxes were allocated to the subsidiaries as though separate tax returns had been filed.
- The Company has agreements with associated companies that provide for the rental of office facilities, equipment, automobiles, data processing, as well as the allocation of certain operating and underwriting expenses. Management believes these agreements are beneficial to the Company in providing greater operating efficiency and prompt service to its policyholders.

- As previously discussed in this report, the Company owns 100% of the voting common stock of the Southern Farm Bureau Property Insurance Company (Property). During much of the examination period Property operated as the primary reinsurer for associated mutual companies in Arkansas, Louisiana, South Carolina and Texas, as well as the Florida Farm Bureau Casualty Insurance Company. As a result of significant losses from the devastating hurricanes which struck the Gulf Coast during August and September of 2005 the Company provided \$71,000,000 under a previously approved line of credit agreement in order to help provide cash flow for the coverage of these losses. During 2006, the line of credit and the applicable interest was paid in full. Effective January 1, 2007, Property no longer conducted any active underwriting activities and essentially became inactive.
- As a result of Gulf Coast hurricanes in August and September of 2005, the Company entered into a financial assistance plan (the Plan) developed to protect the trade name of the Company and its affiliates in the states in which it does business. The Company contributed \$67 million in additional capital to its wholly-owned subsidiary, Mississippi Farm Bureau Casualty Insurance Company (MFBCIC). \$25 million of this cash contribution was used by MFBCIC to purchase the renewal rights from Mississippi Farm Bureau Mutual Insurance Company (Mutual). Under this agreement, MFBCIC acquired the opportunity to offer coverage to the policyholders of Mutual at MFBCIC's discretion. The renewal rights agreement was treated as an intangible asset and nonadmitted on the financial statements of MFBCIC, thus decreasing unassigned funds by \$25,000,000.

MANAGEMENT AND CONTROL

Stockholders

The Company, at December 31, 2007, was owned by the Farm Bureau Investment Corporations in the States of Arkansas, Colorado, Louisiana, Mississippi, South Carolina and Texas, which are controlled by the Farm Bureau Federation in each state, respectively. Each shareholder owned 666.67 shares (or 1/6th) of the Company's 4,000 shares of common stock issued and outstanding. The Company paid \$145,681 in dividends to its shareholders during the examination period.

Board of Directors

The Articles of Association and Bylaws vest the management and control of the Company's business affairs with the Board of Directors (Board). The members of the duly elected Board, along with their place of residence and principal occupation, at December 31, 2007, were as follows:

Name and Place of Residence

Principal Occupation

Mr. Ronald Roy Anderson Ethel, Louisiana	Farmer and President of Louisiana Farm Bureau Federation
Mr. John Andrews, II Walnut Ridge, Arkansas	Self-employed Farmer
Mr. Kenneth Dierschke San Angelo, Texas	Farmer and President of Texas Farm Bureau Federation
Mr. Ben Martin Gramling, II Gramling, South Carolina	Farmer and President of Gramling Brothers, Inc.
Mr. John Lawrence Hoblick, Sr. DeLeon Springs, Florida	Farmer
Mr. Stanley Eldon Reed Marianna, Arkansas	Farmer, Attorney and President of Arkansas Farm Bureau Federation
Mr. Jackie Joseph Theriot St. Martinville, Louisiana	General Manager, Louisiana Sugarcane Cooperative
Mr. Harry Randall Veach Manila, Arkansas	Farmer
Mr. David Whitemire Waide West Point, Mississippi	Farmer and President of Mississippi Farm Bureau Federation
Mr. Joy Pinckney Weatherford Holly Hill, South Carolina	Farmer
Mr. David Melton Winkles, Jr. Sumter, South Carolina	President of D.M. Winkles, Inc. and President of South Carolina Farm Bureau Federation
Mrs. Linda Zaunbrecher Gueydan, Louisiana	Farmer

Name and Place of Residence**Principal Occupation**

Mr. Mark Allen Byrd
Apopka, Florida

Farmer

Mr. Donald Mack Smith
Sulphur Springs, Texas

Farmer and Rancher

Mr. Bobby Alvin Nedbalek
Mathis, Texas

Farmer

Mr. Randy Lee Knight
Pelahatchie, Mississippi

Farmer

Mr. Michael Joseph Dooner
Havana, Florida

Farmer

Mr. Alan Lee Foutz
Akron, Colorado

Farmer

Mr. Donald Hubert Gant
Merigold, Mississippi

Farmer

Officers

The officers duly elected by the Board and holding office at December 31, 2007, were as follows:

Name**Position**

Mr. David Whitmire Waide

President and Chairman of the Board

Mr. Stanley Eldon Reed

First Vice President

Mr. Roderick Algene Moore

Executive Vice President - Chief Executive Officer

Mr. Dennis Ray Griffin

Senior Vice President - Chief Financial Officer

Mr. Steve Walter Ingram

Senior Vice President - Legal & Secretary

Mrs. Judy Goodwin Blackburn

Senior Vice President - Treasurer

Mr. John Russell McCollough

Senior Vice President - Actuary

Mr. Mickey Joseph Nugent

Senior Vice President - Operations

Mr. Mark Gerard Gianfrancesco

Senior Vice President - Marketing

Mr. Jack Pinkney Anderson

Senior Vice President - State Manager

Mr. Herbert Wynne Jacobs

Senior Vice President - State Manager

Mr. Robert Paul Jarratt

Senior Vice President - State Manager

Name**Position**

Mr. Robert Duff Wallace	Senior Vice President - State Manager
Mr. Phillip Eugene Love, Jr.	Senior Vice President - State Manager
Mr. Michael Frank Gerik	Senior Vice President - State Manager
Mr. William Courtney	Senior Vice President

Committees

The following officers and directors served on the Investment Committee at December 31, 2007.

Mrs. Judy Blackburn	Mr. Roderick Moore
Mr. Dennis Griffin	Mr. David Waide
Mr. Harry Hyslop	

The following directors served on the Executive Committee at December 31, 2007.

Mr. Ronald Anderson	Mr. Stanley Reed
Mr. Kenneth Dierschke	Mr. David Waide
Mr. Alan Foutz	Mr. David M. Winkles, Jr.
Mr. John Hoblick, Sr.	

The following directors served on the Audit Committee at December 31, 2007.

Mr. Ronald Anderson	Mr. Stanley Reed
Mr. Kenneth Dierschke	Mr. David Waide
Mr. Alan Foutz	Mr. David M. Winkles, Jr.
Mr. John Hoblick, Sr.	

Conflict of Interest

The Company had formal procedures whereby disclosures were made to the Board of any material interest or affiliation on the part of any officer or director that was, or would likely be, a conflict with their official duties. These procedures were reviewed, and no conflicts or exceptions to the Company's policies were noted.

CORPORATE RECORDS

The minutes of the meetings of the Stockholders and Board of Directors prepared during the period under examination were reviewed and appeared to be complete with regard to the matters brought up at the meetings for deliberation, which included the approval and support of the Company's transactions and events, as well as the review of its audit, actuarial and examination reports.

FIDELITY BOND AND OTHER INSURANCE

The Company was insured under various insurance policies to protect its interest. In particular, the Company maintained directors and officers coverage, professional liability coverage, electronic and computer crime coverage, and fidelity coverage that, with its \$5 million single loss limit of liability, exceeded the NAIC's suggested minimum amount for fidelity coverage.

DIRECTORS', OFFICERS', EMPLOYEES' AND AGENTS' WELFARE

The Company provided a noncontributory retirement plan, a 401(k) plan, a flexible spending plan, as well as various insurance coverages, which included group term life, medical and dental, accidental death, long-term disability and worker's compensation. Provisions were made within the financial statements for obligations in regard to the benefits and welfare programs provided.

REINSURANCE

The Company's reinsurance agreements were reviewed and the treaties did not contain any provisions that would be considered unusual; the projected final accounting did show proper transfer of risk. In addition, the financial statements appeared to properly reflect, in all material aspects, the proper accounting for the intent of all reinsurance agreements. The liabilities for losses and loss adjustment expenses at December 31, 2007 were reduced by approximately \$33,350,000 under the Company's reinsurance treaties for ceding business.

Reinsurance assumed

Premiums assumed	\$	757,576,183
Assumed reserves for losses and LAE reported		232,728,000
Assumed unearned premium		224,789,784

Reinsurance ceded

Premiums ceded	\$	51,909,330
Reinsurance recoverable on paid losses and LAE		1,374,386
Reserve credits taken		33,603,000
Unearned premium ceded		25,430,253

ACCOUNTS AND RECORDS

The Company's accounting and record keeping system was built around an IBM 2064-1CM mainframe computer which administered several major application programs, as well as proprietary software packages. Detailed premium and loss information was maintained at the Farm Bureau state offices and was periodically uploaded to the Company's mainframe for financial reporting.

STATUTORY DEPOSITS

The Company's statutory deposits with the state of Mississippi complied with Miss. Code Ann. §83-19-31(2). The following chart displays the Company's deposits at December 31, 2007.

Description	State Deposited	Par Value	Fair Value
Bond: Anchorage Tel Util.	Mississippi	\$ 2,000,000	\$ 2,278,480
Bond: Arkansas Wtr. Rev.	Arkansas	175,000	187,082
Bond: Lafourche La. Cons.	Louisiana	65,000	65,098
Bond: Citadel Military Col.	South Carolina	200,000	217,404
Total		<u>\$ 2,440,000</u>	<u>\$ 2,748,064</u>

**SOUTHERN FARM BUREAU CASUALTY INSURANCE COMPANY
FINANCIAL STATEMENTS
EXAMINATION AS OF DECEMBER 31, 2007**

Introduction

The following financial statements reflect the same amounts reported by the Company and consist of a Statement of Admitted Assets, Liabilities, Surplus and Other Funds at December 31, 2007, a Statement of Income for year ended December 31, 2007, a Reconciliation of Surplus as Regards Policyholders for examination period ended December 31, 2007, and a Reconciliation of Examination Changes to Surplus at December 31, 2007.

Southern Farm Bureau Casualty Insurance Company

Statement of Admitted Assets, Liabilities, Surplus and Other Funds

December 31, 2007

Admitted Assets	
Bonds	\$ 1,614,698,764
Preferred stocks	311,841
Common stocks	633,005,311
Mortgage loans	11,573,783
Real estate occupied by the company	16,591,038
Properties held for the production of income	3,098,895
Cash and short-term investments	31,955,571
Other invested assets	59,129,891
Receivable for securities	5,090
Investment income due and accrued	21,474,908
Uncollected premiums	4,738,666
Deferred premiums and agents' balances	149,756,317
Amounts recoverable from reinsurers	1,374,386
Funds held by or deposited with reinsured companies	15,688,049
Federal income taxes recoverable	10,158,599
Net deferred tax assets	55,885,721
Guaranty funds receivable or on deposit	3,815,170
Electronic data processing equipment and software	9,570,291
Receivable from affiliate	2,420,913
Equities in pools and associations	1,340,067
Associated companies and other assets	8,323,749
Total admitted assets	\$ 2,654,917,020
Liabilities, Surplus and Other Funds	
Losses	\$ 424,739,471
Loss adjustment expenses	79,400,199
Commissions payable, contingent commissions and other similar charges	13,895,571
Other expenses	2,181,843
Taxes, licenses and fees	2,016,399
Unearned premiums	357,946,465
Advanced premiums	21,590,210
Funds held by Company under reinsurance treaties	681,578
Amounts withheld or retained by the Company	53,924,573
Drafts outstanding	718,239
Payable to parent, subsidiaries and affiliates	1,626,455
Payable for securities	96,181
Liability under limited indemnity agreement	33,500,000
Postretirement benefit - loss adjustment expense accrual	13,099,705
Postretirement benefit - other underwriting accrual	13,791,591
Postretirement transitional adjustment	5,919,978
Deferred option premium	1,114,401
Total liabilities	1,026,242,859
Capital common stock: (par value \$330 per share; 4,000 shares authorized; 4,000 shares issued and outstanding)	1,320,000
Gross paid in and contributed surplus	416,668
Unassigned funds	1,626,937,493
Total surplus and other funds	1,628,674,161
Total liabilities, surplus and other funds	\$ 2,654,917,020

Southern Farm Bureau Casualty Insurance Company

Statement of Income

For the Year Ended December 31, 2007

Underwriting income	
Net premiums written	\$ 1,293,032,093
Change in unearned premiums	(1,209,223)
Premiums earned	1,291,822,870
Net losses and loss expenses incurred	1,008,236,097
Commissions and other underwriting expenses incurred	220,848,219
Total underwriting expenses	1,229,084,316
Net underwriting gain	62,738,554
Net investment income	84,682,572
Net realized investment gains	10,102,793
Other income	10,813,991
Income before income taxes	168,337,910
Federal income tax expense	33,301,244
Net income	\$ 135,036,666

Southern Farm Bureau Casualty Insurance Company

Reconciliation of Surplus as Regards Policyholders

For the examination period ended December 31, 2007

	2005	2006	2007
Surplus as regards policyholders, beginning of the year	\$ 1,478,800,632	\$ 1,333,854,122	\$ 1,459,588,327
Net income (loss)	(100,681,825)	125,529,409	135,036,666
Change in net unrealized capital gains (losses)	(124,048,756)	41,738,659	45,926,327
Change in net deferred income tax	69,760,618	(26,749,715)	(869,298)
Change in non-admitted assets	9,665,820	(14,733,634)	(10,955,061)
Capital changes paid in	220,000	-	-
Surplus adjustments paid in	180,000	-	-
Divdends to stockholders	(42,367)	(50,514)	(52,800)
Change in surplus for the year	(144,946,510)	125,734,205	169,085,834
Surplus as regards policyholders, end of the year	\$ 1,333,854,122	\$ 1,459,588,327	\$ 1,628,674,161

**SOUTHERN FARM BUREAU CASUALTY INSURANCE COMPANY
RECONCILIATION OF EXAMINATION ADJUSTMENTS
DECEMBER 31, 2007**

There were no changes made to the admitted assets, liabilities or surplus balances reported by the Company for the year ended December 31, 2007. The surplus as regards policyholders, which totaled \$1,628,674,161 as of the examination date, was determined to be reasonably stated and in compliance with Miss. Code Ann. § 83-19-31.

MARKET CONDUCT ACTIVITIES

A full scope market conduct examination was not performed; however, limited procedures were performed on certain areas of the Company's market conduct. The areas in which limited procedures were performed included policy forms, agents' licensing, advertising, handling of complaints and claims. No significant exceptions with regard to the limited procedures performed were noted.

Policy Forms and Underwriting

Based upon the procedures performed during the course of the examination, no exceptions were noted regarding the Company's appropriate licensure to issue its products, and the applicable policy forms examined were appropriately approved by the MID. As a component of the liability testing associated with the related sample items selected, and in conjunction with both the controls and substantive testing, the information on the face of the insurance application was reviewed to ensure that all pertinent information on the applications appeared complete and accurate. No material concerns were noted.

Territory and Plan of Operation

The Company was authorized to conduct business in the States of Arkansas, Louisiana, South Carolina, Florida, Mississippi, Colorado and Texas. Wherein, the Company (except for the State of Florida where it acted as a reinsurer) wrote property and casualty insurance. The Company maintained autonomous branch offices in each of the aforementioned states, with the majority of traditional property coverage written being 100% ceded to the associated Farm Bureau mutual company in the applicable state. In turn, the Company assumed 100% of the passenger automobile, commercial and other casualty coverage written by associated Farm Bureau mutual companies.

As a component of the examination testing of producer licensing, the examination team's lead automation examiner obtained from the Company an electronic version of agents paid and compared this information to an electronic file obtained from the MID in order to ensure that those agents receiving commissions were appropriately licensed and appointed by the Company. An electronic file comparison was performed using ACL (file interrogation software) and those items that could not quickly be identified via electronic means were individually reviewed without material exception noted.

The Company's operations are conducted through the terms of a Membership Treaty whereby its shareholders may elect to withdraw from the Company. The date of withdrawal, pursuant to the terms of this treaty, as amended, is two years beginning after the year-end of the year in which notice is given. The Company's agency system consisted of approximately 2,300 agents who, as independent contractors, represented the Company and other associated Farm Bureau insurers.

Advertising and Sales Material

The Company's advertising and sales materials that were utilized during the time period covered by this examination were reviewed and with no exceptions or material concerns noted.

Treatment of Policyholders

The Company maintained a complaint log during the period under examination, and all complaints appeared to have been resolved amicably and no policyholder abuse or undesirable patterns were noted.

As a component of the liability testing associated with the related sample items selected, and in conjunction with both the controls and substantive testing, the claim files were reviewed to ensure that treatment was afforded in accordance with policy provisions. Furthermore, the files were reviewed to ensure that any relevant items were appropriately and timely communicated to the policyholder without material exception.

Privacy

The Company had a privacy policy in place for the protection of its policyholders, and based upon the procedures performed during the course of the examination, the policy appeared to be in compliance with applicable laws and standards.

COMMITMENTS AND CONTINGENT LIABILITIES

At December 31, 2007, the Company was involved as a defendant in various litigation matters. Although the outcome of such legal actions cannot be predicted, in the opinion of management and its legal counsel, the resolution of any currently pending or threatened actions should not have a material adverse effect on the surplus position of the Company.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

There were no comments and/or recommendations noted in the previous examination performed by MID examiners.

CURRENT EXAMINATION COMMENTS AND RECOMMENDATIONS

There were no comments and/or recommendations deemed necessary for purposes of this examination report.

SUBSEQUENT EVENTS

As previously mentioned, the Company operates through a Membership Treaty whereby a shareholder may elect to withdraw from the Company. In October 2005, Texas Farm Bureau and Texas Farm Bureau Investment Corporation (Texas) gave notice of their intent to withdraw from the Membership, with the effective separation date being December 31, 2007. During 2007 the Company formed a wholly owned subsidiary domiciled in the state of Texas, Texas Farm Bureau Casualty Insurance Company (TFBCIC). The subsidiary was formed in anticipation of the withdrawal of Texas Farm Bureau and Texas Farm Bureau Investment Corporation. On November 26, 2008, the Honorable Mike Chaney, Commissioner of Insurance of the State of Mississippi issued an Opinion and Order approving this withdrawal subject to certain terms and conditions. Accordingly on December 31, 2008 representatives of the Texas parties surrendered their shares of the common stock of Southern Farm Bureau Casualty Insurance Company in exchange for

100% of the common stock of the Company's subsidiary TFBCIC. As of January 1, 2009, the withdrawal became effective along with the assumption reinsurance treaty agreement whereby Texas Farm Bureau Casualty Insurance Company assumed responsibility for all liabilities, past, current and future, on activities formerly conducted by the Company in the state of Texas. All insurance-related activity and account balances previously included in the financial statements of the Company will be reported on the financial statements of TFBCIC for periods beginning on or after January 1, 2009 as if the business had originally been written in TFBCIC. The financial statements of the Company for periods on or after that date will be adjusted to exclude all balances associated with insurance-related activities transferred to TFBCIC under the assumption reinsurance agreement.

In anticipation of the withdrawal the Company made an initial capital contribution to the TFBCIC during December 2008 through the transfer of bonds, unaffiliated common stock and cash/short-term investments along with proportionate estimated liabilities to equal an additional \$500,000,000 in contributed surplus in the subsidiary. As of year end 2008, the Company determined Texas' portion of the total surplus as regards policyholders, after application of the terms and conditions set forth by the Commissioner of Insurance of the State of Mississippi in his Opinion and Order dated November 26, 2008 to be \$532,141,000.

ACKNOWLEDGMENT

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

Administrative Examiner	Elton Sims, CPA
Examiner-In-Charge	Joseph R. May, CPA, CMA, CFE, CIE, FAHM
Examiner	Rebecca Dennis, CPA
Examiner	Whitney Craig, CPA
Examiner	D'Anna White, CPA
Examiner	Miller Woods
Examiner	Angie Plunkett
Examiner	Kim Scharl
Examination Actuary	Robert Daniels, ACAS, MAAA
Automation Specialist	Francois Houde, CA, CISA

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

Respectfully submitted,



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