

Best's Rating Report



FLORIDA FARM BUREAU GROUP

Gainesville , Florida



A

Associated With: Southern FB Casualty Ins Co

FLORIDA FARM BUREAU GROUP

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AMB#: 003946

Associated Ultimate Parent#: 000844

BEST'S FINANCIAL STRENGTH RATING

Based on our opinion of the group's Financial Strength, it is assigned a Best's Financial Strength Rating of A (Excellent). The group's Financial Size Category is Class VIII.

RATING UNIT MEMBERS

Florida Farm Bureau Group (AMB# 003946):

AMB#	COMPANY	BEST'S FSR
011337	Florida Farm Bureau General	A
003590	Florida Farm Bureau Casualty	A

RATING RATIONALE

Rating Rationale: The rating and outlook reflects the group's strong risk-adjusted capitalization and extensive knowledge of the Florida marketplace. The rating also acknowledges the commitment and support received from its parent, Southern Farm Bureau Casualty Insurance Company, which is a leading personal lines insurance organization and markets a full complement of insurance products. These positive rating attributes are offset by the group's exposure to catastrophic loss accumulation, as well as market, legislative and regulatory concerns due to its business concentration in Florida.

The group's positive rating factors are derived from management's conservative operating strategies, as evidenced by its high-quality investment portfolio, as well as its catastrophe management plan that avoids concentrations of risk within any given area of the state. The rating also recognizes the group's disciplined underwriting and pricing approach, controlled business growth and efficiencies realized through automation initiatives. In addition, the group maintains a sustainable competitive advantage due to its extensive local market knowledge and low cost structure, both of which are fostered by its exclusive agency network. Further, the group benefits from its sponsorship by the Florida Farm Bureau Federation, which enhances customer loyalty and affinity.

The group's negative rating factors include its geographic concentration as a Florida property writer, which exposes it to catastrophic loss accumulation from hurricanes. This was particularly evident in recent years, when hurricane losses resulted in surplus declines. In 2005, the group experienced losses from hurricanes Dennis, Katrina and Wilma. However, the group maintains a comprehensive reinsurance program, integrated with coverage from the Florida Hurricane Catastrophe Fund, designed to minimize surplus loss. The reinsurance program considers both frequency and severe hurricanes, with coverage for losses close to a 250-year Probable Maximum Loss (PML). Following the recent hurricanes, PML estimates from catastrophe risk modelers increased significantly. As a result, the group has substantially increased its catastrophe reinsurance coverage.

The rating applies to Florida Farm Bureau Casualty Insurance Company and its fully reinsured subsidiary, Florida Farm Bureau General Insurance Company.

Best's Financial Strength Rating: A

Outlook: Stable

FIVE YEAR RATING HISTORY

Date	Best's FSR	Date	Best's FSR
06/08/10	A	04/09/07	A
06/11/09	A	01/09/06	A
05/19/08	A		

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KEY FINANCIAL INDICATORS (\$000)

Period Ending	Statutory Data							
	Direct Premiums Written	Net Premiums Written	Pretax Operating Income	Net Income	Total Admitted Assets	Policyholders' Surplus		
2005	229,295	178,590	-20,183	-13,372	380,381	150,522		
2006	239,524	163,212	26,453	19,649	397,178	168,192		
2007	255,536	169,438	17,399	16,326	397,775	181,415		
2008	241,837	172,066	21,842	16,199	417,292	197,769		
2009	249,215	175,037	483	708	420,276	199,184		
Period Ending	Profitability			Leverage			Liquidity	
	Comb. Ratio	Inv. Yield (%)	Pretax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev.	Overall Liq. (%)	Oper. Cash-flow (%)
2005	120.4	4.8	-11.3	7.0	1.2	2.7	165.5	91.3
2006	93.5	4.8	16.7	3.6	1.0	2.3	173.5	124.4
2007	100.9	4.9	10.4	3.4	0.9	2.1	183.8	105.1
2008	98.0	4.4	12.5	3.3	0.9	2.0	190.1	110.6
2009	109.0	4.3	0.3	3.1	0.9	2.0	190.1	100.4
5-Yr	104.7	4.6	5.4	...	...	...	...	...

(* Data reflected within all tables of this report has been compiled through the A.M. Best Consolidation of statutory filings. Within several financial tables of this report, this group is compared against the Private Passenger Standard Auto & Homeowners Composite.

BUSINESS REVIEW

The Florida Farm Bureau Group consists of two domestic property and casualty insurance companies, Florida Farm Bureau Casualty Insurance Company (FFB Casualty) and its wholly owned subsidiary, Florida Farm Bureau General Insurance Company (FFB General). The group specializes in writing private passenger automobile, homeowners, dwelling fire, farm and business owners lines of insurance for members of the Florida Farm Bureau Federation. The group's target market remains "preferred" personal lines, with some associated commercial exposures. The group's risk profile is approximately 70% preferred and 30% standard. However, a change to the group's underwriting guidelines in 2010 will change the standard/preferred mix for new business. The group ranks as one of the market leaders for private passenger automobile and homeowners insurance business in Florida.

The group offers three major package policies in addition to homeowners: 1) a country squire policy (fire and inland marine coverage on farm personal property, farm comprehensive personal liability, and an endorsement to a homeowners and dwelling package policy); 2) a dwelling package policy; and 3) a commercial lines package policy. Business is marketed and serviced by a network of approximately 200 exclusive agents located in each county of Florida. Only members of the federation are eligible for insurance coverages. The group also participates in several reinsurance pools with various farm bureau companies as well as the Automobile Joint Underwriting Association.

All farm bureau property and casualty business written in Florida is ultimately reflected in the financial statements of FFB Casualty. Since 1993, FFB Casualty reinsures all of the business written by FFB General, which was the successor to the Florida Farm Bureau Mutual Insurance Company (FFB Mutual).

2009 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

Product Line	—Premiums Written—		% of NPW	Pure Loss Ratio	Loss & LAE Res.
	Direct	Net			
Priv Pass Auto Liab.....	76,628	75,634	43.2	65.7	52,628
Homeowners.....	100,281	44,525	25.4	102.6	24,003
Auto Physical.....	38,519	37,393	21.4	57.1	2,231
Comm'l Auto Liab.....	7,192	6,856	3.9	28.6	4,506
Com'l MultiPeril.....	9,769	6,710	3.8	36.9	5,632
Oth Liab Occur.....	5,161	1,172	0.7	38.7	2,552
Allied Lines.....	7,784	-1,450	-0.8	-98.9	219
All Other.....	3,881	4,197	2.4	65.6	2,447
Totals.....	249,215	175,037	100.0	71.1	94,218

Geographical breakdown of direct premium writings (\$000): Florida, \$249,215 (100.0%).

FINANCIAL PERFORMANCE

Overall Earnings: Florida Farm Bureau Group has historically generated favorable operating earnings during years of low and moderate catastrophe activity. The group's modest pre-tax operating income was driven by net investment income and fee income, somewhat offset by underwriting losses over the last five years. The group's operating earnings were negative in 2005 from hurricane and tropical storm activity. However, results were more favorable in 2006 due to mild weather and significant rate increases, partially offset by higher reinsurance costs. Although mild weather has continued in recent years, results have been less favorable due to a state mandated rate rollback in 2007 and an increase in sink hole claims starting in 2009.

PROFITABILITY ANALYSIS

Period Ending	Company				Industry Composite			
	Pretax ROR (%)	Return on PHS	Comb. Ratio	Oper. Ratio	Pretax ROR (%)	Return on PHS	Comb. Ratio	Oper. Ratio
2005	-11.3	-8.5	120.4	112.2	10.4	11.7	97.2	90.0
2006	16.7	12.5	93.5	84.1	15.6	18.3	92.7	84.7
2007	10.4	9.5	100.9	91.4	12.5	11.1	96.3	88.0
2008	12.5	8.7	98.0	89.3	4.1	-5.5	103.3	96.8
2009	0.3	0.1	109.0	100.1	5.9	5.9	100.6	94.5
5-Yr	5.4	4.6	104.7	95.7	9.7	8.1	98.0	90.8

Underwriting Income: The groups underwriting results have been historically volatile, with large swings in the combined ratio from year to year, varying with the level of catastrophe losses. In 2005, hurricanes Dennis, Katrina and Wilma resulted in gross underwriting losses of \$70 million. However, the group maintains a comprehensive reinsurance program, integrated with coverage from the Florida Hurricane Catastrophe Fund, designed to consider both frequency and severity of loss. Consequently, while gross exposure from these hurricanes was high, the group's surplus loss was only \$10 million.

Although underwriting performance has improved since 2005, results continue to be impacted by increased reinsurance costs and the prolonged soft market and poor economic environment. In addition, underwriting performance has deteriorated due to a state-mandated rate rollback in 2007 and an increase in sink-hole claims in 2009. However, the elevated loss and lae ratio is somewhat offset by the group's relatively lower underwriting expense ratio, which has been driven by its cost-efficient exclusive agency network and operating efficiencies achieved through increased automation of processes.

UNDERWRITING EXPERIENCE

Period Ending	Net Undrw Income (\$000)	—Loss Ratios—			—Expense Ratios—			Div. Pol.	Comb. Ratio
		Pure Loss	Loss & LAE	Net Comm.	Other Exp.	Total Exp.			
2005	-36,404	86.1	13.4	99.4	9.7	11.3	21.0	...	120.4
2006	9,069	56.6	13.4	70.0	10.1	13.5	23.5	...	93.5
2007	-1,853	64.2	14.4	78.6	7.2	15.1	22.3	...	100.9
2008	4,098	61.2	13.3	74.5	8.6	14.9	23.5	...	98.0
2009	-16,578	71.1	14.1	85.2	9.5	14.3	23.8	...	109.0
5-Yr	...	68.1	13.7	81.8	9.0	13.8	22.8	...	104.7

Investment Income: The group maintains a high quality investment portfolio consisting predominantly of long-term bonds, with the remainder of invested assets held primarily in common stock and cash. Long-term bonds are predominantly comprised of tax-exempt municipal, taxable municipals and investment grade public corporate bonds. The investment risk profile is very conservative, with a maturity distribution appropriate for the duration of the group's liabilities.

The group's investment portfolio has generated solid net investment income over the previous five-year period, with a five-year pre-tax investment yield that favorably compares with the private passenger auto and homeowners industry composite. Although, net investment income growth was tempered by lower market interest rates and a drop in invested assets prior to 2006, invested assets have since trended higher. The group's five-year total return on invested assets has been in-line with its five-year pre-tax investment yield due with minimal overall effect from capital gains throughout the period.

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INVESTMENT INCOME ANALYSIS (\$000)

Period Ending	Company						Industry Composite		Period Ending
	Net Inv. Income	Realized Capital Gains	Unrealized Capital Gains	Inv. Inc. Growth (%)	Inv. Yield (%)	Total Return (%)	Inv. Inc. Growth (%)	Inv. Yield (%)	
2005	14,560	46	186	-11.0	4.8	4.9	9.0	4.4	
2006	14,865	36	298	2.1	4.8	4.9	13.7	4.7	
2007	16,066	105	260	8.1	4.9	5.0	5.3	4.7	
2008	15,130	-249	214	-5.8	4.4	4.4	-21.1	3.8	
2009	15,179	-2,314	-455	0.3	4.3	3.5	-10.6	3.5	
5-Yr	...	...	...	-1.5	4.6	4.5	-1.4	4.2

INVESTMENT PORTFOLIO ANALYSIS

Asset Class	2009 Inv. Assets (\$000)	-% of Invested Assets—		Annual % Change	Period Ending
		2009	2008		
Long-term bonds.....	302,898	83.7	80.9	3.8	2005
Stocks.....	5,837	1.6	1.8	-9.4	2006
Affiliated Investments.....	10,331	2.9	2.9	-1.3	2007
Other Inv Assets.....	42,758	11.8	14.4	-17.9	2008
Total.....	361,825	100.0	100.0	0.3	2009

2009 BOND PORTFOLIO ANALYSIS

Asset Class	% of Total Bonds	Mkt. Val to Stmt Val (%)	Avg. Maturity (Yrs)	Class		Struc. Secur. (%)	Struc. Secur. (% of PHS)
				1-2 (%)	3-6 (%)		
States, terr & poss..	28.0	5.2	9.7	100.0	...	...	...
Special Revenue.....	53.9	4.4	8.9	100.0	...	...	...
Corporates.....	18.1	0.8	6.8	99.6	0.4	...	...
Total all bonds..	100.0	4.3	8.8	99.9	0.1	...	...

CAPITALIZATION

Florida Farm Bureau Group maintains strong overall capitalization, as indicated by Best's Capital Adequacy Ratio (BCAR), which comfortably supports its rating. The group's capital position is reflective of its moderate underwriting leverage, favorable loss reserve development and conservative investment risk profile. Further, the group's strong capitalization is derived from its historical ability to internally generate capital through sustained operating earnings in non-catastrophe years. Finally, the group's capitalization reflects the operating support of its parent, Southern Farm Bureau Casualty Insurance Company.

As a property writer in Florida, the group's overall capitalization is susceptible to aggregate losses resulting from hurricanes. Despite the high level of potentially gross catastrophe exposure arising from the group's geographic concentration, this risk has been reduced to a manageable level on a net retained basis through an extensive reinsurance program that substantially lessens the impact hurricane losses have on its surplus. Adjusted for hurricane exposure, overall capitalization remains supportive of the group's rating.

The group has demonstrated favorable internal surplus generation during years of low and moderate catastrophe losses. Surplus growth was attributable to solid ex-cat operating earnings, which were modestly enhanced by capital gains throughout the period. However, several years experienced surplus declines due to significant hurricane losses. In 2004, hurricanes Charley, Frances, Ivan and Jeanne generated approximately \$73 million in pre-tax incurred losses for a surplus loss of nearly \$25 million. In 2005, the surplus loss of \$10.5 million was largely due to hurricanes Dennis, Katrina and Wilma. However, surplus has increased over the last four years to the highest levels in the group's history.

CAPITAL GENERATION ANALYSIS (\$000)

Period Ending	Source of Surplus Growth					Change in PHS	PHS Growth (%)
	Pretax Operating Income	Total Inv. Gains	Net Contrib. Capital	Other, Net of Tax			
2005	-20,183	233	...	9,451	-10,499	-6.5	
2006	26,453	334	...	-9,117	17,670	11.7	
2007	17,399	364	...	-4,540	13,223	7.9	
2008	21,842	-35	...	-5,452	16,354	9.0	
2009	483	-2,769	...	3,700	1,415	0.7	
5-Yr	45,994	-1,873	...	-5,958	38,164	...	

QUALITY OF SURPLUS (\$000)

Year-End PHS	-% of PHS			-Dividend Requirements—		
	Cap. Stock/Contrib.	Other Unassigned Surplus	Stockholder Divs	Div. To POI (%)	Div. To Net Inc. (%)	
2005	50.3	-0.4	50.2	...	...	...
2006	44.9	-0.2	55.3	...	...	...
2007	41.6	0.3	58.2	...	...	...
2008	38.1	0.6	61.4	...	...	...
2009	37.7	1.0	61.3	...	...	...

LEVERAGE ANALYSIS

Period Ending	Company				Industry Composite			
	NPW to PHS	Res. to PHS	Net Lev.	Gross Lev.	NPW to PHS	Res. to PHS	Net Lev.	Gross Lev.
2005	1.2	0.8	2.7	3.1	1.3	0.8	3.0	3.3
2006	1.0	0.6	2.3	2.7	1.1	0.7	2.5	2.8
2007	0.9	0.5	2.1	2.7	1.1	0.7	2.5	2.7
2008	0.9	0.5	2.0	2.4	1.2	0.8	2.8	3.1
2009	0.9	0.5	2.0	2.4	1.1	0.7	2.6	2.9

Current BCAR: 266.3

PREMIUM COMPOSITION & GROWTH ANALYSIS

Period Ending	DPW		GPW		NPW		NPE	
	(\$000)	(% Chg)	(\$000)	(% Chg)	(\$000)	(% Chg)	(\$000)	(% Chg)
2005	229,295	0.9	229,743	0.8	178,590	-3.2	178,216	-2.8
2006	239,524	4.5	240,168	4.5	163,212	-8.6	158,280	-11.2
2007	255,536	6.7	256,121	6.6	169,438	3.8	168,038	6.2
2008	241,837	-5.4	242,493	-5.3	172,066	1.6	174,650	3.9
2009	249,215	3.1	249,904	3.1	175,037	1.7	169,663	-2.9
5-Yr CAGR	...	1.9	...	1.9	...	-1.0	...	-1.5
5-Yr Chg	...	9.6	...	9.7	...	-5.1	...	-7.4

Reserve Quality: Florida Farm Bureau Group maintains a conservative loss reserve position, as evidenced by favorable development reported in most of the last nine calendar years. In 2002, the group significantly strengthened loss reserves, which has since resulted in more favorable development patterns. Historically, approximately two-thirds of total loss reserves are allocated to the private passenger automobile liability line of business. However, recent hurricane activity and an increase in sink-hole claims has increased the percent of reserves in the property lines of business.

LOSS & ALAE RESERVE DEVELOP.: CALENDAR YEAR (\$000)

Calendar Year	Orig. Loss Reserves	Developed Reserves Thru '09	Develop. to Orig. (%)	Develop. to PHS (%)	Develop. to NPE (%)	Unpaid Reserves @12/09	Unpaid Res. to Develop. (%)
2005	112,694	84,918	-24.6	-18.5	47.6	5,381	6.3
2006	90,859	79,385	-12.6	-6.8	50.2	12,316	15.5
2007	89,914	77,883	-13.4	-6.6	46.3	19,177	24.6
2008	89,846	76,245	-15.1	-6.9	43.7	33,427	43.8
2009	88,396	88,396	52.1	88,396	100.0

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LOSS & ALAE RESERVE DEVELOP.: ACCIDENT YEAR (\$000)

Accident Year	Orig. Loss Reserves	Developed Reserves Thru '09	Develop. to Orig. (%)	Unpaid Reserves @12/09	Acc. Yr Loss Ratio	Acc. Yr Comb Ratio
2004	78,077	76,874	-1.5	810	124.7	143.0
2005	55,229	38,024	-31.2	1,546	91.6	112.6
2006	47,700	41,370	-13.3	6,935	78.8	102.3
2007	49,533	39,495	-20.3	6,861	78.0	100.3
2008	48,946	40,282	-17.7	14,250	73.8	97.3
2009	54,969	54,969	...	54,969	93.0	116.8

Reinsurance Utilization: The group maintains an extensive reinsurance program, which is structured to preserve capital, protect policyholders and enable it to survive a major catastrophe or series of moderate events. Management's strategy is focused on controlling the group's exposures through a comprehensive program that monitors risk concentration, while maintaining a marketing presence throughout the state with balanced new business production. Management also plays an active role in numerous state advisory committees and boards, and works closely with state legislators and regulators on property insurance market issues.

As a property writer in Florida, the group is susceptible to aggregate losses resulting from hurricanes. Based on the group's most recent catastrophe risk analysis, the gross probable maximum loss (PML) for a 100-year hurricane exceeds the group's surplus. Net of reinsurance, including reinstatement costs, the pre-tax PML is reduced to less than 15% of surplus. However, due to Florida's exposure to higher hurricane frequency, the group structures its reinsurance program considering both frequency and severity of loss. The Florida Hurricane Catastrophe Fund (FHCF) continues to be an integral part of the group's reinsurance protection.

CEDED REINSURANCE ANALYSIS (\$000)

Period Ending	Company			Industry Composite			
	Ceded Reins. Total	Bus. Ret. (%)	Reins. to Recov. to PHS (%)	Ceded Reins. to PHS (%)	Bus. Ret. (%)	Reins. to Recov. to PHS (%)	Ceded Reins. to PHS (%)
2005	55,357	77.7	24.8	36.8	94.7	19.0	27.4
2006	57,191	68.0	13.0	34.0	95.3	14.0	21.1
2007	100,156	66.2	12.6	55.2	94.8	12.6	20.1
2008	83,309	71.0	11.4	42.1	94.8	15.5	25.2
2009	85,621	70.0	10.3	43.0	94.6	14.0	25.8

2009 REINSURANCE RECOVERABLES (\$000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
US Affiliates.....	54,078	12,079	62,382	...	128,539
US Insurers	4,548	9,526	4,991	...	19,065
Pools/Associations.....	1,376	...	...	...	1,376
Total (ex US Affils).....	5,924	9,526	4,991	...	20,441
Grand Total.....	60,001	21,605	67,374	...	148,981

* Includes Commissions less Funds Withheld

Investment Leverage: The group maintains prudent asset risk through its conservative investment strategies, with a hold to maturity philosophy. Investments in equities are minimal, with investment leverage well below the industry composite. The group's non-affiliated investment leverage is derived from its holdings in unaffiliated common stocks. The group's affiliated investment leverage consists mainly of home office real estate.

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

Period Ending	Company					Industry Composite		
	Class 3-6 Bonds	Real Estate/Mtg.	Other Invested Assets	Common Stocks	Non-Affil. Inv. Lev.	Affil. Inv.	Class 3-6 Bonds	Common Stocks
2005	0.1	...	...	6.9	7.0	7.2	4.5	25.9
2006	...	0.1	...	3.4	3.6	6.6	3.7	27.4
2007	...	0.1	...	3.3	3.4	5.9	3.6	22.9
2008	...	...	...	3.3	3.3	5.3	3.7	15.4
2009	0.1	...	...	2.9	3.1	5.2	4.0	18.5

LIQUIDITY

Florida Farm Bureau Group maintains strong balance sheet liquidity, as non-affiliated invested assets significantly exceed overall liabilities. The group's investment philosophy continues to stress liquidity, with maturities structured so it can fulfill short-term obligations without the premature liquidation of its invested assets. Despite the impact from the recent hurricanes, the group's current and overall liquidity measures compare favorably to the industry composite. However, prior to 2007, the group's quick liquidity ratio slightly lagged industry composite norms due its large allocation of invested assets to long-term bonds. The group's liquidity position is enhanced by strong operating cash flow during years of low and moderate catastrophe activity.

LIQUIDITY ANALYSIS

Period Ending	Company			Industry Composite				
	Quick Liq. (%)	Current Liq. (%)	Overall Liq. (%)	Gross Agents Bal. to PHS (%)	Quick Liq. (%)	Current Liq. (%)	Overall Liq. (%)	Gross Agents Bal. to PHS (%)
2005	13.6	125.7	165.5	4.2	28.5	118.7	158.8	9.7
2006	36.7	143.5	173.5	3.9	32.7	128.5	170.3	7.2
2007	55.6	153.2	183.8	3.6	32.4	128.6	171.8	6.9
2008	42.4	160.2	190.1	3.3	25.4	115.9	162.5	8.4
2009	35.0	159.7	190.1	3.3	28.0	119.5	167.3	6.4

CASH FLOW ANALYSIS (\$000)

Period Ending	Company			Industry Composite			
	Underw Cash Flow	Oper. Cash Flow	Net Cash Flow	Underw Cash Flow (%)	Oper. Cash Flow (%)	Underw Cash Flow (%)	Oper. Cash Flow (%)
2005	-54,740	-20,422	8,114	76.8	91.3	107.5	111.7
2006	11,607	37,789	50,012	107.5	124.4	107.6	112.1
2007	-5,136	9,132	-37,595	97.0	105.1	105.6	110.1
2008	1,013	18,250	39,998	100.6	110.6	98.6	104.7
2009	-12,115	747	-9,649	93.5	100.4	97.9	105.2

HISTORY

The Florida Farm Bureau Casualty Insurance Company was incorporated in April 1974, under the laws of Florida. All of the outstanding stock of the company was purchased by the Southern Farm Bureau Casualty Insurance Company of Jackson, Mississippi, in December 1983. The Florida Farm Bureau General Insurance Company was incorporated in January 1993, under the laws of Florida. It was formed as a successor to Florida Farm Bureau Mutual Insurance Company, which was dissolved pursuant to a corporate reorganization necessitated by Hurricane Andrew.

MANAGEMENT

The Florida Farm Bureau Group is sponsored by the Florida Farm Bureau Federation, a non-profit organization committed to advancing the interest of the farm members and associates by providing educational, economics, public affairs, marketing and various other services.

Administration of the group's affairs is under the direction of William O. Courtney, Jr., president and chief executive officer. He has been affiliated with the Southern Farm Bureau Casualty Insurance Company since 1985 and was vice president of claims for the South Carolina Farm Bureau Mutual Insurance Company prior to assuming his present position on February 15, 2006. The majority of the insurance executives operate in similar capacities in the Florida Farm Bureau Casualty Insurance Company and its wholly-owned subsidiary, Florida Farm Bureau General Insurance Company. The two companies maintain joint administrative offices located in Gainesville, Florida.

REINSURANCE

Joint reinsurance arrangements afford protection for members of the Florida Farm Bureau Group. A surplus share contract with a capacity of \$40 million and an occurrence limit of \$10 million with a retention of \$.5 million for property risks is maintained. Excess of loss reinsurance provides coverage up to \$29.5 million in excess of \$.5 million on casualty risks. A quota share agreement is maintained to cede 100% of all umbrella business. Property catastrophe reinsurance coverage is provided through a combination of the Florida Hurricane Catastrophe Fund (FHCF) and private placements in excess of a retention of \$12 million. Co-participation for the FHCF is 10%, while all private layers are covered for 100% of losses up to a gross loss of

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approximately \$520 million. In addition, an aggregate catastrophe contract covers \$30 million excess of \$41 million of net losses in any season, whether from one or multiple events. The program is structured such that private coverage "fills in" gaps in FHCF cover. The program is designed to handle two large events or several smaller ones during a season even if the FHCF's season aggregate limit is exhausted. The group's FHCF capacity is approximately \$102 million in excess of a retention of approximately \$43 million. For 2010, the private layers include coverage for catastrophes on Auto Comprehensive.

CONSOLIDATED BALANCE SHEET (at December 31, 2009)

ADMITTED ASSETS (\$000)				
	12/31/09	12/31/08	'09%	'08%
Bonds	302,898	291,774	72.1	69.9
Common stock	5,837	6,445	1.4	1.5
Cash & short-term invest	38,458	48,108	9.2	11.5
Real estate, offices	10,331	10,469	2.5	2.5
Total invested assets	357,525	356,795	85.1	85.5
Premium balances	39,344	38,261	9.4	9.2
Accrued interest	4,300	3,998	1.0	1.0
All other assets	19,107	18,237	4.5	4.4
Total assets	420,276	417,292	100.0	100.0
LIABILITIES & SURPLUS (\$000)				
	12/31/09	12/31/08	'09%	'08%
Loss & LAE reserves	94,218	94,344	22.4	22.6
Unearned premiums	86,801	81,427	20.7	19.5
All other liabilities	40,073	43,752	9.5	10.5
Total liabilities	221,092	219,522	52.6	52.6
Capital & assigned surplus	77,021	76,428	18.3	18.3
Unassigned surplus	122,163	121,341	29.1	29.1
Total policyholders' surplus	199,184	197,769	47.4	47.4
Total liabilities & surplus	420,276	417,292	100.0	100.0

CONSOLIDATED SUMMARY OF 2009 OPERATIONS (\$000)

Statement of Income	12/31/09	Funds Provided from Operations	12/31/09
Premiums earned	169,663	Premiums collected	174,479
Losses incurred	120,590	Benefit & loss related pmts	121,109
LAE incurred	23,983	LAE & undrw expenses paid	65,485
Undrw expenses incurred	41,669	Other income/expense ...	...
Other expense incurred ..	-1	Undrw cash flow	-12,115
Net underwriting income	-16,578	Investment income	16,188
Net investment income ...	15,179	Other income/expense ...	1,882
Other income/expense ...	1,882	Pre-tax cash operations	5,955
Pre-tax oper income ...	483	Income taxes pd (recov) ...	5,208
Realized capital gains	-2,314	Net oper cash flow	747
Income taxes incurred	-2,539		
Net income	708		

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A Rating Report from the A.M. Best Company represents an independent opinion from the leading provider of insurer ratings of a company's financial strength and ability to meet its obligations to policyholders.

The A.M. Best Company is the oldest, most experienced rating agency in the world and has been reporting on the financial condition of insurance companies since 1899. The Financial Strength Rating **opinion** addresses the relative ability of an insurer to meet its ongoing insurance policy and contract obligations. The rating is not assigned to specific insurance policies or contracts and does not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is **not a recommendation** to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

The company information appearing in this pamphlet is an extract from the complete company report prepared by the A.M. Best Company.

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