

# Best's Rating Report



## FLORIDA FARM BUREAU GROUP

Gainesville, Florida



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**FLORIDA FARM BUREAU GROUP**  
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**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# 03946):

AMB#	COMPANY	BEST'S FSR
03590	Florida Farm Bureau Casualty	A g
11337	Florida Farm Bureau General	A r

### 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 favorable core operating performance in

non-catastrophe years, derived from its 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 hurricanes Charley, Frances, Ivan and Jeanne resulted in significant gross incurred losses in 2004. In 2005, the group experienced additional 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. However, A.M. Best has modest concerns that low probability, high severity hurricane losses could exceed reinsurance protection and have a material adverse impact on surplus. A.M. Best will continue to monitor the group's progress in managing its catastrophe exposures in this regard.

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
06/11/09	A	01/09/06	A
05/19/08	A	10/18/04	A
04/09/07	A	06/16/04	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		
2004	227,361	184,497	-41,631	-23,894	409,215	161,020		
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		
Period Ending	Profitability			Leverage			Liquidity	
	Comb. Ratio	Inv. Yield (%)	Pretax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev.	Overall Liq. (%)	Oper. Cash-flow (%)
2004	133.0	4.8	-22.7	20.8	1.1	2.7	164.9	81.6
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
5-Yr	109.8	4.7	0.4	...	...	...	...	...

(\* 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 businessowners 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. 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).

## 2008 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

Product Line	—Premiums Written—		% of Total NPW	Pure Loss Ratio	Loss & LAE Res.
	Direct	Net			
Priv Pass Auto Liab.....	74,574	73,693	42.8	59.0	53,066
Homeowners.....	95,054	43,098	25.0	71.2	21,438
Auto Physical.....	37,148	36,123	21.0	57.1	2,211
Comm'l Auto Liab.....	7,739	7,407	4.3	33.2	4,712
Com'l MultiPeril.....	10,455	7,241	4.2	42.0	7,297
Oth Liab Occur.....	5,309	1,182	0.7	50.2	2,679
Allied Lines.....	7,453	-1,158	-0.7	-99.9	106
All Other.....	4,106	4,479	2.6	69.0	2,834
Totals.....	241,837	172,066	100.0	61.2	94,344

**Geographical breakdown of direct premium writings (\$000):** Florida, \$241,837 (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 underwriting losses over the last five years, somewhat offset by net investment income and fee income. In addition, the group's total returns were enhanced by capital gains for the period. The group's operating earnings were dampened in 2004 from hurricanes Charley, Frances, Ivan and Jeanne. Although to a lesser extent, hurricane activity dampened results again in 2005. However, results were more favorable in 2006 due to mild weather and significant rate increases, partially offset by higher reinsurance costs. Although mild weather continued in 2007, results were less favorable due to a state mandated rate rollback. In 2008, the group's surplus reached its highest level, driven by net investment income and modest underwriting profit.

## 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
2004	-22.7	-13.7	133.0	124.1	12.4	14.5	94.0	87.2
2005	-11.3	-8.5	120.4	112.2	10.4	11.9	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	12.4	11.1	96.5	88.1
2008	12.5	8.7	98.0	89.3	4.1	-5.5	103.5	96.9
5-Yr	0.4	1.9	109.8	100.9	11.0	9.7	96.8	89.4

**Underwriting Income:** Prior to 2004, the group had produced satisfactory underwriting results, as combined ratios were historically lower than the private passenger auto and homeowners industry composite. In prior years, minimal catastrophe activity, as well as management's prudent underwriting strategies, resulted in a loss and loss adjustment expense (LAE) ratio that compared favorably to the industry composite. In addition, the group's relatively lower underwriting expense ratio has been driven by its cost-efficient exclusive agency network and operating efficiencies achieved through increased automation of processes.

However, significant underwriting losses in 2004 were generated by hurricanes Charley, Frances, Ivan and Jeanne, which resulted in approximately \$400 million in gross incurred losses. 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, pre-tax net incurred losses were reduced to approximately \$73 million, which equates to almost 40 additional points on the 2004 calendar year combined ratio. In 2005, hurricanes Dennis, Katrina and Wilma resulted in gross underwriting losses of \$70 million. Although underwriting performance has improved since 2005, results continue to be impacted by increased reinsurance costs. In addition, underwriting income deteriorated in 2007, largely due to a state-mandated rate rollback. Underwriting income improved modestly in 2008, with fewer catastrophes and increased rates.

## UNDERWRITING EXPERIENCE

Period Ending	Net Undrw Income (\$000)	—Loss Ratios—			—Expense Ratios—			Div. Pol.	Comb. Ratio
		Pure Loss	Loss & LAE	Res.	Net Comm.	Other Exp.	Total Exp.		
2004	-60,770	97.1	17.7	114.8	8.0	10.3	18.3	...	133.0
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
5-Yr	...	73.7	14.5	88.2	8.7	12.9	21.6	...	109.8

**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.

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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 in 2004 and 2005, invested assets have since trended higher. The group's five-year total return on invested assets has been slightly higher than its five-year pre-tax investment yield due to favorable capital gains throughout the period.

## INVESTMENT INCOME ANALYSIS (\$000)

Period Ending	Company						Industry Composite	
	Net Inv. Income	Realized Capital Gains	Unrealized Capital Gains	Inv. Inc. Growth (%)	Inv. Yield (%)	Total Return (%)	Inv. Inc. Growth (%)	Inv. Yield (%)
2004	16,351	1,103	146	1.3	4.8	5.2	4.6	4.3
2005	14,560	46	186	-11.0	4.8	4.9	8.8	4.4
2006	14,865	36	298	2.1	4.8	4.9	13.4	4.7
2007	16,066	105	260	8.1	4.9	5.0	5.9	4.7
2008	15,130	-249	214	-5.8	4.4	4.4	-22.1	3.8
5-Yr	...	...	...	-1.3	4.7	4.9	1.1	4.4

## INVESTMENT PORTFOLIO ANALYSIS

Asset Class	2008 Inv. Assets (\$000)		—% of Invested Assets—		Annual % Change
	2008	2007	2008	2007	
Long-term bonds .....	291,774	91.6	80.9	91.6	-6.7
Stocks .....	6,445	1.8	1.8	1.8	7.4
Affiliated Investments.....	10,469	3.1	2.9	3.1	-2.5
Other Inv Assets.....	52,106	340.0	14.4	3.5	340.0
Total.....	360,794	100.0	100.0	100.0	5.7

## 2008 BOND PORTFOLIO ANALYSIS

Asset Class	% of Total Bonds	Mkt. Val Val (%)	Avg. Maturity (Yrs)	Class		Struc. Secur. (%)	Struc. Secur. (% of PHS)
				1-2 (%)	3-6 (%)		
Other .....	83.3	0.9	8.3	100.0	...	...	...
Corporates.....	16.7	-0.7	0.8	100.0	...	...	...
Total all bonds..	100.0	0.8	7.0	100.0	...	...	...

## 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 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, which is a leading personal lines insurance organization.

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 three years to the highest levels in the group's history.

## CAPITAL GENERATION ANALYSIS (\$000)

Period Ending	Pretax Operating Income	Source of Surplus Growth			Change in PHS	PHS Growth (%)
		Total Inv. Gains	Net Contrib. Capital	Other, Net of Tax		
2004	-41,631	1,249	...	15,625	-24,758	-13.3
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
5-Yr	3,880	2,145	...	5,966	11,991	...

## QUALITY OF SURPLUS (\$000)

Period Ending	Year-End PHS	—% of PHS—			—Dividend Requirements—		
		Cap. Stock/Contrib. Cap.	Unassigned Surplus	Other	Stockholder Divs	Div. To POI (%)	Div. To Net Inc. (%)
2004	161,020	47.1	53.2	-0.3	...	...	...
2005	150,522	50.3	50.2	-0.4	...	...	...
2006	168,192	44.9	55.3	-0.2	...	...	...
2007	181,415	41.6	58.2	0.3	...	...	...
2008	197,769	38.1	61.4	0.6	...	...	...

## LEVERAGE ANALYSIS

Period Ending	Company			Industry Composite		
	NPW to PHS	Res. to PHS	Net Lev.	NPW to PHS	Res. to PHS	Net Lev.
2004	1.1	0.9	2.7	1.4	0.8	3.0
2005	1.2	0.8	2.7	1.3	0.8	3.0
2006	1.0	0.6	2.3	1.1	0.7	2.5
2007	0.9	0.5	2.1	1.1	0.7	2.5
2008	0.9	0.5	2.0	1.2	0.8	2.8

Current BCAR: 274.6

## PREMIUM COMPOSITION & GROWTH ANALYSIS

Period Ending	—DPW—		—GPW—		—NPW—		—NPE—	
	(\$000)	(% Chg)	(\$000)	(% Chg)	(\$000)	(% Chg)	(\$000)	(% Chg)
2004	227,361	3.5	227,806	3.5	184,497	-1.2	183,307	-0.8
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
5-Yr CAGR	...	1.9	...	2.0	...	-1.6	...	-1.1
5-Yr Chg	...	10.1	...	10.2	...	-7.8	...	-5.5

**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 has increased the percent of reserves in the property lines of business.

The group withdrew from writing workers' compensation coverage in 1985. Financial and administrative responsibility for the group's remaining open workers' compensation claims, which equate to less than 3% of total loss reserves, was transferred to an unaffiliated reinsurer effective April 1, 2000.

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

Calendar Year	Orig. Loss Reserves	Developed Reserves Thru '08	Develop. to Orig. (%)	Develop. to PHS (%)	Develop. to NPE (%)	Unpaid Reserves @12/08	Unpaid Res. to Develop. (%)
2004	135,175	121,696	-10.0	-8.4	66.4	7,040	5.8
2005	112,693	86,605	-23.1	-17.3	48.6	13,269	15.3
2006	90,858	80,718	-11.2	-6.0	51.0	22,539	27.9
2007	89,914	82,818	-7.9	-3.9	49.3	40,900	49.4
2008	89,846	89,846	...	...	51.4	89,846	100.0

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

Accident Year	Orig. Loss Reserves	Developed Reserves Thru '08	Develop. to Orig. (%)	Unpaid Reserves @12/08	Acc. Yr Loss Ratio	Acc. Yr Comb Ratio
2003	66,345	47,206	-28.8	1,426	72.1	92.6
2004	78,077	76,136	-2.5	1,817	124.3	142.5
2005	55,229	40,507	-26.7	6,229	92.9	113.9
2006	47,700	41,016	-14.0	9,270	78.5	102.0
2007	49,533	43,096	-13.0	18,361	80.1	102.4
2008	48,946	48,946	...	48,946	78.7	102.3

**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 20% 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, however, back-up coverage has been secured in the event of FHCF underfunding.

## CEDED REINSURANCE ANALYSIS (\$000)

Period Ending	Company				Industry Composite			
	Ceded Reins. Total	Bus. Ret. (%)	Reins. to PHS (%)	Ceded Reins. to PHS (%)	Bus. Ret. (%)	Reins. to PHS (%)	Ceded Reins. to PHS (%)	
2004	59,846	81.0	24.9	37.2	94.9	17.5	28.0	
2005	55,357	77.7	24.8	36.8	95.0	19.4	27.5	
2006	57,191	68.0	13.0	34.0	95.5	13.7	20.5	
2007	100,156	66.2	12.6	55.2	95.1	12.2	19.3	
2008	83,309	71.0	11.4	42.1	95.2	14.9	24.0	

## 2008 REINSURANCE RECOVERABLES (\$000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
US Affiliates.....	57,251	14,671	60,068	...	131,990
US Insurers.....	4,202	10,177	6,935	...	21,314
Pools/Associations.....	1,227	...	...	...	1,227
Total (ex US Affils).....	5,429	10,177	6,935	...	22,541
Grand Total.....	62,680	24,848	67,003	...	154,531

\* 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
2004	...	...	...	20.8	20.8	6.4	4.2	27.6
2005	0.1	...	...	6.9	7.0	7.2	4.6	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	15.3

## 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 reasonably 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 (%)
2004	11.3	125.9	164.9	4.7	29.6	120.5	159.6	9.6
2005	13.6	125.7	165.5	4.2	28.4	119.1	158.8	9.7
2006	36.7	143.5	173.5	3.9	32.9	129.1	170.7	7.2
2007	55.6	153.2	183.8	3.6	32.5	129.1	172.1	6.9
2008	42.4	160.2	190.1	3.3	25.5	116.2	163.2	8.5

## 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 (%)
2004	-62,372	-46,319	-16,374	74.7	81.6	111.6	115.1
2005	-54,740	-20,422	8,114	76.8	91.3	107.3	111.4
2006	11,607	37,789	50,012	107.5	124.4	107.5	112.1
2007	-5,136	9,132	-37,595	97.0	105.1	105.3	109.9
2008	1,013	18,250	39,998	100.6	110.6	97.7	103.8

## 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., executive vice 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 PROGRAMS

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. Auto physical damage catastrophe coverage is maintained with a limit of \$7 million excess of \$1.5 million. Property catastrophe reinsurance coverage is provided through a combination of the Florida Hurricane Catastrophe Fund (FHCF) and private

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placements in excess of a retention of \$12 million low layers for 90%, 95% and 100% of losses up to a gross loss of approximately \$472 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 or underfunded. The group's FHCF capacity is approximately \$99 million in excess of a retention of approximately \$36 million.

## CONSOLIDATED BALANCE SHEET (at December 31, 2008)

### ADMITTED ASSETS (\$000)

	12/31/08	12/31/07	'08%	'07%
Bonds .....	291,774	312,604	69.9	78.6
Common stock .....	6,445	6,002	1.5	1.5
Cash & short-term invest .....	48,108	8,110	11.5	2.0
Real estate, investment .....	...	247	...	0.1
Real estate, offices .....	10,469	10,738	2.5	2.7
Total invested assets .....	356,795	337,700	85.5	84.9
Premium balances .....	38,261	37,405	9.2	9.4
Accrued interest .....	3,998	3,487	1.0	0.9
All other assets .....	18,237	19,183	4.4	4.8
Total assets .....	417,292	397,775	100.0	100.0

### LIABILITIES & SURPLUS (\$000)

	12/31/08	12/31/07	'08%	'07%
Loss & LAE reserves .....	94,344	95,244	22.6	23.9
Unearned premiums .....	81,427	84,012	19.5	21.1
All other liabilities .....	43,752	37,104	10.5	9.3
Total liabilities .....	219,522	216,360	52.6	54.4
Total policyholders' surplus .....	197,769	181,415	47.4	45.6
Total liabilities & surplus .....	417,292	397,775	100.0	100.0

## CONSOLIDATED SUMMARY OF 2008 OPERATIONS (\$000)

Statement of Income	12/31/08	Funds Provided from Operations	12/31/08
Premiums earned .....	174,650	Premiums collected .....	172,249
Losses incurred .....	106,950	Benefit & loss related pmts	106,826
LAE incurred .....	23,151	LAE & undrw expenses paid	64,411
Undrw expenses incurred	40,452	Other income/expense ...	...
Other expense incurred..	-1	Undrw cash flow .....	1,013
Net underwriting income	4,098	Investment income .....	16,041
Net investment income ...	15,130	Other income/expense ...	2,613
Other income/expense ...	2,613	Pre-tax cash operations	19,667
Pre-tax oper income ...	21,842	Income taxes pd (recov) ...	1,416
Realized capital gains .....	-249	Net oper cash flow .....	18,250
Income taxes incurred .....	5,393		
Net income .....	16,199		

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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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