

FILED
MAY 02 2022
Department of Insurance
State of Idaho

BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE

STATE OF IDAHO

In the Matter of:

FARM BUREAU MUTUAL INSURANCE
COMPANY OF IDAHO,

Certificate of Authority No. 531
NAIC No. 13765

Docket No. 18-4100-22

**ORDER ADOPTING REPORT
OF EXAMINATION AS OF
DECEMBER 31, 2020**

The Idaho Department of Insurance (“Department”), in accordance with Idaho Code § 41-219(1), has examined the affairs, transactions, accounts, records, and assets of Farm Bureau Mutual Insurance Company of Idaho (“Farm Bureau”) for the period of January 1, 2016, through December 31, 2020. The Department also has prepared a verified Report of Examination (the “Report”) under Idaho Code § 41-227. A copy of the Report is attached as Exhibit “A.”

Having reviewed the record, the Department’s Director enters this order adopting the Report as filed.

FINDINGS OF FACT

1. Farm Bureau is an Idaho-domiciled insurance company licensed to transact casualty insurance, including workers’ compensation; disability insurance, excluding managed care; marine and transportation insurance; property insurance; and surety insurance. Farm Bureau is also the parent company in a holding company system, and assumes all business written from

its indirect subsidiary, Western Community Insurance Company. Farm Bureau was issued Certificate of Authority No. 531 on May 1, 1947.

2. On or about March 14, 2022, the Department completed an examination of Farm Bureau under Idaho Code § 41-219(1). The Report of Examination sets forth the Departments findings. See Exhibit “A”.

3. Per Idaho Code § 41-227(4), on March 14, 2022, the Department’s examiner-in-charge filed the Report with the Department, and the Department transmitted a copy of the Report to Farm Bureau on March 16, 2022.

4. Farm Bureau had 30 days from the receipt of the Report to make a written submission or rebuttal with respect to matters contained in the Report per Idaho Code § 41-227(4). No written submissions or rebuttals with respect to any matters contained in the Report were received by the Department from Farm Bureau.

CONCLUSIONS OF LAW

5. Idaho Code § 41-227(5) requires the Director to fully consider and review the Report, together with any written submissions or rebuttals and any relevant portions of the examiner’s work papers and enter an order adopting the Report as filed or with modifications or corrections, rejecting the Report and reopening the examination, or calling for an investigatory hearing.

6. Having fully considered the Report and the record, the Director concludes that, regarding the matters examined, the Report’s comments, findings, and recommendations are appropriate and are incorporated herein as if set forth in full.

ORDER

NOW, THEREFORE, IT IS ORDERED that the Report is adopted as filed.

IT IS FURTHER ORDERED, that, per Idaho Code § 41-227(8), the adopted Report is a public record and shall not be subject to the exemptions from disclosure in chapter 1, title 74, Idaho Code.

IT IS FURTHER ORDERED, under Idaho Code § 41-227(6)(a), that within 30 days of the issuance of the adopted Report, Farm Bureau shall file, with the Department's chief examiner, affidavits executed by each of the directors stating under oath that they have received a copy of the adopted Report and related orders.

DATED AND EFFECTIVE this 29 day of April, 2022.

STATE OF IDAHO
DEPARTMENT OF INSURANCE

A handwritten signature in black ink, appearing to read "Dean L. Cameron", written over a horizontal line.

DEAN L. CAMERON
Director

NOTIFICATION OF RIGHTS

This is a final order of the agency. Any party may file a motion for reconsideration of this final order within 14 days of the service date of this order. The agency will dispose of the motion for reconsideration within 21 days of its receipt, or the motion will be considered denied by operation of law. *See* Idaho Code § 67-5246(4).

Any such motion for reconsideration shall be served on the Director of the Idaho Department of Insurance, addressed as follows:

Dean L. Cameron, Director
Idaho Department of Insurance
700 W. State Street, 3rd Floor
P.O. Box 83720
Boise, ID 83720-0043

Pursuant to Idaho Code §§ 67-5270 and 67-5272, any party aggrieved by this final order or orders previously issued in this case may file a petition for judicial review in the district court of the county in which:


- i. A hearing was held;
- ii. The final agency action was taken;
- iii. The party seeking review of the order resides, or operates its principal place of business in Idaho; or
- iv. The real property or personal property that was the subject of the agency action is located.

A petition for judicial review must be filed within 28 days of: (a) the service date of this final order, (b) the service of an order denying motion for reconsideration, or (c) the failure within 21 days to grant or deny a motion for reconsideration, whichever is later. *See* Idaho Code § 67-5273. The filing of a petition for judicial review does not itself stay the effectiveness or enforcement of the order under appeal. Idaho Code § 67-5274.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that, on this 2nd day of May, 2022, I caused a true and correct copy of the foregoing ORDER ADOPTING REPORT OF EXAMINATION AS OF DECEMBER 31, 2020, to be served upon the following by the designated means:

Bryan Searle Chairman of the Board of Directors WESTERN COMMUNITY INSURANCE CO. 275 Terra Vista Drive Pocatello, ID 83201	<input type="checkbox"/> First Class Mail <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Hand Delivery <input type="checkbox"/> Facsimile <input type="checkbox"/> Email:
Jason Williams Treasurer WESTERN COMMUNITY INSURANCE CO. 275 Terra Vista Drive Pocatello, ID 83201	<input type="checkbox"/> First Class Mail <input type="checkbox"/> Certified Mail <input type="checkbox"/> Hand Delivery <input type="checkbox"/> Facsimile <input checked="" type="checkbox"/> Email: jwilliams@idfbins.com
Eric Fletcher Bureau Chief IDAHO DEPARTMENT OF INSURANCE 700 W. State Street, 3 rd Floor Boise, ID 83720-0043	<input type="checkbox"/> First Class Mail <input type="checkbox"/> Certified Mail <input type="checkbox"/> Hand Delivery <input type="checkbox"/> Facsimile <input checked="" type="checkbox"/> Email: eric.fletcher@doi.idaho.gov
Karl T. Klein Deputy Attorney General IDAHO DEPARTMENT OF INSURANCE 700 W. State Street, 3 rd Floor P.O. Box 83720 Boise, ID 83720-0043	<input type="checkbox"/> First Class Mail <input type="checkbox"/> Certified Mail <input type="checkbox"/> Hand Delivery <input type="checkbox"/> Facsimile <input checked="" type="checkbox"/> Email: karl.klein@doi.idaho.gov


Pamela Murray

DEPARTMENT OF INSURANCE

STATE OF IDAHO



REPORT OF EXAMINATION

Of

FARM BUREAU MUTUAL INSURANCE COMPANY OF IDAHO
(domestic mutual insurance company)

(NAIC Company Code: 13765)
(NAIC Group Code: 842)

As of
December 31, 2020

EXHIBIT

A

exhibitster.com

DEPARTMENT OF INSURANCE

STATE OF IDAHO



REPORT OF EXAMINATION

Of

FARM BUREAU MUTUAL INSURANCE COMPANY OF IDAHO
(domestic mutual insurance company)

(NAIC Company Code: 13765)
(NAIC Group Code: 842)

As of
December 31, 2020

Table of Contents

SALUTATIONS	4
SCOPE OF EXAMINATION.....	5
<i>Period Covered</i>	5
<i>Examination Procedures Employed</i>	5
<i>Status of Prior Examination Findings</i>	6
SUMMARY OF SIGNIFICANT FINDINGS	6
SUBSEQUENT EVENTS	6
COMPANY HISTORY	6
<i>General</i>	6
<i>Dividends and Capital Contributions</i>	6
<i>Mergers and Acquisitions</i>	7
<i>Surplus Debentures</i>	7
CORPORATE RECORDS	7
MANAGEMENT AND CORPORATE GOVERNANCE.....	7
<i>Directors</i>	7
<i>Holding Company System</i>	9
<i>Contracts and Agreements</i>	11
FIDELITY BONDS AND OTHER INSURANCE	11
PENSION, STOCK OWNERSHIP AND INSURANCE PLANS	12
TERRITORY AND PLAN OF OPERATION	13
GROWTH OF THE COMPANY	13
LOSS EXPERIENCE	14
REINSURANCE.....	14
<i>Assumed</i>	14
<i>Ceded</i>	15
ACCOUNTS AND RECORDS	15
<i>Independent Auditors</i>	15
STATUTORY DEPOSITS	15
FINANCIAL STATEMENTS	17
SUMMARY OF RECOMMENDATIONS	22

ACKNOWLEDGEMENT	23
AFFIDAVIT OF EXAMINER	24
AFFIDAVIT OF EXAMINER	25

Pocatello, Idaho
March 14, 2022

The Honorable Dean L. Cameron
Director of Insurance
State of Idaho
700 West State Street
P.O. Box 83720
Boise, Idaho 83720-0043

Dear Director:

Pursuant to your instructions, in compliance with Section 41-219(1), Idaho Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2020, of the financial condition and corporate affairs of:

Farm Bureau Mutual Insurance Company of Idaho
275 Tierra Vista Drive
Pocatello, Idaho 83201

Hereinafter referred to as ("FBMIC") or the ("Company"). The examination was completed remotely due to the COVID-19 pandemic. The following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

We have performed our single-state examination of Farm Bureau Mutual Insurance Company of Idaho. The last examination was completed as of December 31, 2015. This examination covers the period of January 1, 2016, through December 31, 2020.

Examination Procedures Employed

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook* ("Handbook") to determine compliance with accounting practices and procedures in conformity with the applicable laws and insurance rules promulgated by the Idaho Department of Insurance ("Department"). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment was identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to the Company.

The examination determined the risks associated with identified key functional areas of the Company's operation and considered mitigating factors. Interviews were held with the senior management of the Company to gain an understanding of the entity's operating profile and control environment.

The Company retained the services of a certified public accounting firm, Deaton & Company, to audit its financial records for the years under examination. The firm allowed the examiners access to requested work papers prepared in connection with its audits. The external audit work was relied upon where deemed appropriate.

The examination relied on the findings of the actuarial firm contracted by the Department to verify reserves.

A letter of representation certifying that management disclosed all significant matters and records was obtained from management and included in the examination working papers.

Status of Prior Examination Findings

Our examination included a review to determine the current status of any exception conditions commented upon in our preceding Report of Examination, dated May 23rd, 2017, which covered the period from January 1, 2012, to December 31, 2015. It was noted the prior examination did not disclose any material adverse findings or any adjustments that impacted the Company's reported capital and surplus or required any recommendations.

SUMMARY OF SIGNIFICANT FINDINGS

Our examination did not disclose any material adverse findings or any adjustments that impacted the Company's reported capital and surplus.

SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the spreading Novel Coronavirus Diseases, COVID-19, a pandemic. On March 13, 2020, the United States declared the COVID-19 pandemic as a national emergency. COVID-19 has created economic disruptions on a global scale which has led to uncertainty about the overall economic impact to financial markets. At this time, the full effect of COVID-19 on the Company is unknown. In a coordinated effort, the Company and the Department will continue to monitor the effects of the pandemic to the Company.

COMPANY HISTORY

General

The Company was incorporated as a domestic stock insurance company on April 27, 1947, under the name of Idaho Farm Insurance Company, Inc., and commenced operations on May 1, 1947. On December 30, 1955, the articles of incorporation were amended, whereby the Company converted to a mutual insurance company. On January 25, 1991, the articles of incorporation and by-laws were amended, whereby the Company's name was changed to Farm Bureau Mutual Insurance Company of Idaho.

The Company operates under the provisions of Chapter 28, Title 41 of the Idaho Code, and provided coverage for the following lines of business: farm owners and homeowners multiple peril, private passenger auto liability, auto physical damage, inland marine, allied lines, other liability - occurrence, and fire. It is also the parent company in a holding company system, and assumes all business written from its indirect subsidiary, Western Community Insurance Company ("WCIC"), via a quota share reinsurance agreement, which includes commercial multiple peril and commercial auto liability.

Dividends and Capital Contributions

The Company did not declare or pay out any dividends during the examination period, nor receive any capital contributions.

Mergers and Acquisitions

The Company completed a statutory merger of a wholly owned subsidiary (Farm Insurance Service Company) during fiscal year 2020.

Surplus Debentures

The Company had no surplus debentures during the examination period.

CORPORATE RECORDS

The meetings of the Board of Directors ("Board") were conducted on a quarterly basis for all the years under examination. The majority of the meetings were held in person, however, in 2020 some meetings were held via video conference due to the COVID-19 pandemic. A review of the Board meeting minutes for the examination period, and subsequent thereto, indicated compliance with the bylaws and articles of incorporation with respect to the election of the Directors and Officers. The review of the minutes also indicated that a quorum was present at all Board meetings held during the examination period. Furthermore, the minutes reflected discussion of relevant operational performance, review and approval of independent auditors' reports, the prior Department report of examination and investment transactions.

The Board has an Audit Committee consisting of six members. The Audit Committee is responsible for reviewing and approving all audit services performed by the external auditors. Review of Audit Committee meeting minutes indicated compliance with the Audit Committee Charter and reflected discussions relevant to its responsibilities.

The prior report of examination as of December 31, 2015, was distributed to the Board and reviewed at the Board of Directors meeting on July 19, 2017, in accordance with Idaho Code § 41-227 (6)(a).

MANAGEMENT AND CORPORATE GOVERNANCE

Directors

The bylaws of the Company indicated the number of directors may be between eleven and fifteen, all of whom must be members of the Idaho Farm Bureau Federation.

The following persons served as directors of the Company as of December 31, 2020:

<u>Name</u>	<u>Principal Occupation</u>
Richard Thomas Brune Hazelton, Idaho	Farmer
Cody Robert Chandler Weiser, Idaho	Rancher

<u>Name</u>	<u>Principal Occupation</u>
Thomas Michael Daniel Bonners Ferry, Idaho	Farmer
Marjorie Ann French Princeton, Idaho	Farmer/Rancher
Ricky Williams Pearson Buhl, Idaho	Farmer
Bryan Lloyd Searle Shelley, Idaho	Chairman of the Board Farmer/Rancher
Howard Scott Steele Idaho Falls, Idaho	Farmer
Fred Steven Burmester Downey, Idaho	Farmer
Richard Keith Durrant Meridian, Idaho	Farmer
Daniel S Garner Clifton, Idaho	Farmer/Rancher
Galen Vaughn Lee New Plymouth, Idaho	Farmer/Rancher
Travis Brent McAfee Howe, Idaho	Farmer/Rancher
Thomas Joseph Mosman Craigmont, Idaho	Farmer/Rancher
Austin Glen Tubbs Malad, Idaho	Rancher

Normally, there are 15 directors, however, Gerald Marchant left the Board in December 2020 prior to year-end reporting, and was replaced by Stephanie Mickelson on February 10, 2021.

The Company's bylaws authorize the Board to establish one or more committees. The establishment of a committee and appointment of members to the committee must be approved by the greater of a majority of all directors in office or those required by the bylaws or the articles of incorporation to take action. As of December 31, 2020, the Company's Board authorized the following committee and members to serve:

Audit Committee

Richard Keith Durrant, Chairman
Galen Vaughn Lee
Travis Brant McAfee
Austin Glen Tubbs
Thomas Michael Daniel
Ricky William Pearson

The Company's bylaws provide for principal officers to consist of an executive vice-president, a secretary, and a treasurer. The following persons served as officers of the Company as of December 31, 2020:

<u>Name</u>	<u>Position</u>
Todd Daniel Argall	Executive Vice President & CEO
Thomas Jason Lyons	Secretary/Vice President of Claims & Legal
Jason Todd Williams	Treasurer
David Jon Acevedo	Vice President of Operations
Charles George McDaniel	Vice President of Sales and Marketing
John Victor Dunlop	Vice President of Underwriting

Holding Company System

The Company is a member of an insurance holding company system, as defined in Section 41-3801, Idaho Code. The Company is the designated "Ultimate Controlling Person" in the holding company system. An organizational chart of the holding company system is as follows:



Contracts and Agreements

The Company had the following agreements in-force with its affiliates as of December 31, 2020:

Management Agreements

The Company is party to management service agreements, effective January 1, 2020, with its affiliates WCIC, Farm Insurance Brokerage Company, Farm Bureau Finance Company, and the subsequently dissolved Farm Bureau Insurance Services Company. The services provided under the various agreements include management, marketing, underwriting, processing, travel, home office rent, employee related expenses, personnel, data processing, equipment, actuarial, secretarial, accounting, collection of premiums, and adjusting and payment of claims. For these services, the Company is paid a management fee in accordance with the respective agreement terms.

The agreement with WCIC also includes a provision for WCIC to pay an additional two percent of its direct written premium for the use of the Company's county office facilities. In this provision, the Company pays, and is reimbursed, for supplies, printing, telephone, postage, insurance, and other similar expenses on a cost basis. The agreement provides for the Company to arrange for excess reinsurance coverage facilities and to provide reinsurance reporting services for WCIC on the business subject to the agreement. The Company and WCIC share the reinsurance costs in proportion to the respective retentions on the business.

Reinsurance Agreement

The Company is party to a reinsurance agreement with WCIC, effective April 1, 2010, whereby the Company assumes one hundred percent of the premium on all direct and assumed lines of business and class groups. In exchange, FBMIC agrees to pay WCIC a ceding commission of thirty-three percent of the direct premium written.

Consolidated Income Tax Allocation Agreement

The Company is party to a consolidated income tax allocation agreement with members of the holding company system, effective April 20, 2009, whereby the parties to the agreement mutually agree to allocate the consolidated federal income tax liability for all years for which the consolidated group has filed or will file a consolidated income tax return by applying the liability method to each member of the group as if it were a separate taxpayer.

The parties made estimated tax payments based on their allocation of federal taxes for the previous years. Settlements of balances due or refunds receivable are determined by subtracting the estimated payments made for the year from the federal tax allocated to each party for that year.

FIDELITY BONDS AND OTHER INSURANCE

The minimum fidelity coverage suggested by the NAIC for an insurer of the Company's size and premium volume is not less than \$1,250,000. As of December 31, 2020, the Company had sufficient fidelity bond coverage subject to a loss limit of \$5,000,000.

The Company is a named insured on a number of other insurance coverages related to commercial property, commercial crime, commercial general liability, professional liability, Director & Officer and employment practices liability, commercial automobile, commercial occurrence excess (umbrella) policy and workers' compensation.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company has a defined benefit pension plan covering substantially all of its employees. Benefits are based on years of service, and the employee's highest average annual compensation during any five of the last ten calendar years. The Company's funding and accounting policies are to contribute annually the maximum amount that can be deducted for federal income tax purposes and to charge such contributions to expenses in the year paid. The total pension contribution for 2020 was \$4,400,000. The amount of pension expense for the year is funded by quarterly contributions to the pension plan. Effective January 1, 2013, the Company adopted Statement of Statutory Accounting Principle No. 102, which requires that any underfunded defined benefit pension obligation, as determined when the projected benefit obligation exceeds the fair value of plan assets, is to be recognized as a liability. The total pension liability for 2020 was \$11,423,552. The company implemented a soft freeze to the pension as of December 31, 2016.

The Company has an optional 401(k) plan providing for both employer and employee contributions. The maximum Company contribution is four hundred dollars per participant per year for employees hired prior to January 1, 2017, and four and a half percent of the annual salary for those hired after January 1, 2017. The Company's expense for 2020 was \$270,521.

An employee thrift plan with no Company participation is available to all employees on an elective basis.

The Company has established a postretirement life and medical insurance plan for its retirees. Employees who have reached the age of fifty-five and have at least ten years of service and were covered by the Company's health insurance plan on the date of retirement are eligible for participation in the plan. The Company pays a certain percentage of the cost of health insurance premiums based on the number of years of service for the period from the date of retirement to the date the retiree is eligible for Medicare benefits. After the retiree becomes eligible for Medicare, the Company reimburses, up to a maximum amount of one hundred dollars, the cost of obtaining a replacement Medicare supplement. The amount reimbursed depends on the number of years of service at retirement.

The Company provides a health care benefit plan for permanent, full-time employees who work more than 30 hours a week. The benefits provided under the plan are self-funded by the Company up to \$25,000. An insurance policy covering benefits in excess of the \$25,000 limit was established with Blue Cross of Idaho, who also provides administrative services for the plan.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2020, the Company was licensed in the State of Idaho to transact the business of farm owners and homeowners multiple peril, private passenger auto liability, auto physical damage, inland marine, allied lines, other liability - occurrence, and fire. It also assumes all business written from WCIC, via a quota share reinsurance agreement, which includes commercial multiple peril and commercial auto liability.

Insurance products are marketed through a captive agency force working from fifty-one county offices overseen by six district managers.

Operations of the Company are conducted from its main administrative office located in Pocatello, Idaho.

GROWTH OF THE COMPANY

The following represents the Company's premium activity and its relationship to surplus over the period of our examination:

	2016	2017	2018	2019	2020
Gross Written Premium	\$199,491,384	\$208,246,575	\$234,171,296	\$245,301,837	\$257,036,817
Policyholder Surplus	\$254,110,795	\$241,013,277	\$230,942,054	\$256,268,982	\$278,611,561
Gross Written Premium to Policyholder Surplus Ratio	79%	86%	101%	96%	92%

The Company's operating performance was unfavorable in 2017 and 2018 due to catastrophes. The losses were primarily attributed to the frequency of severe weather events, including catastrophic hailstorms in April 2018. Operating performance improved in 2019 and 2020. The impact from the COVID-19 shutdown was largely limited to the month of April when the Idaho Governor issued a stay-at-home order. The Company saw a decrease in claims frequency during the month of April.

LOSS EXPERIENCE

The following represents the Company's loss experience and its relationship to net premium income over the period of our examination:

	2016	2017	2018	2019	2020
Net Premium Earned	\$177,934,098	\$192,784,892	\$210,437,267	\$224,117,654	\$238,961,961
Losses Incurred	\$111,386,383	\$155,402,225	\$155,472,258	\$140,746,298	\$153,413,680
Loss Adjustment Expenses (LAE) Incurred	\$14,753,914	\$15,944,411	\$17,703,494	\$15,552,954	\$17,087,718
Total Loss & Loss Adjustment Expenses Incurred	\$126,140,297	\$171,346,636	\$173,175,752	\$156,299,252	\$170,501,398
Total Loss & LAE to Net Premium Earned (Loss Ratio)	71%	89%	82%	70%	71%

As noted above, the Company experienced net losses for 2017 and 2018 due mainly to catastrophic events of hail and winter storm. The losses were under the catastrophic reinsurance threshold.

REINSURANCE

Assumed

The Company entered into a reinsurance agreement with WCIC, effective April 1, 2010, whereby the Company assumes one hundred percent of WCIC's premium on all direct and assumed lines of business and class groups. In exchange, the Company agrees to pay WCIC a ceding commission of thirty three percent of the direct premium.

American Agricultural Insurance Company ("AAIC"), an Indiana company with its administrative office located in Schaumburg, Illinois, was the Company's only assumed reinsurer. AAIC formed various reinsurance pools by combining business ceded to it by the Company, other Farm Bureau companies and other insurance entities. AAIC then retroceded part of the pools to the Company. In addition, AAIC formed other reinsurance pools that did not include business from the Farm Bureau companies. FMBIC participated in two of those pools.

Ceded

The Company ceded its business, including the assumed business from WCIC, through various reinsurance agreements with AAIC. These agreements included an umbrella liability quota share agreement, property aggregate excess agreements, crop hail aggregate excess agreements, property catastrophe agreements and a livestock quota share agreement.

All of the ceded reinsurance agreements contained the clauses and termination provisions suggested in the Handbook. The reinsurance agreements also carried adequate transfer of risk and were in compliance with Statement of Statutory Accounting Principle No. 62R.

ACCOUNTS AND RECORDS

The Company maintains its principal operational office in Pocatello, Idaho.

The Company uses Guidewire Policy Center and Guidewire Billing Center for its policy and billing administration systems using PCs connected to its Local Area Network and Wide Area Network. Guidewire and On Line Information Executive ("OLIE") are used to capture data for policy management, claims management, accounts payable and accounts receivable, etc. Claims data is received from the Guidewire Claims Center application and integrated with the other policy information residing on OLIE. All of this information is then integrated with the SunGard iWorks Enterprise Accounting System general ledger system.

During the examination period, the Company had converted all lines of business except commercial package policies to its policy administration system, Guidewire. Commercial package policies are projected to be on Guidewire by Winter 2022.

The Company prepared its annual statements utilizing the SunGard iWorks statutory software package. The investment portfolio was maintained on Clearwater Analytics Investment Systems. The Company's independent auditors maintained the fixed assets records.

Independent Auditors

The annual independent audits of the Company for the years under examination were performed by Deaton & Company, Chartered, Pocatello, Idaho.

Deaton & Company's workpapers were made available for the examination. The financial statements of each audit report were on a statutory basis. There was some reliance on the 2020 audit report and workpapers in this examination of the Company.

STATUTORY DEPOSITS

Pursuant to Section 41-316A, Idaho Code, the Company is required to maintain a deposit in an amount equal to the minimum capital for a stock insurer as required in Section 41-313, Idaho Code. The Company's minimum capital requirement was \$1,000,000 at December 31, 2020. The examination confirmed the Company maintained a statutory deposit with the State of Idaho

consisting of two securities with a total par value of \$1,500,000, which is adequate to cover the required deposit.

The special deposits maintained by or through regulatory agencies on the policyholder's behalf as of December 31, 2020, were as follows:

Description	Par Value	Statement Value	Fair Value
Annapolis MD WTR and SWE SYS REV Due 08/01/2040	\$1,000,000	\$1,030,733	\$1,135,400
Macomb County MI Due 11/01/2035	500,000	507,028	589,535
	<u>\$1,500,000</u>	<u>\$1,537,761</u>	<u>\$1,724,935</u>

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2020. The accompanying comments on financial statements reflect any material examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

Balance Sheet

ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$307,030,063		\$307,030,063
Stocks			
Preferred stocks	1,758,395		1,758,395
Common stocks	115,409,426		115,409,426
Real estate			
Properties occupied by the company	9,888,124		9,888,124
Properties held for the production of income	2,028,817		2,028,817
Cash, cash equivalents and short-term investments	7,629,370		7,629,370
Other invested assets	19,624,915		19,624,915
Subtotals, cash and invested assets	\$463,369,110		\$463,369,110
Investment income due and accrued	3,356,042		3,356,042
Premiums and considerations			
Uncollected premiums and agents' balances in the course of collection	18,429,880	149,087	18,280,793
Deferred premiums, agents' balances and installments booked but deferred and not yet due	56,860,787		56,860,787
Reinsurance			
Amounts recoverable from reinsurers	87,656		87,656
Net deferred tax asset	7,679,883		7,679,883
Electronic data processing equipment and software	1,489,560		1,489,560
Furniture and equipment, including health care delivery assets	6,262,396	729,350	5,533,046
Receivables from parent, subsidiaries and affiliates	1,290,845		1,290,845
Aggregate write-ins for other than invested assets	4,779,650	3,889,720	889,930
Total	\$563,605,809	\$4,768,157	\$558,837,652

Balance Sheet

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	\$93,649,134
Reinsurance payable on paid losses and loss adjustment expenses	65,589
Loss adjustment expenses	16,963,980
Commissions payable, contingent commissions and other similar charges	13,743,448
Other expenses	15,140,827
Taxes, licenses and fees	474,692
Current federal and foreign income taxes	1,457,922
Unearned premiums	121,343,696
Ceded reinsurance premiums payable	2,847,785
Funds held by company under reinsurance treaties	90,788
Amounts withheld or retained by company for account of others	53,199
Drafts outstanding	1,869,048
Payable to parent, subsidiaries and affiliates	55,500
Aggregate write-ins for liabilities	12,470,481
Total	<u>\$280,226,089</u>
Unassigned funds (surplus)	<u>278,611,561</u>
Surplus as regard policyholders	<u>278,611,561</u>
Total liabilities, surplus and other funds	<u>\$558,837,650</u>

Statement of Income

UNDERWRITING INCOME

Premiums earned	\$238,961,961
DEDUCTIONS	
Losses incurred	153,413,680
Loss adjustment expenses incurred	17,087,718
Other underwriting expenses incurred	65,294,832
Total underwriting deductions	<u>235,796,230</u>
Net underwriting gain or (loss)	<u>3,165,731</u>

INVESTMENT INCOME

Net investment income earned	11,642,145
Net realized capital gains (losses) less capital gains tax	13,197,306
Net investment gain or (loss)	<u>24,839,451</u>

OTHER INCOME

Net gain or (loss) from agents' or premium balances charged off	(231,415)
Finance and service charges not included in premiums	158,012
Aggregate write-ins for miscellaneous income	121,518
Total other income	<u>48,115</u>
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign taxes	<u>28,053,297</u>
Federal and foreign income taxes incurred	(1,301,903)
Net income	<u>\$29,355,199</u>

Reconciliation of Capital and Surplus

	2020	2019	2018	2017	2016
Surplus as regards policyholders, December 31, prior year	\$256,268,982	\$230,942,054	\$241,013,227	\$254,110,795	\$238,461,161
Net income	29,355,199	20,985,445	(20,897,990)	(13,624,685)	13,008,056
Change in net unrealized capital gains or (losses) less capital gains tax	(10,592,225)	(197,751)	(1,110,632)	8,660,104	8,836,677
Change in net deferred income tax	(2,169,137)	(5,165,789)	5,499,871	(3,435,785)	1,973,378
Change in nonadmitted assets	1,976,136	6,089,897	9,920,435	(4,609,554)	(4,807,767)
Surplus adjustments:					
Transfers from capital	3,033,457	0	0	0	0
Aggregate write-ins for gains and losses in surplus	739,149	3,615,126	(3,482,856)	(87,649)	(3,360,709)
Change in surplus as regards policyholders for the year	22,342,579	25,326,928	(10,071,173)	(13,097,569)	15,649,634
Surplus as regards policyholders, December 31, current year	\$278,611,561	\$256,268,982	\$230,942,054	\$241,013,227	\$254,110,795

Analysis of Changes in Financial Statements Resulting from Examination
There were not any adjustments to surplus resulting from the examination.

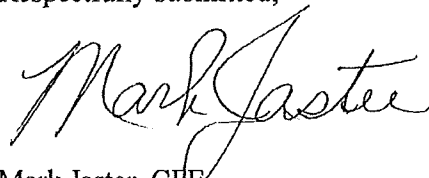
SUMMARY OF RECOMMENDATIONS

Our examination did not disclose any material adverse findings or any adjustments that impacted the Company's reported capital and surplus or required any recommendations.

ACKNOWLEDGEMENT

Mr. Glenn Tobleman, FSA, FCAS, MAAA, with Lewis & Ellis, Inc. performed the actuarial phases of the examination. Jenny L. Jeffers, CISA, AES, and Joanna J. Latham, CPA, CFE, CISA, CRISC, of Jennan Enterprises, LLC performed the Information Systems review. In addition to the undersigned, Phillip Judge, CFE, and Kelly Willison, CFE, of The INS Companies participated in the examination. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers, employees, and representatives of the Company.

Respectfully submitted,

A handwritten signature in cursive script that reads "Mark Jaster".

Mark Jaster, CFE
Examiner-in-Charge
Representing the Idaho Department of
Insurance

A handwritten signature in cursive script that reads "Jessie L. Adamson".

Jessie L. Adamson, CFE
Deputy Chief Examiner
Idaho Department of Insurance

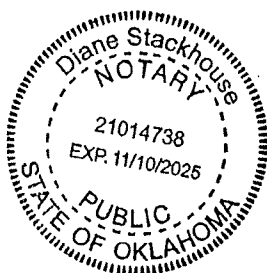
AFFIDAVIT OF EXAMINER

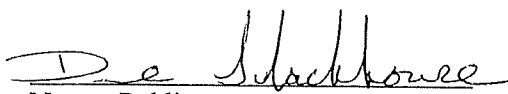
Oklahoma
Oklahoma County

Mark Jaster, being duly sworn, deposes and says that they are a duly appointed Examiner for the Department of Insurance of the State of Idaho, that they have made an examination of the affairs and financial condition of Farm Bureau Mutual Insurance Company of Idaho for the period January 1, 2016 through December 31, 2020, that the information contained in the report consisting of the foregoing pages is true and correct to the best of their knowledge and belief; and that any conclusions and recommendations contained in this report are based on the facts disclosed in the information.


Mark Jaster, CFE
The INS Companies
On behalf of Idaho Department of Insurance

Subscribe and sworn to before me the 14th day of March, 2022, at OKC (City),
OK (State).



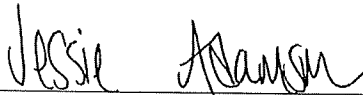

Notary Public

My Commission Expires: 11/10/2025

AFFIDAVIT OF EXAMINER

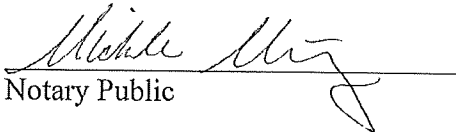
Idaho
Ada

Jessie L. Adamson, being duly sworn, deposes and says that they are a duly appointed Examiner for the Department of Insurance of the State of Idaho, that they have made an examination of the affairs and financial condition of Farm Bureau Mutual Insurance Company of Idaho for the period January 1, 2016 through December 31, 2020, that the information contained in the report consisting of the foregoing pages is true and correct to the best of their knowledge and belief; and that any conclusions and recommendations contained in this report are based on the facts disclosed in the information.



Jessie L. Adamson, CFE
Deputy Chief Examiner
Idaho Department of Insurance

Subscribe and sworn to before me the 14th day of March, 2022, at Boise (City),
ID (State).


Notary Public

MICHELE MUÑOZ
COMMISSION #20211631
NOTARY PUBLIC
STATE OF IDAHO

My Commission Expires: 03-30-2027