

REPORT OF
EXAMINATION

Mountain West Farm Bureau Mutual Insurance Company

AS OF
DECEMBER 31, 2014



STATE OF WYOMING
DEPARTMENT OF INSURANCE
CHEYENNE, WYOMING

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SALUTATION
Cheyenne, Wyoming
February 12, 2016

The Honorable Tom Glause
Insurance Commissioner
State of Wyoming
106 East 6th Avenue
Cheyenne, WY 82002

Dear Commissioner:

Pursuant to your instructions and in compliance with the provisions of the Wyoming Insurance Code and the rules and regulations promulgated by the National Association of Insurance Commissioners, hereinafter called "NAIC," an examination was made as of December 31, 2014, of the financial condition, management, and affairs of

MOUNTAIN WEST FARM BUREAU MUTUAL INSURANCE COMPANY

hereinafter referred to as the "Company," at its home office located at 931 Boulder Drive, Laramie, Wyoming. The following report of the examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

We have performed our multi-state examination of the Company. The last examination covered the period of January 1, 2008 through December 31, 2010. The current examination covers the period of January 1, 2011 through December 31, 2014.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook*. 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 is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in Wyoming Statute § 26-2-116 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

Previous Examination

All recommendations made in the prior report of examination have been adequately addressed by the Company.

Current Examination

There were no significant findings to report in the current examination. There were no adjustments made to the Annual Statement based on this examination.

COMPANY HISTORY

The Company has been located in Laramie, Wyoming, for its entire existence. The Company, formerly known as Wyoming Farm Bureau Mutual Insurance Company, was formed from the consolidation of Agricultural Indemnity Company of Wyoming and Agricultural Insurance Company of Wyoming, both stock companies, in 1956. At the time of the merger, the Company converted to mutual form. The current Company name was adopted in 1972.

The Company was originally formed to serve the specific insurance needs of the agricultural community. While non-agricultural risks are underwritten by the Company, agricultural interests still dominate it. These interests result in the Company being associated with a network of farm bureau organizations. These farm bureaus consist of associations of farmers and ranchers who have common interests and concerns. Individuals join county farm bureaus, which are, in turn, associated with state farm bureaus. Finally, the American Farm Bureau Federation represents the mutual concerns of these various state farm bureaus.

MANAGEMENT AND CONTROL

Control of the Company rests with its board of directors, which is elected by the Company's policyholders. The only persons eligible to be directors are the members of the boards of directors of the Wyoming and Montana Farm Bureau Federations. The directors of the Federations are elected by their respective memberships. As of December 31, 2014, the following directors were holding office:

Kevin Baars	Ken Johnson
Ed Bandel	Ronda Johnston
Justin Ellis	Perry Livingston
Todd Fornstrom	Hans McPherson
David Garber	Tim Pexton
Robert Hanson	Glen Reed

The president of the Company appoints the directors to various committees. The board committees are made up of the budget, investment, audit, executive, and compensation and benefits committees. There is also a corporate governance task force.

The following were the officers of the Company as of December 31, 2014:

President – Perry Livingston
Vice President – Robert Hanson
Secretary – Ken Hamilton
Chief Executive Officer – Jim Geesey
CFO/Treasurer – Dave Perdue
Assistant Secretary – Dan Bleak
Assistant Treasurer – Jeff Suloff

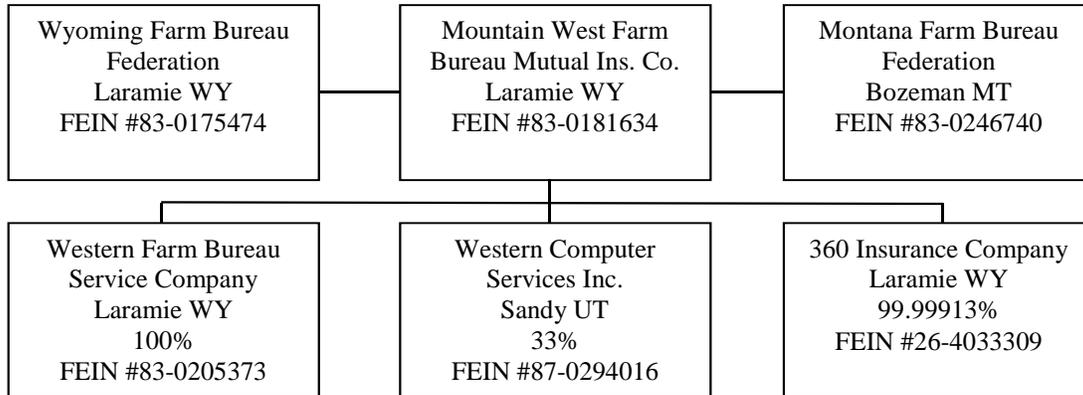
The daily operations of the Company are managed by Jim Geesey, Chief Executive Officer. Mr. Geesey is appointed by the board of directors.

Corporate Records

The minutes of the annual policyholders' meetings and meetings of the board of directors were reviewed in detail. In addition, the minutes of the budget, investment, audit, executive, compensation and benefits committees, and the corporate governance task force were reviewed. No compliance issues were noted during the review.

Holding Company Structure

Organizational Chart



The Company is a member of an insurance holding company system as defined in the Wyoming Statutes, Title 26, Chapter 44. The Company submits an annual Registration Statement in accordance with Wyoming Statute § 26-44-104.

Western Computer Services, Inc. (WC) is a 33 percent owned subsidiary located in Sandy, Utah, which provides electronic data processing services to the Company. The agreement governing the services rendered to the Company is a cost reimbursement agreement. The Company filed the appropriate Form D with the Wyoming Department of Insurance for this agreement. Beginning on January 1, 2010, the Company also assumed the administrative management of WC pursuant to a management services agreement that was approved by the Department in a Form D filing.

Western Farm Bureau Service Company (WFBSC) is a wholly-owned Wyoming subsidiary. Business activities include: leasing of property and equipment primarily to the Company; financing purchases of real estate and personal property; providing savings accounts; and investing in corporate bonds and stock. WFBSC is licensed as a supervised lender by the Wyoming Department of Audit, Division of Banking.

360 Insurance Company (360) is an insurance company subsidiary that the Company formed in 2009. 360 was issued a Certificate of Authority by the Wyoming Department of Insurance on September 11, 2009. The Company owns 99.99913 percent of the common stock of 360 and its board of directors own the remainder of the shares as required by W.S. §26-24-121. There is a management service agreement between the Company and 360 where the charges for telephone, director's fees, management fees, supplies, equipment and legal costs are shared. Costs are allocated based on the percentage of the invested assets of 360 versus the invested assets of the Company. Rent is also charged to 360 based on the floor space multiplied by the average rate in the Laramie area. The agreement provides that 360 reimburse the Company on a quarterly

basis. In addition, 360 cedes business to the Company through a quota share reinsurance agreement.

The Company also maintains long-term business relationships with various entities which also have farm bureau associations. These companies are associated with the Company through the farm bureau network, but are not affiliates of the Company as defined in the Insurance Holding Company System Regulatory Act. The Company has reinsurance agreements with American Agricultural Insurance Company and Western Agricultural Insurance Company. In addition, the Company has an investment management agreement with FBL Investment Management Services.

TERRITORY AND PLAN OF OPERATION

The Company is authorized as a multi-line property and casualty insurer in the State of Wyoming. The Company is also licensed to write property, casualty (including workers' compensation), marine, surety, disability and credit disability insurance in the State of Montana. Additionally, the Company is authorized to write property, casualty (without workers' compensation), and vehicle insurance in the State of Arizona.

The Company markets its products through exclusive agents who are independent contractors. The Company has focused its marketing on rural dwellings in the past, however, it also writes some business and commercial policies as well. No new lines of business are proposed at this time.

The Company directly writes sub-standard auto business on risks located in the State of Arizona. This business is serviced by Western Agricultural Insurance Company (WA) and is assumed 100 percent by WA (see the "Reinsurance" section).

Revenues are generated by line of business in the following percentages for 2014:

Line of business*	+Wyoming	+Montana	+Arizona	Grand Total
Farmowners multiple peril	18	17		17
Homeowners multiple peril	28	25		27
Commercial multiple peril	9	9		9
Private passenger auto liability	18	25	71	21
Private passenger auto physical damage	22	19	29	20
All other lines **	5	5		6
Totals	100	100	100	100

* All figures are per the December 31, 2014, Annual Statement.

** Fire, other liability, other commercial auto liability, and commercial auto physical damage.

+ Percentages in each column are calculated using direct premiums written by state.

Due to significant, weather-related losses, the Company's surplus decreased by \$16,320,768 during the four-year examination period from \$160,422,223 at the beginning of 2011 to \$144,101,455 as of December 31, 2014. The Company's reported direct premiums written have grown from \$142,464,075 in 2011 to \$180,432,708 in 2014.

REINSURANCE

Reinsurance is assumed from pools administered by American Agricultural Insurance Company (AA). The Company also assumes business from its subsidiary, 360 Insurance Company (360), through a quota share agreement.

The following table presents 2014 data.

Ceding Company	Premium Assumed
AA Pools	\$4,339,776
360 Quota Share Agreement	2,805,820
Total	<u>\$7,145,596</u>

Reinsurance is ceded to AA and a group of companies brokered by Willis Re as shown in the following table.

Reinsurer	Premium Ceded
AA – Property Per Risk	8,385,470
AA – Casualty Excess of Loss	1,141,728
AA – Umbrella	3,455,255
AA – Facultative	37,403
Willis Re * – Property Catastrophe	13,493,194
Factory Mutual – Boiler and Machinery	499,434
WA **	287,015
Total	<u>\$27,299,499</u>

* Willis Re is acting as a reinsurance intermediary broker.

** As described above, the Company cedes 100 percent of its sub-standard auto business written on Arizona risks to WA.

AGI Services, the Department's consulting actuary, reviewed the reinsurance agreements for proper risk transfer. No exceptions were noted.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Wyoming Department of Insurance and present the financial condition of the Company for the period ending December 31, 2014. Some minor rounding changes were added in order for the financial statements to balance.

Mountain West Farm Bureau Mutual Insurance Company
Statement of Assets, Liabilities, Surplus and Other Funds
as of December 31, 2014

ASSETS	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$220,368,875		\$220,368,875
Stocks – preferred	4,727,624		4,727,624
Stocks – common	77,473,264	1,910,373	75,562,891
Real estate occupied by the company	4,015,216		4,015,216
Properties held for the production of income	2,374,191		2,374,191
Properties held for sale	265,670		265,670
Cash, cash equivalents, and short-term investments	(847,008)		(847,008)
Other invested assets	5,653,500		5,653,500
Receivable for securities	17,108		17,108
Subtotal – cash and invested assets	314,048,440	1,910,373	312,138,067
Investment income due and accrued	1,936,604		1,936,604
Uncollected premiums and agents’ balances in course of collection	36,944,179	125,176	36,819,003
Amounts recoverable from reinsurers	1,710,732		1,710,732
Net deferred tax asset	29,276,778	15,900,902	13,375,876
Aggregate write-ins for other than invested assets	4,261,572	622	4,260,950
Total – all assets	\$388,178,305	\$17,937,073	\$370,241,232

LIABILITIES & SURPLUS			
Losses			\$85,495,143
Loss adjustment expenses			16,100,000
Commissions payable, contingent commissions and other charges			2,403,863
Other expenses			13,355,176
Taxes, licenses and fees			626,361
Unearned premiums			88,668,607
Advance premiums			5,309,083
Ceded reinsurance premiums payable			1,801,332
Funds held by company under reinsurance treaties			7,376
Aggregate write-ins for liabilities			12,372,840
Rounding			(4)
Total liabilities			226,139,777
SURPLUS			
Unassigned funds (surplus)			144,101,455
Surplus as regards policyholders			144,101,455
Total liabilities & surplus			\$370,241,232

Mountain West Farm Bureau Mutual Insurance Company
Statement of Operations
for the Year Ending December 31, 2014

<u>Underwriting Income (Loss)</u>		
Premiums earned		\$152,553,748
Losses incurred		113,344,416
Loss adjustment expenses incurred		17,833,579
Other underwriting expenses incurred		37,969,729
Total underwriting deductions		169,147,724
	Net underwriting gain (loss)	(16,593,976)
<u>Investment Income</u>		
Net investment income earned		7,319,022
Net realized capital gains (losses)		4,203,759
	Net investment gain	11,522,781
<u>Other Income</u>		
Net gain (loss) from agents' or premium balances charged-off		(129,601)
Finance and service charges		878,345
	Total other income	748,744
Net income (loss) before federal and foreign income taxes		(4,322,451)
Federal and foreign income taxes		(4,787,815)
	Net income	\$465,364

Mountain West Farm Bureau Mutual Insurance Company
Reconciliation of Surplus
January 1, 2011 through December 31, 2014

	*****As Reported and Filed by the Company*****			
	2011	2012	2013	2014
Surplus, December 31, of previous year	\$160,422,223	\$150,866,539	\$161,436,789	\$140,804,459
Net income (loss)	(10,748,642)	11,025,380	(22,205,557)	465,364
Change in net unrealized capital gains or (losses)	2,623,937	(2,547,304)	5,924,293	2,349,890
Change in net deferred income tax	10,154,027	2,580,209	(4,000,241)	(1,598,714)
Change in nonadmitted assets	(1,720,504)	(488,034)	(350,825)	2,080,457
Aggregate write-ins for gains and losses in surplus	(9,864,503)			
Net change in surplus	(9,555,685)	10,570,251	(20,632,330)	3,296,997
Rounding	1	(1)		(1)
Surplus, December 31, of current year	\$150,866,539	\$161,436,789	\$140,804,459	\$144,101,455

SUBSEQUENT EVENTS

As of January 1, 2016, the quota share reinsurance agreement between the Company and its subsidiary, 360 Insurance Company, was terminated.

CONCLUSION

Jeff Braunschweig, Doug Melvin and Katy Cotton, examiners for the Wyoming Department of Insurance, participated in the examination. Review of the Company's reserves was conducted by Alan Kaliski, FCAS, MAAA, of the firm AGI Services.

Appreciation is expressed for the cooperation and assistance extended by the officers and employees of the Company during the course of the examination.

I, the undersigned, hereby certify that an examination has been made of **MOUNTAIN WEST FARM BUREAU MUTUAL INSURANCE COMPANY**, and the preceding report is true and correct to the best of my knowledge and information.

Respectfully submitted,

Jeff Braunschweig, CPA, CFE
Examiner In-Charge
Senior Examiner
Department of Insurance
State of Wyoming

This report has been reviewed and is true and correct to the best of my knowledge and information.

Linda Johnson, CPA, CFE
Chief Financial Examiner
Department of Insurance
State of Wyoming

The foregoing instrument was acknowledged under oath before me this _____ day of March, 2016.

Witness my hand and official seal.

Notary Public

My Commission Expires: _____