

MARKET CONDUCT
EXAMINATION REPORT OF
FARM BUREAU PROPERTY & CASUALTY INSURANCE COMPANY
WEST DES MOINES, IOWA
AS OF DECEMBER 31, 2017

Des Moines, Iowa
May 1, 2019

HONORABLE DOUG OMMEN
Commissioner of Insurance
State of Iowa
Des Moines, Iowa

Commissioner:

In accordance with your authorization and pursuant to Iowa statutory provisions, a risk-focused market conduct examination has been made of the business practices of

FARM BUREAU PROPERTY & CASUALTY INSURANCE COMPANY

WEST DES MOINES, IOWA

AS OF DECEMBER 31, 2017

at its Home Office, 5400 University Avenue, West Des Moines, Iowa.

INTRODUCTION

This examination report, containing applicable comments, explanations and findings, is presented herein. In general, this is a report by exception. Comments regarding practices and procedures reviewed during the examination have been omitted from the report if no improprieties were found. Farm Bureau Property & Casualty Insurance Company, hereinafter referred to as the "Company", was last examined as of December 31, 2012. The examination reported herein was conducted solely by the Iowa Insurance Division.

The Company's subsidiary, Western Agricultural Insurance Company (WAIC), was examined concurrently with this examination.

SCOPE OF EXAMINATION

This risk-focused, market conduct examination covers the period from January 1, 2013 through December 31, 2017. A risk-focused examination reviews and evaluates the insurer's business processes and controls related to statutory compliance and unfair trade practices.

INSURANCE HOLDING COMPANY SYSTEM

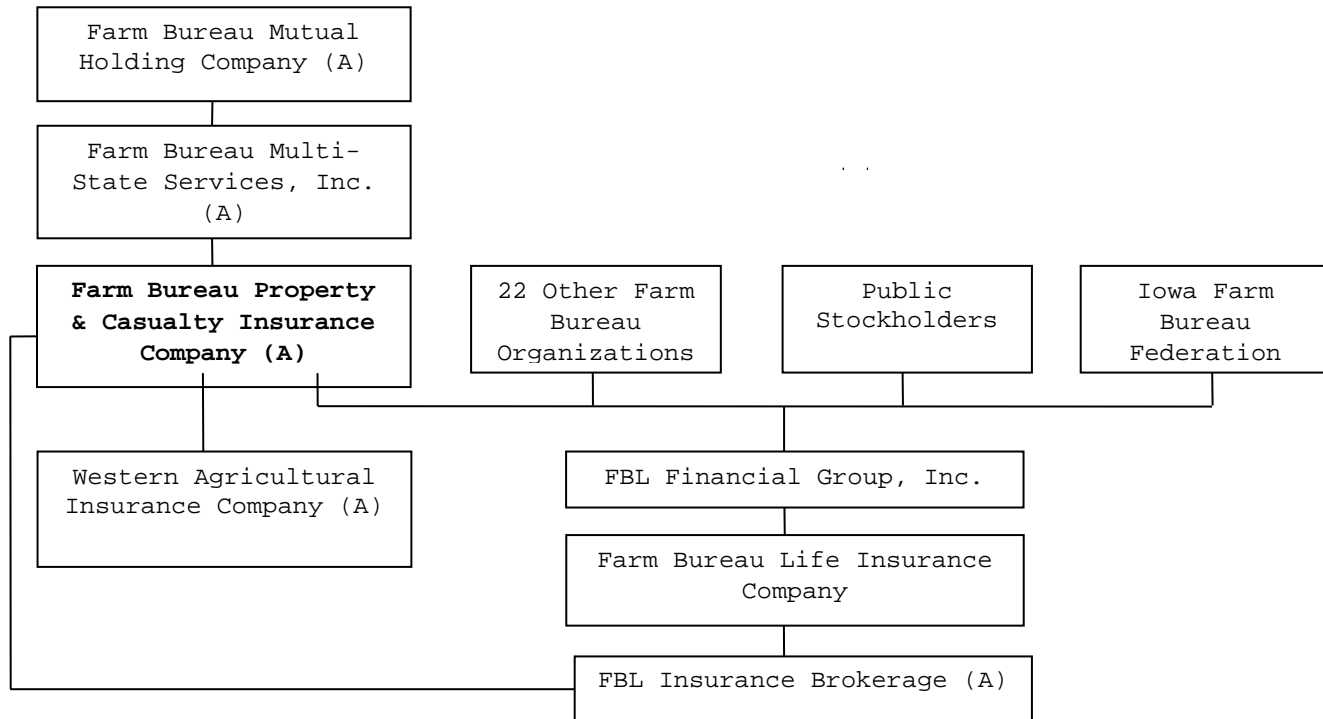
The Company is a member of an Insurance Holding Company System as defined by Chapter 521A, Code of Iowa. Effective January 1, 2010, Farm Bureau Mutual Holding Company (FBMHC), a mutual holding company, and Farm Bureau Multi-State Services, Inc., an intermediate holding company, were formed. FBMHC owns all of the shares of Farm Bureau Multi-State Services, Inc., which owns all of the shares of the Company. The Company is controlled by the Iowa Farm Bureau Federation by virtue of the fact that the Company is managed by FBL Financial Group, Inc. under a management agreement. The Iowa Farm Bureau Federation owns 72 percent of the voting stock of FBL Financial Group, Inc., having the ability to control the Company.

The Company owns a non-controlling interest in FBL Financial Group, Inc. The Company owns Class A and Class B shares with a total carrying value of \$10.7 million at December 31, 2017.

The Company owns 1,403,200 common stock shares of WAIC (domiciled in Iowa) which equates to an ownership percentage of 99.92 percent, with other Farm Bureau organizations owning the remaining outstanding shares.

The Company also owns an 80 percent interest in FBL Insurance Brokerage, LLC.

Partial Organizational Chart



(A) Managed by FBL Financial Group, Inc.

TERRITORY AND PLAN OF OPERATION

The Company serves Farm Bureau member farmers, ranchers and agriculture-affiliated individuals and businesses in rural, suburban, and small metropolitan areas in its eight core Midwest and Western states. The Company operates solely as a property and casualty insurance company and markets personal and commercial lines of insurance products to Farm Bureau members in Arizona, Iowa, Kansas, Minnesota, Nebraska, New Mexico, South Dakota, and Utah. The Company is also licensed in Missouri, but did not write any business in that state. Private passenger automobile, homeowners, and farm owners lines comprise 89 percent of the direct premium volume. Direct premiums totaled \$1.2 billion in 2017.

The Company serves their customers through a mix of personal lines, agriculture, and other commercial lines. The primary personal lines product is a package policy, Farm Bureau Members Choice, offering several coverages under a single policy with a single premium and deductible. In addition, the Company's focus is on providing products for the agricultural market supported by AgMax products and various crop insurance products.

The Company utilizes an eight state distribution channel with approximately 50 agency managers and 1,127 captive agents. The captive agency force sells multi-line property and casualty, and cross sells life, and other supporting insurance products through various affiliates. Distribution is ultimately managed by FBL via Regional State Vice Presidents who are responsible for both property and casualty and affiliate product distribution. The agencies and the renewal book are owned by the property and casualty companies.

RISK FOCUSED PROCEDURES

The risk-focused exam reviews the Company's internal policies procedures, and control structures for compliance with applicable Iowa statutes and administrative rules. The exam then focuses on the Company's compliance with those policies, procedures, and control structures. The following areas of operations were reviewed as a part of the risk-focused exam process:

Complaints - This portion of the exam is designed to determine how the regulated entity treats individuals who have filed complaints with the Company and whether that treatment is in compliance with applicable statutes and regulations. A complaint is any written communication that expresses dissatisfaction with a specific person or entity subject to regulation under the state's insurance laws.

The Examiners reviewed the complaint register and complaint handling procedures. The Company's complaint register and procedures were found to be in compliance with applicable statutes and regulations.

Marketing and Sales - This portion of the examination is designed to evaluate the representations made by the regulated entity about its product(s) and sales practices to ensure the regulated entity is in compliance with applicable statutes and regulations.

The Company reviews internally and externally developed advertising materials. The Company provided a list of all advertising developed during the examination period, which was found to be in compliance with state statutes and regulations.

Producer Licensing - This portion of the examination is designed to test a regulated entity's compliance with producer licensing statutes and regulations.

The Examiners reviewed the Company's onboarding, training, licensing, and termination procedures. These procedures were found to be in compliance with state statutes and regulations.

Policyholder Services - The policyholder service portion of the examination is designed to evaluate a regulated entity's compliance with statutes and regulations regarding policy issuance/cancellation, premium notice/billing/refund, consumer inquiry delays/no response and coverage questions.

The Examiners reviewed the Company's procedures for quality assurance reviews over customer service. These procedures were found to be in compliance with state statutes and regulations.

Claim Practices - The claims portion of the examination is designed to determine how the regulated entity treats claimants and whether that treatment is in compliance with applicable statutes and regulations.

The Examiners reviewed the Company's claim handling procedures. The procedures were in compliance with applicable statutes and regulations.

Underwriting Practices - The underwriting portion of the examination is designed to provide a view of how the regulated entity treats the public and whether that treatment is in compliance with applicable statutes and regulations.

The Examiners reviewed the Company's procedures relating to underwriting. The procedures were in compliance with applicable statutes and regulations.

CONCLUSION

The cooperation and assistance extended by the officers and employees of the Company during the course of this examination is hereby acknowledged.

In addition to the undersigned, Bouavan Kha, Jan Jones, and Kathi Madsen, examiners for the Iowa Insurance Division, participated in the examination and the preparation of this report.

Respectfully submitted,

/s/ Lindsay Bates
Lindsay Bates, MCM, CFE
Insurance Examiner Market Specialist
Iowa Insurance Division
State of Iowa