EXAMINATION REPORT
on
VIRGINIA FARM BUREAU MUTUAL INSURANCE COMPANY
Richmond, Virginia
as of
December 31, 2017

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

COMMONWEALTH OF VIRGINIA

SCOTT A. WHITE
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

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I, Scott A. White, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of Virginia Farm Bureau Mutual Insurance Company as of December 31, 2017, is a true copy of the original report on file with this Bureau.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed to the original the seal of the Bureau at the City of Richmond, Virginia this 22nd day of January 2019

Scott A. White
Commissioner of Insurance

(SEAL)

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October 15, 2018
Richmond, Virginia

Honorable Scott A White
Commissioner of Insurance
Commonwealth of Virginia
Richmond, Virginia

Dear Sir:

Pursuant to your instructions and in accordance with the requirements of § 38.2-1317 of the Code of Virginia, an examination of the affairs and financial condition of the

VIRGINIA FARM BUREAU MUTUAL INSURANCE COMPANY

Richmond, Virginia

hereinafter referred to as the Company, has been completed. The report thereon is submitted for your consideration.

SCOPE OF THE EXAMINATION

The Company was last examined by representatives of the State Corporation Commission's Bureau of Insurance (Bureau) as of December 31, 2014. This examination covers the period from January 1, 2015 through December 31, 2017.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that the Bureau plan and perform the examination to evaluate the Company's 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.

The examination was conducted by the Bureau on a coordinated basis, with the Commonwealth of Virginia as the NAIC lead state. The examination of the Corporation was conducted concurrently with the examination of the following insurers:

Insurer	**Domiciliary Sate**
Virginia Farm Bureau Fire and Casualty Insurance Company	Virginia
Virginia Farm Bureau Town and Country Insurance Company	Virginia
Countryway Insurance Company	New York

The services of Merlinos & Associates, Inc. were employed to provide an actuarial analysis as to the reasonableness of the Company's loss and loss adjustment expense reserves as of December 31, 2017.

This examination report includes significant 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 (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

HISTORY

The Company is a mutual property and casualty insurer. The Company was granted a charter by the Virginia State Corporation Commission (Commission) on November 28, 1949, and commenced business on September 15, 1950. The Company was organized without capital stock and is not for profit. According to the charter, the purpose for which the Company was formed, in part, is as follows:

> To engage in and conduct the business of a mutual insurance company, and to that end to issue insurance policies as may be permitted by the laws of Virginia...

On August 10, 1994, the Company transferred $4,500,000 in cash to Virginia Farm Bureau Town and Country Insurance Company (VFBTCIC) in exchange for all outstanding shares of common capital stock of VFBTCIC. On October 31, 1994, the Company transferred $953,620 in cash, 100% of the common capital stock of VFBTCIC and 100% of the common capital stock of Virginia Farm Bureau Fire and Casualty Insurance Company (VFBFCIC) to Farm Bureau Holdings of Virginia, Inc. (Holdings) in exchange for 100% of the common capital stock of Holdings.

On May 11, 2011, the Company purchased 100% of the outstanding stock of Countryway Insurance Company (Countryway), a New York domestic, from United Farm Family Mutual Insurance Company, an Indiana insurer. Countryway is licensed in 17 states and sells both personal and commercial products. The transaction was accounted for as a statutory purchase. The cost of the acquisition was $25,433,106, resulting in goodwill of $5,805,106, to be amortized over ten years. Per terms of the stock purchase agreement, the cost of the acquisition was reduced to $24,262,593 in 2012 and the resulting goodwill was reduced to $4,634,593. Goodwill amortization for 2017 was $463,459.

On December 27, 2011, the Company issued a surplus note in the amount of $30,000,000 to SFBLIC in exchange for cash. The Company may only pay principal and interest with the prior approval of the Bureau and only to the extent that the Company has sufficient policyholders' surplus to make such payment.

During the period of the examination, the following principal and interest payments were made on the outstanding surplus note to SFBLIC:

	Principal	Interest
2015	$10,000,000	$1,409,315
2016	$5,000,000	$1,000,000
2017	$10,000,000	$1,125,000

As of December 31, 2017, a balance of $5,000,000 remained on the surplus note.

MANAGEMENT AND CONTROL

The bylaws of the Company provide for its affairs to be managed by a Board of Directors consisting of one or more individuals, but the number of directors shall be the same as the number of elected directors of Virginia Farm Bureau Federation (Federation). None of the members of the Board of Directors need be a member or policyholder of the Company, but all must be members of the Board of Directors of the Federation. A majority of the members of the board shall constitute a quorum for the transaction of business.

The bylaws also provide that the Company's officers shall be a president, first vice president, executive vice president, secretary and a treasurer, and may include one or more vice presidents and such other officers as the board may deem necessary. Any two or more offices may be held by the same person except the offices of president and secretary.

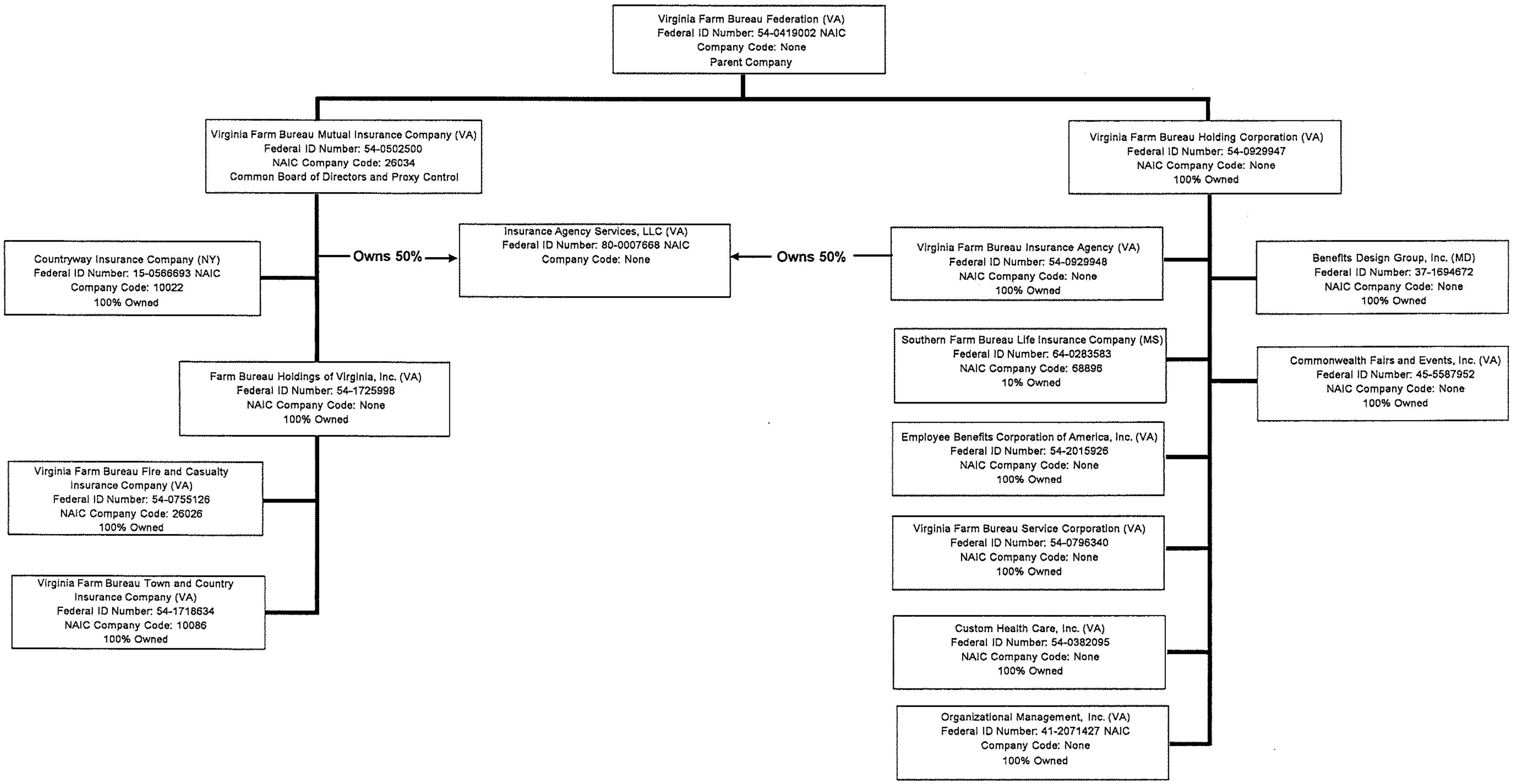
At December 31, 2017, the directors and officers of the Company were as follows:

Directors	Business or Affiliation	County of Residence
Wayne F. Pryor	Farmer/President of the Company	Goochland
Emily F. Edmondson	Farmer	Tazewell
Marvin L. Everett	Farmer	Southampton
Thomas E. Graves, Jr.	Farmer	Orange
David L. Hickman	Farmer	Accomack
Alice F. Hundley	Secretary	Essex
Jordan M. Jenkins, Jr.	Farmer	Lunenburg
Mindy L. McCroskey	Teacher	Washington
Gordon R. Metz, Jr.	Farmer	Henry
Robert J. Mills, Jr.	Farmer	Pittsylvania
William F. Osl, Jr.	Farmer	Cumberland
Chapman L. H. Pemberton	Farmer	Hanover
Scott E. Sink	Farmer	Montgomery
Bruce N. Stanger	Farmer	Montgomery
Richard L. Sutherland	Farmer	Grayson
Peter A. Truban	Farmer	Shenandoah
William E. Walton	Farmer	Middlesex
Russell L. Williams II	Farmer	Rockbridge

Officers	Title
Wayne F. Pryor	President, Administrative Officer and Chief Executive Officer
Darlene P. Wells	Executive Vice President and General Manager
Scott E. Sink	First Vice President
Jonathan S. Shouse	Secretary
Robert F. Brown	Senior Vice President of Product Development and Actuarial
Diane Hudobenko	Senior Vice President of Human Resources
David A. Priddy	Senior Vice President of Accounting and Business Services and Treasurer
G. Christopher Kern	Assistant Treasurer

The Company is a member of a holding company system as defined by the Code of Virginia. The Company is controlled by the Federation by means of a common board of directors and through proxy control. The Company owns 100% of the outstanding shares of Holdings, which owns all of the outstanding shares of VFBFCIC and VFBTCIC. The Company also owns 100% of the outstanding shares of Countryway. Virginia Farm Bureau Holding Corporation owns 10% of SFBLIC, thereby making SFBLIC a member of the holding company.

The following organizational chart illustrates this relationship at December 31, 2017:


Virginia Farm Bureau Federation (VA) Federal ID Number: 54-0419002 NAIC Company Code: None Parent Company
Virginia Farm Bureau Mutual Insurance Company (VA) Federal ID Number: 54-0502500 NAIC Company Code: 26034 Common Board of Directors and Proxy Control
Virginia Farm Bureau Holding Corporation (VA) Federal ID Number: 54-0929947 NAIC Company Code: None 100% Owned
Countryway Insurance Company (NY) Federal ID Number: 15-0566693 NAIC Company Code: 10022 100% Owned
Owns 50%
Insurance Agency Services, LLC (VA) Federal ID Number: 80-0007668 NAIC Company Code: None
Owns 50%
Virginia Farm Bureau Insurance Agency (VA) Federal ID Number: 54-0929948 NAIC Company Code: None 100% Owned
Benefits Design Group, Inc. (MD) Federal ID Number: 37-1694672 NAIC Company Code: None 100% Owned
Southern Farm Bureau Life Insurance Company (MS) Federal ID Number: 64-0283583 NAIC Company Code: 68896 10% Owned
Commonwealth Fairs and Events, Inc. (VA) Federal ID Number: 45-5587952 NAIC Company Code: None 100% Owned
Farm Bureau Holdings of Virginia, Inc. (VA) Federal ID Number: 54-1725998 NAIC Company Code: None 100% Owned
Employee Benefits Corporation of America, Inc. (VA) Federal ID Number: 54-2015926 NAIC Company Code: None 100% Owned
Virginia Farm Bureau Fire and Casualty Insurance Company (VA) Federal ID Number: 54-0755126 NAIC Company Code: 26026 100% Owned
Virginia Farm Bureau Service Corporation (VA) Federal ID Number: 54-0796340 NAIC Company Code: None 100% Owned
Virginia Farm Bureau Town and Country Insurance Company (VA) Federal ID Number: 54-1718634 NAIC Company Code: 10086 100% Owned
Custom Health Care, Inc. (VA) Federal ID Number: 54-0382095 NAIC Company Code: None 100% Owned
Organizational Management, Inc. (VA) Federal ID Number: 41-2071427 NAIC Company Code: None 100% Owned

RELATED PARTY TRANSACTIONS

The Company has separate administrative services agreements with VFBFCIC and VFBTCIC. Pursuant to the agreements, the Company provides accounting, financial, investment, actuarial, underwriting, claims and computer services to each entity. In consideration of the services rendered, the entities shall pay the Company a monthly service fee equal to the actual costs incurred by the Company in providing such services. The service fee shall be paid within 10 days of the receipt of the Company's accounting of the incurred expenses. VFBFCIC incurred expenses of $9,635,889, $12,482,947 and $15,756,944 for 2015, 2016 and 2017, respectively. VFBTCIC incurred expenses of $19,604,691, $19,705,544 and $19,446,619 for 2015, 2016 and 2017, respectively.

In 1994, the Company entered into a sale/leaseback agreement with the Federation for the Company's home office building. The Company sold the building to the Federation for $16,250,000, and contemporaneously entered into a lease agreement with the Federation for the same amount. The term of this lease was for 30 years and was accounted for as a capital lease. The lease was converted to an operating lease in 2002 in order to comply with Statutory Accounting Principles. The conversion resulted in an increase to surplus of approximately $4.3 million. The Company's lease payments for 2015, 2016 and 2017 were $1,562,731 each year.

In 2015, 2016, and 2017, the Company paid $1,032,683, $1,150,701 and $1,055,044, respectively, to the Federation to fund payments to certain county Farm Bureaus as compensation for providing office space and insurance-related services in their respective counties. The compensation is based on a percentage of premiums written by the Company in each county.

During 2002, the Company contributed $1,000,000 toward the formation of Insurance Agency Services, LLC, representing a 50% interest in the membership of the limited liability company. The remaining 50% is owned by Virginia Farm Bureau Insurance Agency.

The Company has management and office services agreements with certain affiliated Virginia Farm Bureau companies. Pursuant to these agreements, the Company either provides services to or receives services in the normal course of its business. The companies are listed below, along with their respective fees for 2017:

Virginia Farm Bureau Federation	$1,443,733
Virginia Farm Bureau Marketing Association	980
Virginia Farm Bureau Holding Corp.	10,517
Farm Bureau Holdings of Virginia, Inc.	1,289
Virginia Farm Bureau Service Corporation	491,874
Insurance Agency Services, LLC	134,388
Custom HealthCare, Inc.	108,459
Employee Benefits Corporation of America	363,603
Organizational Management, Inc.	2,732
Virginia Farm Bureau Insurance Agency	722
Countryway Insurance Company	1,211,935
Benefit Design Group	249,357
Commonwealth Fairs & Events	240,847
Total	$4,260,436

Effective January 1, 2007, the Company entered into a federal income tax allocation agreement with VFBFCIC and VFBTCIC. This agreement was amended in 2011 to include Countryway. The purpose of this agreement is to provide for the filing of consolidated federal income tax returns for the allocation of federal income tax liability and savings among the companies. The method of allocation between the companies is made primarily on a separate return basis. The intercompany tax balances are settled quarterly. The final settlement shall be made within 30 days after the filing of the consolidated income tax return.

TERRITORY AND PLAN OF OPERATION

The Company confines its operations to Virginia where it is licensed to transact the business of accident and sickness, fire, miscellaneous property, farmowners' multiple peril, homeowners' multiple peril, commercial multiple peril, ocean marine, inland marine, workers' compensation and employers' liability, liability other than automobile, automobile liability, automobile physical damage, aircraft liability, aircraft physical damage, fidelity, surety, glass, burglary and theft, boiler and machinery, animal and water damage insurance.

Business is produced by 193 agents, who are compensated based on the amount of premiums written plus bonuses which are dependent upon a combination of the growth and profitability of the agent's book of business plus the Company's net income before taxes. Office space and clerical help are furnished to the agents in their territories by county Farm Bureaus under a Memorandum of Agreement with the Federation, which are compensated by the Company based upon a percentage of premium income, or under a Joint Operations Agreement.

Beginning in 2004, the Company offered to all 88 county Farm Bureaus (104 offices) the option to enter into a Joint Operations Agreement. Under that agreement, the Company would incur all operational costs of the office, including the employment of the office staff, in lieu of compensation based on written premium. As of December 31, 2017, 73 of the 88 counties had entered into this agreement.

Risks are bound by the agents when applications are accepted in the field from qualified applicants, after which policies are issued from the Richmond office. If an insured is subsequently found not to meet the Company's underwriting requirements, the policyholder may be notified that his coverage will be canceled.

Losses are reported to the county Farm Bureau through which the application was taken. Claims are confirmed and adjusted by the Company's salaried personnel where practicable, otherwise independent professional adjusters or Farm Bureau insurance companies in other states are used.

GROWTH OF THE COMPANY

The following data, obtained from Annual Statements filed with the Bureau and from this and previous examination reports, indicates the growth of the Company for the ten-year period ending December 31, 2017:

Year	Admitted Assets	Liabilities	Surplus Note	Unassigned Surplus
2008	$266,575,832	$145,336,214		$121,239,618
2009	278,198,055	142,800,775		135,397,280
2010	279,135,204	136,905,940		142,229,264
2011	330,653,708	194,175,057	30,000,000	106,478,651
2012	311,509,539	212,578,837	30,000,000	68,930,702
2013	338,929,679	214,241,968	30,000,000	94,687,711
2014	364,214,410	210,294,085	30,000,000	123,920,325
2015	380,700,755	210,710,602	20,000,000	149,990,153
2016	393,611,381	211,602,457	15,000,000	167,008,924
2017	402,725,361	209,082,972	5,000,000	188,642,389

Year	Premiums Earned	Loss and Loss Adjustment Expenses Incurred	Other Underwriting Expenses	Net Underwriting Gain or (Loss)
2008	$135,660,212	$86,712,210	$45,279,718	$3,668,284
2009	133,298,862	87,143,801	49,026,443	(2,871,382)
2010	132,873,994	85,194,884	57,511,503	(9,832,393)
2011	169,355,279	157,679,523	55,342,586	(43,666,830)
2012	172,128,791	131,945,696	64,281,998	(24,098,903)
2013	192,350,782	113,901,337	66,212,239	12,237,206
2014	190,799,165	104,658,779	64,426,853	21,713,533
2015	197,949,663	112,230,575	63,040,418	22,678,670
2016	198,114,861	119,791,882	65,724,681	12,598,298
2017	200,966,568	110,130,674	66,401,115	24,434,779

REINSURANCE

The Company had the following reinsurance agreements in force at December 31, 2017. All of the agreements contain an insolvency clause.

Ceded:

Type of Agreement	Class of Business	Company Retention	Reinsurers' Limits
Property per Risk Excess of Loss	Property (except auto physical damage)	$300,000 each risk	$4,700,000
Facultative	Property	$5,000,000	$10,000,000
Excess of Loss	Property (Catastrophe)	$5,000,000	$220,000,000 per occurrence; $440,000,000 all occurrences
Excess of Loss	Property (Catastrophe -Terrorism)	$5,357,350	$10,714,700
Aggregate	Catastrophe and Auto Physical Damage	$11,000,000	$9,000,000
Excess of Loss	Liability	$650,000	$30,000,000; occurrence cap of $1,200,000
	Workers' Compensation	$500,000	$30,000,000 ($1,200,000 maximum employers' liability limit)
Quota Share	Casualty (Umbrella Liability)	15% of first $1,000,000	85% of first $1,000,000; 100% up to $15,000,000

Type of Agreement	Class of Business	Company Retention	Reinsurers' Limits
Excess of Loss	Farm Pollution Liability (Claims Made)	$500 each incident	$1,000,000
Quota Share	Flood	None	100% of loss

Affiliate Agreements:

On December 19, 1997, the Company entered into separate Net Premiums Reinsurance Agreements with both VFBFCIC and VFBTCIC. These agreements amend any previous Net Premiums Reinsurance Agreements and provide for the reinsurance of 100% of the business, excluding any automobile business, written by VFBFCIC and VFBTCIC. The agreements were effective beginning with accident year 1998 and were approved by the Bureau.

As part of the purchase, the Company entered into a quota share reinsurance agreement with Countryway pursuant to which the Company will assume 100% of Countryway's losses, liabilities and expenses included within the definition of ultimate net loss and allocated loss adjustment expenses, in respect of policies issued on or after May 1, 2011. The Company and Countryway contemporaneously entered into a loss portfolio transfer agreement effective May 1, 2011. Pursuant to this agreement, Countryway will cede to the Company 100% of Countryway's reserves for ultimate net loss and allocated loss adjustment expenses with respect to policies issued and losses occurring prior to May 1, 2011.

Reinsurance Pooling Agreement:

Effective January 1, 1998, the Company entered into a Reinsurance Pooling Agreement with VFBFCIC and VFBTCIC for automobile policies. Each of the companies is an insured as well as a participant in the agreement. Pursuant to this agreement, each of the companies will cede 100% of their direct automobile business earned and assumed, after deduction for any reinsurance that is ceded to all other companies, after the effective date of this agreement. Each participant will assume their proportionate share of the net premiums earned, net losses and loss adjustment expenses incurred, and underwriting expenses incurred that are ceded to the Pool, but shall not be liable for any amounts beyond said proportionate share, irrespective of the inability of other participants or reinsureds to meet their respective obligations. For the 1998 accident year, each Participant assumed an initial retrocession from the Pool in the percentage as indicated below:

Virginia Farm Bureau Mutual Insurance Company	60%
Virginia Farm Bureau Fire and Casualty Insurance Company	20%
Virginia Farm Bureau Town and Country Insurance Company	20%

For the 1999 accident year and each subsequent accident year, each participant will assume a retrocession from the Pool in a percentage that will be determined by the Board of Directors of the participating companies in January of the applicable year. For the accident years 2015 through 2017, the Board elected to retain the percentages indicated above.

PREMIUM ESCROW SECURITY FUND AGREEMENT

The Company is a party to an Escrow Agreement effective September 26, 1988, with AAIC (its reinsurer) and a bank to secure premium amounts due AAIC for IBNR claim reserves. According to the Agreement, the purpose of the escrow is to provide a fund in lieu of cash, the principal of which is owned by the reinsurer while the earnings are payable to the Company.

The bank was holding bonds and money market funds with a par value of $1,000,018 under the escrow agreement at December 31, 2017. The Company reported a liability of $509,058 in its balance sheet for reinsurance funds held under the agreement at December 31, 2017.

FINANCIAL STATEMENTS

The following statutory financial statements present the financial condition of the Company for the period ending December 31, 2017. No examination adjustments were made to the statutory financial statements filed by the Company with the Bureau for the period ending December 31, 2017.

ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$215,869,440		$215,869,440
Preferred stocks	1,582,688		1,582,688
Common stocks	122,357,060		122,357,060
Real estate	3,286,747		3,286,747
Cash and cash equivalents	17,656,680		17,656,680
Other invested assets	3,072,767		3,072,767
Investment income due and accrued	2,099,941		2,099,941
Uncollected premiums and agents' balances in course of collection	9,531,862	61,553	9,470,309
Deferred premiums, agents' balances and installments booked but deferred and not yet due	11,282,126	3,860	11,278,266
Amounts recoverable from reinsurers	4,169,752		4,169,752
Current federal income tax recoverable	2,036,631		2,036,631
Net deferred tax asset	7,767,839	2,674,020	5,093,819
Guaranty funds receivable or on deposit	2,628		2,628
Electronic data processing equipment	372,973	372,973	
Furniture and equipment	3,783	3,783	
Receivables from parent, subsidiaries and affiliates	3,566,296		3,566,296
Aggregate write-ins for other than invested assets	4,374,778	3,192,441	1,182,337
Totals	$409,033,991	$6,308,630	$402,725,361

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses		$73,936,886
Reinsurance payable on paid losses and loss adjustment expenses		7,932,965
Loss adjustment expenses		9,298,538
Commissions payable, contingent commissions and other similar charges		2,491,515
Other expenses		26,731,872
Taxes, licenses and fees		1,365,210
Unearned premiums		78,610,357
Advance premium		2,548,224
Ceded reinsurance premiums payable		3,703,948
Funds held by company under reinsurance treaties		509,058
Amounts withheld or retained by company for account of others		536,011
Remittances and items not allocated		83,341
Payable to parent, subsidiaries and affiliates		21,025
Payable for securities		310,556
Aggregate write-ins for liabilities		1,003,466
Total liabilities		$209,082,972
Surplus notes	$5,000,000	
Unassigned funds	188,642,389	
Surplus as regards policyholders		193,642,389
Totals		$402,725,361

UNDERWRITING AND INVESTMENT EXHIBIT
STATEMENT OF INCOME

UNDERWRITING INCOME

Premiums earned	$200,966,568
Deductions:	
Losses incurred	$96,859,909
Loss adjustment expenses incurred	13,270,765
Other underwriting expenses incurred	66,401,115
Total underwriting deductions	$176,531,789
Net underwriting gain	$24,434,779

INVESTMENT INCOME

Net investment income earned	$6,047,676
Net realized capital gains	(203,978)
Net investment gain	$5,843,698

OTHER INCOME

Net loss from agents' or premium balances charged off	($39,285)
Finance and service charges not included in premiums	703,007
Total other income	$663,722
Net income before federal income taxes	$30,942,199
Federal income taxes incurred	10,883,270
Net income	$20,058,929

RECONCILIATION OF CAPITAL AND SURPLUS FOR PERIOD UNDER REVIEW

	2015	2016	2017
Surplus as regards policyholders, December 31, previous year	$153,920,325	$169,990,153	$182,008,924
Net income	$18,394,400	$10,391,238	$20,058,929
Change in net unrealized capital gains	3,972,280	2,487,038	3,789,009
Change in net deferred income tax	(1,593,725)	(68,995)	(6,751,615)
Change in nonadmitted assets	1,503,775	3,019,450	3,764,759
Change in provision for reinsurance		(34,000)	34,000
Change in surplus notes	(10,000,000)	(5,000,000)	(10,000,000)
Aggregate write-ins for gains and losses in surplus	3,793,098	1,224,040	738,383
Change in surplus as regards policyholders for the year	$16,069,828	$12,018,771	$11,633,465
Surplus as regards policyholders, December 31, current year	$169,990,153	$182,008,924	$193,642,389

CASH FLOW

Cash From Operations

Premiums collected net of reinsurance	$199,255,093
Net investment income	9,058,433
Miscellaneous income	663,722
Total	$208,977,248
Benefit and loss related payments	$99,374,013
Commissions, expenses paid and aggregate write-ins for deductions	78,367,481
Federal income taxes paid	8,062,201
Total	$185,803,695
Net cash from operations	$23,173,553

Cash From Investments

Proceeds from investments sold, matured or repaid:	
Bonds	$31,764,559
Other invested assets	16,973,718
Miscellneous proceeds	310,556
Total investment proceeds	$49,048,833
Cost of investments acquired (long-term only):	
Bonds	$31,109,371
Stocks	14,804,417
Total investments acquired	$45,913,788
Net cash from investments	$3,135,045

Cash From Financing and Miscellaneous Sources

Cash provided (applied):	
Surplus notes	($10,000,000)
Other cash provided	404,885
Net cash from financing and miscellaneous sources	($9,595,115)
Net change in cash and short-term investments	$16,713,483

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Cash and short-term investments:	
Beginning of year	$943,197
End of year	17,656,680
Net change in cash and short-term investments	$16,713,483

ACKNOWLEDGMENT

The courteous cooperation extended by the Company's officers and employees during the course of the examination is gratefully acknowledged.

In addition to the undersigned, Jennifer K. Blizzard, CFE, Christopher J. Collins, CFE, and Mario A. Cuellar, CFE, of the Bureau participated in the work of the examination.

Respectfully submitted,

T. Bradford Earley, Jr., CFE, CPCU, AIAF
Insurance Principal Financial Analyst

FARM BUREAU INSURANCE®

January 7, 2019

David H. Smith, Chief Examiner
State Corporation Commission
Bureau of Insurance
P.O. Box 1157
Richmond, VA 23218

Dear Mr. Smith,

Virginia Farm Bureau Mutual Insurance Company received and has reviewed the draft examination report as of December 31, 2014, which was dated December 15, 2018.

Please provide 5 copies of the final report for our office. If possible, also send an electronic copy of the report to our Treasurer, David Priddy, at david.priddy@vafb.com.

Regards,

Wayne F. Pryor, President
Virginia Farm Bureau Mutual Insurance Company