



Report on

Market Conduct Examination

of the

North Carolina Farm Bureau Mutual Insurance Company

Raleigh, North Carolina

by Representatives of the

North Carolina Department of Insurance

as of

September 6, 2017

TABLE OF CONTENTS

SALUTATION	1
SCOPE OF EXAMINATION	2
EXECUTIVE SUMMARY	2
CLAIMS PRACTICES	3
Overview	3
Physical Damage Claims	3
Third Party Property Damage Claims	3
Medical Payments Claims	3
COMMENTS, RECOMMENDATIONS, AND DIRECTIVES.....	4
CONCLUSION.....	4

Raleigh, North Carolina
September 6, 2017

Honorable Mike Causey
Commissioner of Insurance
Department of Insurance
State of North Carolina
Dobbs Building
325 N. Salisbury Street
Raleigh, North Carolina 27603

Honorable Commissioner:

Pursuant to your instructions and in accordance with the provisions of North Carolina General Statute (NCGS) 58-2-131 through 58-2-134, a target examination has been made of the market conduct activities of

North Carolina Farm Bureau Mutual Insurance Company (NAIC #14842)
NAIC Exam Tracking System Exam Number: NC-NC131-19
Raleigh, North Carolina

hereinafter generally referred to as the Company, at the Company's home office located at 5301 Glenwood Avenue, Raleigh, North Carolina and at the North Carolina Department of Insurance (Department) office located at 325 N. Salisbury St, Raleigh, North Carolina. A report thereon is respectfully submitted.

SCOPE OF EXAMINATION

The Department conducted a target examination of the Company. The examination commenced on May 22, 2017, and covered the period of July 1, 2014, through June 30, 2016, with analyses of certain operations of the Company being conducted through August 28, 2017. This action was taken due to market analysis on claims handling. All comments made in this report reflect conditions observed during the examination period.

This examination was performed in accordance with auditing standards established by the Department and procedures established by the National Association of Insurance Commissioners (NAIC). The scope of this examination was not comprehensive and consisted of an examination of the Company's practices and procedures in claims. The findings and conclusions contained within the report are based on the work performed and are referenced within the appropriate section of the examination report.

It is the Department's practice to cite companies in violation of a statute or rule when the results of a sample show errors/noncompliance that fall outside certain tolerance levels. The Department applied a 3 percent tolerance level for claims practices. Sample sizes were generated using Audit Command Language software. The Department utilized a 95% Confidence Level to determine the error tolerance level.

EXECUTIVE SUMMARY

This market conduct examination revealed concerns with Company procedures and practices in the following area:

Claims Practices – Third Party Property Damage Claims: Claims paid in excess of 90 days without any delays beyond the Company's control.

Specific violations are noted in the appropriate section of this report. All North Carolina General Statutes and rules of the North Carolina Administrative Code cited in this report may be viewed on the North Carolina Department of Insurance Web site www.ncdoi.com by clicking "Insurance Industry" then "Legislative Services" under "Other Divisions".

All statutory violations may not have been discovered or noted in this report. Failure to identify statutory violations in North Carolina or in other jurisdictions does not constitute acceptance of such violations.

CLAIMS PRACTICES

Overview

The Company's claims practices were reviewed to determine compliance with the appropriate North Carolina statutes and rules and policy provisions. The review encompassed physical damage (collision only), third party property damage, and medical payment paid claims. Three hundred ninety-three claims were randomly selected for review from a population of 106,265.

Physical Damage Claims

One hundred thirty-one physical damage claims were randomly selected for review from a population of 47,467. The claim files were reviewed to determine compliance with the provisions of NCGS 58-63-15 for timeliness of payment, supporting documentation, and accuracy of payment. There were no violations of the provisions of NCGS 58-63-15.

Third Party Property Damage Claims

One hundred thirty-one third party property damage claims were randomly selected for review from a population of 47,303. The claim files were reviewed to determine timeliness of payment, supporting documentation, and accuracy of payment.

The examiners identified 12 claims that were paid in excess of 90 days without any delays beyond the Company's control.

Medical Payments Claims

One hundred thirty-one Medical Payments Claims were randomly selected for review from a population of 11,495. The claim files were reviewed to determine compliance with the provisions of NCGS 58-63-15 for timeliness of payment, supporting documentation, and accuracy of payment. There were no violations of the provisions of NCGS 58-63-15.

COMMENTS, RECOMMENDATIONS, AND DIRECTIVES

The Company must complete and implement corrective actions as a result of this target examination. The corrective actions must include but are not limited to acknowledging and acting in a timely manner while conducting a thorough liability investigation.

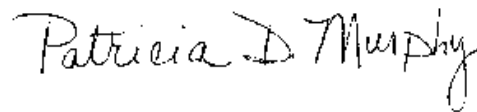
CONCLUSION

An examination has been conducted on the market conduct affairs of North Carolina Farm Bureau Mutual Insurance Company for the period July 1, 2014, through June 30 2016, with analyses of certain operations of the Company being conducted through August 28, 2017.

This examination was conducted in accordance with the North Carolina Department of Insurance and the National Association of Insurance Commissioners Market Regulation Handbook procedures, including analyses of the Company's operations in the area of claims practices.

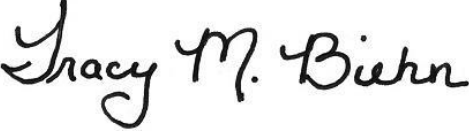
In addition to the undersigned, Brooke Hinnant, MCM, North Carolina Market Conduct Senior Examiner, participated in this examination.

Respectfully submitted,

A handwritten signature in black ink that reads "Patricia D. Murphy". The signature is written in a cursive style with a large, looped "P" and "M".

Patricia D. Murphy, AIC, ARM, MCM
Acting Examiner-In-Charge
Market Regulation Division
State of North Carolina

I have reviewed this examination report and it meets the provisions for such reports prescribed by this Division and the North Carolina Department of Insurance.

A handwritten signature in black ink that reads "Tracy M. Biehn". The signature is written in a cursive style with a large, stylized 'T' and 'B'.

Tracy M. Biehn, MBA, MCM, LPCS
Deputy Commissioner
Market Regulation Division
State of North Carolina