

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

May 15, 2015

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Raleigh, North Carolina
May 15, 2015

Honorable Wayne Goodwin
Commissioner of Insurance
Department of Insurance
State of North Carolina
Dobbs Building
430 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 299-M65
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 11 S. Boylan Avenue, Raleigh, North Carolina. A report thereon is respectfully submitted.

SCOPE OF EXAMINATION

The North Carolina Department of Insurance conducted a limited-scope examination of the Company reviewing the consent to rate business. The examination commenced on March 16, 2015, and covered the period of January 1, 2013, through December 31, 2014, with analyses of certain operations of the Company being conducted through May 11, 2015.

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, but included a limited review of the Company's practices and procedures in marketing and underwriting practices. The findings and conclusions contained within the report are based solely on the work performed and are referenced within the appropriate sections 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 at or above the following levels: 0 percent for the use of forms and rates/rules that were neither filed with nor approved by the Department; and 5 percent for all other areas reviewed. Sample sizes were generated via an Audit Command Language (ACL) program with a random sample taken from a given population. The Department utilized a 95% Confidence Level to determine the tolerance level.

EXECUTIVE SUMMARY

This market conduct examination revealed no concerns with the Company's procedures and practices in the following areas: marketing and underwriting practices.

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 DIVISIONS" then "Legislative Services".

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.

MARKETING

Policy Forms and Filings

Policy forms and filings for the Company were reviewed to determine compliance with appropriate North Carolina statutes and rules. We reviewed the following lines of business:

Private Passenger Automobile
Homeowners

Filings for the private passenger automobile and homeowners lines of business were made by the North Carolina Rate Bureau on behalf of the Company. Deviations for these lines of business were made to the Department by the Company.

UNDERWRITING PRACTICES

Overview

The Company's marketing philosophy in North Carolina is directed to personal and commercial lines of business. The Company provided the examiners with listings of the following types of active policies for the period under examination:

Private Passenger Automobile
Homeowners

A random selection of 238 policies was made from a total population of 7,248. Each policy was reviewed for adherence to underwriting guidelines, file documentation, and premium determination. Additionally, the policies were examined to determine compliance with the appropriate North Carolina statutes and rules, policy provisions, and the applicable policy manual rules.

Private Passenger Automobile

The Company provided a listing of 2,111 private passenger automobile policies issued during the period under examination. One hundred nineteen policies were randomly selected for review.

The Company's private passenger automobile physical damage coverages were written on a consent to rate business. Policies were written on a semi-annual basis. Risk placement

was determined by the Company's underwriting guidelines and the underwriter. No discrepancies were noted in the Company's use of its underwriting guidelines.

All policy files contained sufficient documentation to support the Company's classification of the risk. All premiums charged were deemed correct.

Homeowners

The Company provided a listing of 5,137 homeowners policies issued during the period under examination. One hundred nineteen policies were randomly selected for review.

The Company's homeowners policies were written on a consent to rate basis. Policies were written on an annual basis. Risk placement was determined by the Company's underwriting guidelines and the underwriter. No discrepancies were noted in the Company's use of its underwriting guidelines.

All policy files contained sufficient documentation to support the Company's classification of the risk. All premiums charged were deemed correct.

CONCLUSION

An examination has been conducted on the market conduct affairs of North Carolina Farm Bureau Mutual Insurance Company for the period January 1, 2013, through December 31, 2014, with analyses of certain operations of the Company being conducted through May 11, 2015.

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 areas of marketing and underwriting practices.

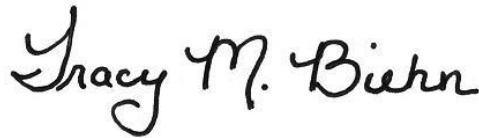
In addition to the undersigned, Brooke Hinnant, North Carolina Market Conduct Examiner, participated in this examination and in the preparation of this report.

Respectfully submitted,

A handwritten signature in black ink that reads "Gina L. Abate". The signature is written in a cursive style with a large initial 'G'.

Gina Abate
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 initial 'T'.

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