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BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE

STATE OF IDAHO

In the Matter of:

FARMERS INSURANCE COMPANY
OF IDAHO

Certificate of Authority No. 901
NAIC No. 21601

Docket No. 18-3064-15

**ORDER ADOPTING REPORT
OF EXAMINATION AS OF
DECEMBER 31, 2013**

The State of Idaho, Department of Insurance (Department), having conducted an examination of the affairs, transactions, accounts, records, and assets of Farmers Insurance Company of Idaho (Farmers), pursuant to Idaho Code § 41-219(1), hereby alleges the following facts that constitute a basis for issuance of an order, pursuant to Idaho Code § 41-227(5)(a), adopting the Report of Examination of Farmers Insurance Company of Idaho as of December 31, 2013 (Report), as filed.

FINDINGS OF FACT

1. Farmers is an Idaho-domiciled insurance company licensed to transact property insurance; casualty insurance, including workers' compensation; disability insurance, excluding managed care; marine and transportation insurance; and surety insurance in Idaho under Certificate of Authority No. 901.

2. The Department completed an examination of Farmers pursuant to Idaho Code § 41-219(1) on or about June 9, 2015. The Department's findings are set forth in the Report.

3. Pursuant to Idaho Code § 41-227(4), a copy of the Report, verified under oath by the Department's examiner-in-charge, was filed with the Department on June 9, 2015, and a copy of such verified Report was transmitted to Farmers on the same date. A copy of the verified Report is attached hereto as Exhibit A.

4. On or about June 19, 2015, the Department received a Waiver from Farmers signed by Joseph Hammond, Director, P & C Accounting. By execution of such Waiver, a copy of which is attached hereto as Exhibit B, Farmers consented to the immediate entry of a final order by the Director of the Department (Director) adopting the Report without any modifications; waived its right to make a written submission or rebuttal to the Report; and waived its right to request a hearing and to seek reconsideration or appeal from the Director's final order.

5. No written submissions or rebuttals with respect to any matters contained in the Report were received by the Department from Farmers.

CONCLUSIONS OF LAW

6. Idaho Code § 41-227(5)(a) provides that "[w]ithin thirty (30) days of the end of the period allowed for the receipt of written submissions or rebuttals, the director shall fully

consider and review the report, together with any written submissions or rebuttals and relevant portions of the examiner's work papers" and shall enter an order adopting the report of examination as filed or with modifications or corrections.

7. Having fully considered the Report, the Director concludes that Farmers meets the minimum capital and surplus requirements set forth in Idaho Code § 41-313(1).

ORDER

NOW, THEREFORE, based on the foregoing, IT IS HEREBY ORDERED that the Report of Examination of Farmers Insurance Company of Idaho as of December 31, 2013, is hereby ADOPTED as filed, pursuant to Idaho Code § 41-227(5)(a).

IT IS FURTHER ORDERED, pursuant to Idaho Code § 41-227(8), that the adopted Report is a public record and shall not be subject to the exemptions from disclosure provided in chapter 3, title 9, Idaho Code.

IT IS FURTHER ORDERED, pursuant to Idaho Code § 41-227(6)(a), that, within thirty (30) days of the issuance of the adopted Report, Farmers shall file with the Department's Deputy Chief Examiner affidavits executed by each of its directors stating under oath that they have received a copy of the adopted Report and related orders.

IT IS SO ORDERED.

DATED this 23 day of June, 2015.

STATE OF IDAHO
DEPARTMENT OF INSURANCE



DEAN L. CAMERON
Director

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that, on this 23rd day of June, 2015, I caused a true and correct copy of the foregoing ORDER ADOPTING REPORT OF EXAMINATION AS OF DECEMBER 31, 2013 to be served upon the following by the designated means:

Farmers Insurance Company of Idaho
2500 S. 5th Avenue
Pocatello, ID 83204-1923

- first class mail
- certified mail
- hand delivery
- email

Joseph Hammond
Farmers Insurance Exchange
4680 Wilshire Boulevard
Los Angeles, CA 90010
joseph_hammond@farmersinsurance.com

- first class mail
- certified mail
- hand delivery
- email

Georgia Siehl, CPA, CFE
Bureau Chief / Chief Examiner
Idaho Department of Insurance
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- first class mail
- certified mail
- hand delivery
- email



DEPARTMENT OF INSURANCE

STATE OF IDAHO



REPORT OF EXAMINATION

Of

FARMERS INSURANCE COMPANY OF IDAHO

(Property and Casualty Insurer)

(NAIC Company Code: 21601)

As of

December 31, 2013



Table of Contents

SALUTATIONS	3
SCOPE OF EXAMINATION	4
<i>Period Covered</i>	4
<i>Examination Procedures Employed</i>	6
<i>Status of Prior Examination Findings</i>	7
SUMMARY OF SIGNIFICANT FINDINGS	7
SUBSEQUENT EVENTS	7
COMPANY HISTORY	7
CORPORATE RECORDS	8
MANAGEMENT AND CORPORATE GOVERNANCE	8
FIDELITY BONDS AND OTHER INSURANCE	18
PENSION, STOCK OWNERSHIP AND INSURANCE PLANS	19
TERRITORY AND PLAN OF OPERATION	20
GROWTH OF THE COMPANY	21
LOSS EXPERIENCE	21
REINSURANCE	22
ACCOUNTS AND RECORDS	29
STATUTORY DEPOSITS	29
FINANCIAL STATEMENTS	31
NOTES TO FINANCIAL STATEMENTS	34
SUMMARY OF RECOMMENDATIONS	35
ACKNOWLEDGEMENT	35

Pocatello, Idaho

June 9, 2015

Mr. Thomas Donovan
Acting Director of Insurance
State of Idaho
Department of Insurance
700 West State Street
P.O. Box 83720
Boise, Idaho 83720-0043

Dear Acting Director:

Pursuant to your instructions, in compliance with §41-219 (1), Idaho Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2013, of the financial condition and corporate affairs of:

Farmers Insurance Company of Idaho
2500 South Fifth Avenue
Pocatello, Idaho 83204-1923

Hereinafter referred to as the "Company", at its offices in Pocatello, Idaho. The following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

We have performed our full scope, risk-focused coordinated examination of Farmers Insurance Company of Idaho. The last exam was completed as of December 31, 2009. This examination covers the period of January 1, 2010 through December 31, 2013.

This examination was a coordinated examination, in which California was the lead state with participation from examiners from the states of Illinois and Washington, and was conducted concurrently with the examinations of the following insurance companies:

Group/Company	NAIC CoCode	Domiciled State
FARMERS INSURANCE GROUP		
Farmers Insurance Co. of Arizona	21598	AZ
Farmers Insurance Exchange	21652	CA
Truck Insurance Exchange	21709	CA
Fire Insurance Exchange	21660	CA
Civic Property & Casualty Co.	10315	CA
Neighborhood Spirit Property & Casualty Co.	10317	CA
Exact Property & Casualty Co.	10318	CA
Mid-Century Insurance Company	21687	CA
Farmers Insurance Co. of Idaho	21601	ID
Farmers New Century Insurance Company	10806	IL
Illinois Farmers Insurance Co.	21679	IL
Farmers Insurance Co. Inc.	21628	KS
Farmers Insurance of Columbus, Inc.	36889	OH
Farmers Insurance Co. of Oregon	21636	OR
Texas Farmers Insurance Co.	21695	TX
Farmers Texas County Mutual Insurance Company	24392	TX
Mid Century Insurance Company of Texas	28673	TX
Farmers Insurance Co. of Washington	21644	WA

Group/Company	NAIC CoCode	Domiciled State
COAST NATIONAL/BRISTOL WEST GROUP		
Coast National Insurance Company	25089	CA
Security National Insurance Company	33120	FL
Bristol West Preferred Insurance Company	12774	MI
Bristol West Casualty Insurance Company	11034	OH
Bristol West Insurance Company	19658	OH

Group/Company	NAIC CoCode	Domiciled State
FOREMOST GROUP		
Foremost Insurance Company Grand Rapids, Michigan	11185	MI
Foremost Property and Casualty Insurance Company	11800	MI
Foremost Signature Insurance Company	41513	MI
Farmers Specialty Insurance Company	43699	MI
Foremost County Mutual Insurance Company	29254	TX
Foremost Lloyds of Texas	41688	TX

Group/Company	NAIC CoCode	Domiciled State
21ST CENTURY INSURANCE GROUP		
21st Century Casualty Company	36404	CA
21st Century Insurance Company	12963	CA
21st Century Superior Insurance Company	43761	CA
21st Century Pacific Insurance Company	23795	CO
21st Century Assurance Company	44245	DE
American Pacific Insurance Company, Inc.	10805	HI
Farmers Insurance Hawaii, Inc.	28487	HI
21st Century Advantage Insurance Company	25232	MN
21st Century Auto Insurance Company of New Jersey	10184	NJ
21st Century Pinnacle Insurance Company	10710	NJ
21st Century National Insurance Company	36587	NY
21st Century North America Insurance Company	32220	NY
21st Century Centennial Insurance Company	34789	PA
21st Century Indemnity Insurance Company	43974	PA
21st Century Preferred Insurance Company	22225	PA
21st Century Premier Insurance Company	20796	PA
21st Century Security Insurance Company	23833	PA
21st Century Insurance Company of the Southwest	10245	TX

Group/Company	NAIC CoCode	Domiciled State
ZURICH GROUP		
Farmers Reinsurance Company	10873	CA

All of the above companies, with the exception of Farmers Reinsurance Company, which is part of the Zurich Group, are part of the Farmers Group of companies.

Examination Procedures Employed

Our examination was conducted in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook* to determine compliance with accounting practices and procedures in conformity with the applicable laws of the State of Idaho, and insurance rules promulgated by the Idaho Department of Insurance (Department). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with NAIC Accounting Practices and Procedures Manual (SSAPs and Annual Statement instructions when applicable to domestic state regulations).

The Company retained the services of a certified public accounting firm, PricewaterhouseCoopers LLP, Los Angeles, California, to audit its financial records for the years under examination. The firm allowed the examiners access to requested work papers prepared in connection with its audits. The external audit work was relied upon where deemed appropriate.

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 include 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.

The examination determined the risks associated with identified key functional activities of the Company's operations and considered mitigating factors. Interviews were held with the senior management of the Company to gain an understanding of the entity's operating profile and control environment.

The examination relied on the findings of the actuarial firm contracted by the California Department of Insurance, American Actuarial Consulting Group LLC, to review the actuarial items. The examination also relied on the findings of Ernst & Young, LLC, contracted by the California Department of Insurance to perform a review of Farmers Insurance Group's information technology governance, logical access, physical security, change management, and disaster recovery/business continuity plan.

This examination report includes findings of fact, as mentioned in §41-227 (2), Idaho Code and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature are not included within the examination report but separately communicated to other regulators and/or the Company.

A letter of representation certifying that management disclosed all significant matters and records was obtained from management and included in the examination working papers.

Status of Prior Examination Findings

Our examination included a review to determine the current status of the exception condition commented upon in our preceding Report of Examination, dated December 31, 2009, which covered the period from January 1, 2007 to December 31, 2009. We determined that the Company had satisfactorily addressed the exception condition.

SUMMARY OF SIGNIFICANT FINDINGS

Our examination did not disclose any material adverse findings or any adjustments that impacted the Company's reported capital and surplus.

SUBSEQUENT EVENTS

We noted no significant subsequent events as of the date of this report.

COMPANY HISTORY

General

The Company was organized and incorporated as a stock casualty insurance company on October 29, 1969 under the laws of the State of Idaho. The Company commenced operations on December 31, 1969, conducting multi-line insurance business in Idaho.

The Company was licensed to write business in the State of Idaho. The classes of insurance authorized to be written were disability, property, marine & transportation, and casualty. Effective January 1, 2004, the Company was authorized to write Workers' Compensation business. The Company has accredited reinsurer status in the States of Oregon and California.

Effective January 1, 1999, the Company became a 0.75 percent participant in an Intercompany Reinsurance Pooling Agreement with fourteen other affiliated members of Farmers Insurance Group. The intercompany reinsurance agreement and the reinsurance pool are described in more detail under the caption, *REINSURANCE*.

Dividends and Capital Contributions

As of the examination date, the Company had 15,040 authorized shares of common stock issued and outstanding with a par value of \$100 per share for a total capital of \$1,504,000. The Company's paid in and contributed surplus at December 31, 2013 was \$34,666,448.

The following exhibit reflects the activity in the capital structure of the Company since the previous examination through December 31, 2013:

<u>Year</u>	<u>Shares Issued /(Redeemed)</u>	<u>Common Capital Stock</u>	<u>Gross Paid In & Contributed Surplus</u>	<u>Total Capital & Paid In and Contributed</u>
2010	15,040	\$1,504,000	33,162,448	34,666,448
2011	15,040	\$1,504,000	33,162,448	34,666,448
2012	15,040	\$1,504,000	33,162,448	34,666,448
2013	15,040	\$1,504,000	33,162,448	34,666,448

Mergers and Acquisitions

There were no mergers and acquisitions during the examination period.

Surplus Debentures

The Company did not issue or own any surplus debentures during the examination period.

CORPORATE RECORDS

The meetings of the Board of Directors and shareholders were conducted on a quarterly and an annual basis, respectively, for all the years under examination.

Investment transactions were approved by the Board of Directors or the Executive Committee, as required by §41-704, Idaho Code.

The December 31, 2009 Report of Examination and the June 24, 2011 Order Adopting the Report of Examination in accordance with §41-227, Idaho Code was presented to the Board of Directors on August 26, 2011.

MANAGEMENT AND CORPORATE GOVERNANCE

The bylaws of the Company indicated the number of Directors shall be seven (7) in number.

The following persons served as Directors of the Company as of December 31, 2013:

<u>Name and Business Address</u>	<u>Principal Occupation</u>
Kirk Anthony Beatty Pocatello, Idaho	Assistant Secretary, Farmers Insurance Company of Idaho
Kenneth Wayne Bentley Los Angeles, California	Vice President, Community Affairs Nestle USA, Inc.

Robert Douglas Boyd Pocatello, Idaho	Sales Manager, Farmers Insurance Company of Idaho
Misty L. Kuckelman Pocatello, Idaho	President, Farmers Insurance Company of Idaho
Ronald Gregory Myhan Los Angeles, California	Farmers Insurance Exchange, Chief Financial Officer & Treasurer
Thomas George Powell Pocatello, Idaho	Assistant Treasurer, Farmers Insurance Company of Idaho
Donald Eugene Rodrigez Long Beach, California	Boys and Girls Club Executive

Subsequent to the examination date, Misty Kuckelman was no longer serving as President and Director; effective September 16, 2014, Jess Domingo Lete and Larry Mitchell Pratt were elected Director and President, respectively.

The Company's bylaws provide for principal officers to consist of a President, who shall also be a member of the Board of Directors, one or more Vice Presidents, a Treasurer, and a Secretary and such assistant treasurers and assistant secretaries or other officers as may be elected by the Board of Directors. The following persons served as officers of the Company as of December 31, 2013:

Misty Lynn Kuckelman	President
Doren Eugene Hohl	Secretary
Ronald Gregory Myhan	Vice President, Treasurer
Keith G. Daley	Vice President
Victoria L. McCarthy	Vice President
Ronald G. Myhan	Vice President & Treasurer
James L. Nutting	Vice President & Actuary
Karyn L. Williams	Vice President
Kirk A. Beatty	Assistant Secretary
Margaret S. Giles	Assistant Secretary
Adam G. Morris	Assistant Secretary
J. Nichole Pryor	Assistant Secretary
James DeNicholas	Assistant Treasurer
Anthony J. Morris	Assistant Treasurer

Thomas G. Powell Assistant Treasurer

Audit Committee

In 2009, the Boards of Governors of the Farmers Exchanges created an Exchange Audit Committee to serve as the independent audit committee of the Exchanges, the insurer subsidiaries of the Exchanges, and other related insurers. The following eight individuals serve on the Farmers Exchange Audit Committee as of December 31, 2013:

<u>Name</u>	<u>Exchange</u>
Guy Hanson, Chair	Truck Insurance Exchange
Thomas Brown	Truck Insurance Exchange
Frederick Kruse	Farmers Insurance Exchange Fire Insurance Exchange
Gary Martin	Farmers Insurance Exchange Truck Insurance Exchange
Gerald McElroy	Fire Insurance Exchange Truck Insurance Exchange
Donnell Reid	Farmers Insurance Exchange Fire Insurance Exchange
Stanley Smith	Farmers Insurance Exchange Fire Insurance Exchange
Joel Wallace	Truck Insurance Exchange

The Company is owned by Farmers Insurance Exchange (80%) (Exchange), Fire Insurance Exchange (6.70%), and Truck Insurance Exchange (13.30%).

The Exchange, a reciprocal insurer organized under California Insurance Code (CIC) Section 1300 et. seq. is controlled by its attorney-in-fact, Farmers Group, Inc. (FGI), dba Farmers Underwriters Association. FGI is a U.S. subsidiary of Zurich Financial Services (ZFS), a Swiss holding company.

In 2008, the intermediate-level holding structure was re-organized, with FGI owned 87.9% by Zurich Insurance Company Ltd. (ZIC), 10.375% by Zurich Group Holdings (ZGH), and 1.725% by three Partnerships (Zurich RegCaPs II, V, VI) each having ZIC as the General Partner and ZGH as the Limited Partner. In 2009, another restructuring occurred, which resulted in FGI becoming directly owned 87.9% by ZIC, 10.375% by ZFS, and 1.725% by the three Partnerships (Zurich RegCaPs II, V, VI).

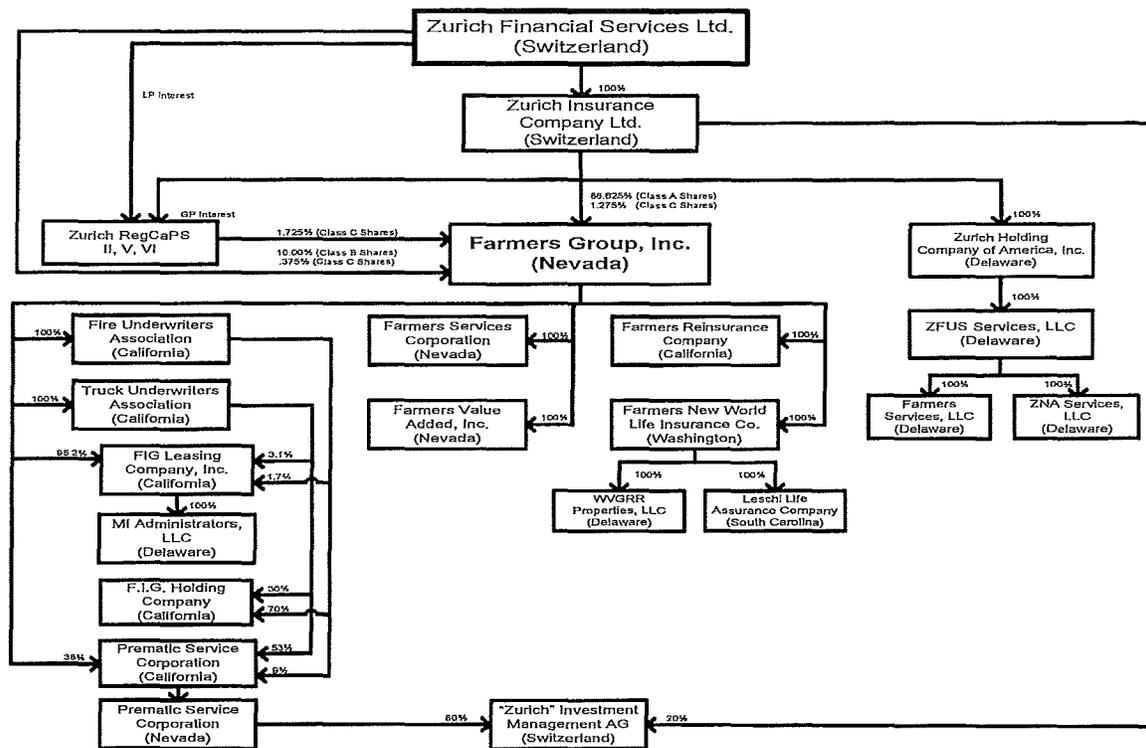
With the approval of the California Department of Insurance (CDI) in December 2013, a unique National Association of Insurance Commissioners' (NAIC) Group Code has been assigned to the Farmers Group of companies (previously part of the Zurich NAIC Group Code 0212 and now included in the Farmers Group Code 0069). As such, ZIC is no longer named as the ultimate controlling party. However, disclosure continues to be provided in the Holding Company Annual Registration Statements regarding the relationship with ZIC and transactions involving entities with the ZIC NAIC Group Code 0212. ZFS is currently named as the ultimate controlling party.

The Farmers Exchanges acquired the Foremost Insurance Group (Foremost Group), headquartered in Grand Rapids, Michigan, in 2000. The Foremost Group of companies are now indirectly owned by the Farmers Exchanges (with the Exchange having the majority ownership) and are now part of the Farmers Insurance Group.

In 2007, the Farmers Exchanges and Mid-Century Insurance Company acquired Bristol West Holdings, Inc. (Bristol West Group). As a result, the Bristol West Group of companies are now indirectly owned by the Farmers Exchanges and Mid-Century Insurance Company (with the Farmers Exchanges currently having the majority ownership) and are now part of the Farmers Insurance Group.

In 2009, the Farmers Exchanges acquired the 21st Century Group (21st Century Group) and its wholly-owned subsidiaries, thus making the 21st Century Group of companies a part of the Farmers Insurance Group. The Exchange currently has the majority ownership.

The following abridged organizational charts show the relationships of the attorney-in-fact, FGI to its ultimate parent ZFS, and of the Farmers Exchanges to their affiliates as of December 31, 2013:



FARMERS EXCHANGES ORGANIZATION

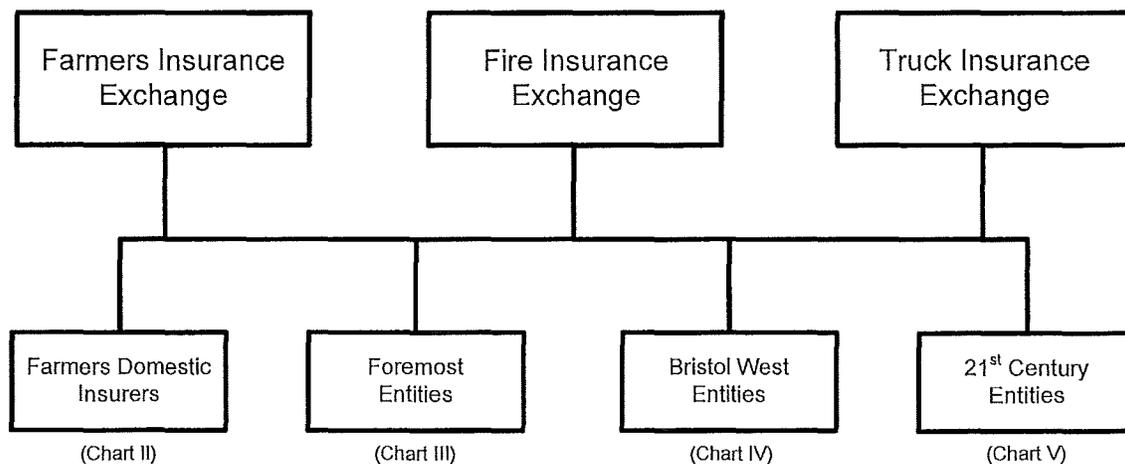


CHART II: EXCHANGES/FARMERS ENTITIES ORGANIZATION

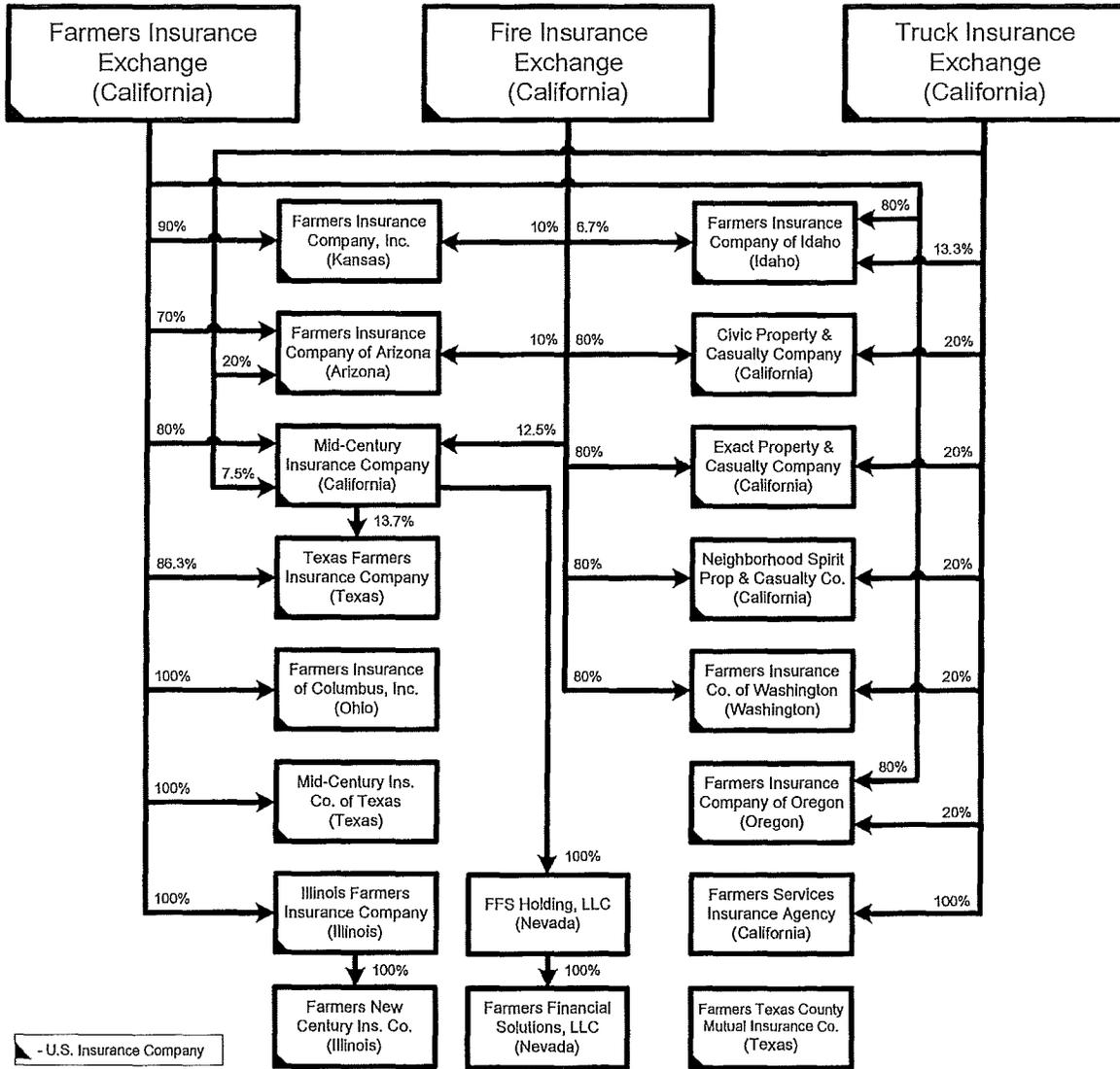


CHART III: EXCHANGES/FOREMOST ORGANIZATION

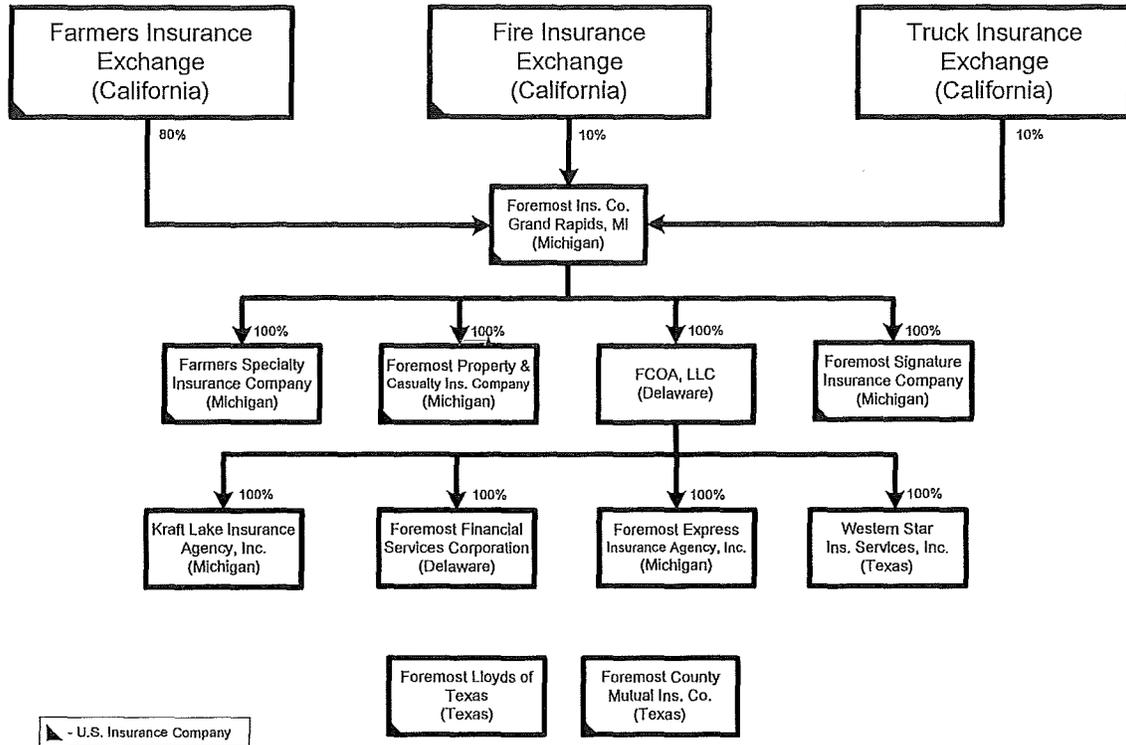
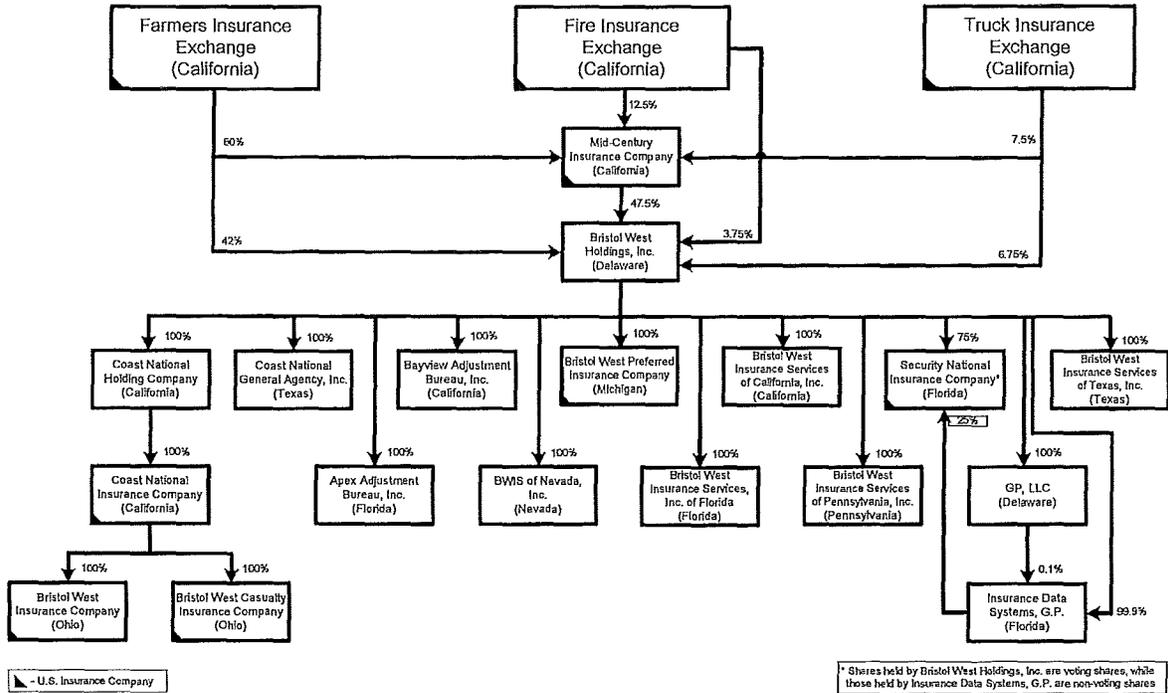


CHART IV: EXCHANGES/BRISTOL WEST ORGANIZATION



Attorney-In-Fact Arrangements

Farmers Group, Inc. (FGI), as the attorney-in-fact, provides operating services (including staffing and occupancy), except claims adjustment services, to the Exchange. These services were provided to the Exchange pursuant to the subscription agreements entered into between the Exchange and each of its individual policyholders. There is no specific management services agreement required between the Exchange and FGI for these services provided. California Insurance Code (CIC) Sections 1215.4 and 1215.5 provide for an exemption from reporting for an inter-insurance exchange utilizing the subscription agreements providing that the form of the agreement was in place prior to 1943 and it was not amended in any way to modify payments, fees, or waivers of fees or otherwise substantially amended after 1943. The Exchange is responsible for the payment of claims (adjustment function), payment of commissions, and the payment of premium and income taxes.

For 2010, 2011, 2012, and 2013, the pooled share of the subscription fees paid by the Exchange and its subsidiaries and affiliates to FGI for its services was as follows:

Company	Subscription Fees Paid to Farmers Group, Inc. (for Exchange Issued Policies)			
	2013	2012	2011	2010
Farmers Insurance Exchange	\$1,376,529,848	\$1,215,144,121	\$1,306,619,473	\$1,170,817,073
Truck Insurance Exchange	206,146,982	181,978,105	195,677,313	175,339,755
Fire Insurance Exchange	199,497,079	176,107,844	189,365,141	169,683,634
Mid-Century Insurance Company	425,593,769	375,696,733	403,978,968	361,991,752
Civic Property and Casualty Company	26,599,611	23,481,046	25,248,686	22,624,484
Exact Property and Casualty Company	26,599,611	23,481,046	25,248,686	22,624,484
Neighborhood Spirit Property and Casualty Company	26,599,611	23,481,046	25,248,686	22,624,484
Subtotals	\$2,287,566,511	\$2,019,369,941	\$2,171,386,953	\$1,945,705,666
All Other Affiliates	372,394,547	328,734,641	353,481,596	589,038,148
Totals - Paid	\$2,659,961,058	\$2,348,104,582	\$2,524,868,549	\$2,534,743,814

Inter-company Service Agreements

Effective March 1, 2010, the Exchange is also a party to various services agreements, with 16 non-California-domiciled affiliates as follows: Farmers Insurance Company, Inc., Farmers Insurance Company of Arizona, Illinois Farmers Insurance Company, Farmers New Century Insurance Company, Farmers Insurance Company of Idaho, Farmers Insurance Company of Oregon, Farmers Insurance Company of Washington, Farmers Insurance Company of Columbus Inc., Farmers Texas County Mutual Insurance Company, Mid-Century Insurance Company of Texas, Texas Farmers Insurance Company, Foremost Insurance Company of Grand Rapids, Michigan, Bristol West Insurance Company, Bristol West Preferred Insurance Company, Bristol West Casualty Insurance Company, Security National Insurance Company. Also, the following California-domiciled affiliates are party to service agreements: Exact Property and Casualty Company, Civic Property and Casualty Company, and Neighborhood Spirit Property and Casualty Company. The Exchange provides management services and claims adjusting services under these agreements.

The management fees for these services are calculated by book of business based on direct and assumed earned premiums. Pooling is then applied to obtain each company's pooled share of the underwriting fees, which are based on the appropriate expense classifications according to the cost incurred by FGI, the attorney-in-fact providing management services to the Exchange.

Investment Management Agreements

Farmers Group, Inc. (FGI), acting on behalf of the Exchange, Fire Insurance Exchange (Fire), Truck Insurance Exchange (Truck) and the subsidiaries of these three Exchanges, entered into an Investment Management Agreement dated July 1, 1998 with its affiliate, Scudder Kemper Investments Inc. (Scudder). In 2002, Scudder was acquired and replaced by Deutsche Asset Management (DeAM), a division of Deutsche Bank, AG. DeAM, a non-affiliate, managed the fixed income and equity asset portfolios of the Exchange, Fire, Truck and the subsidiaries. The terms of the agreement have otherwise not been altered.

FGI was also a party to the Service Level Agreement dated November 4, 1998 with Scudder, which was replaced in 2002 by DeAM. DeAM, a non-affiliate, provided accounting and reporting services in connection with the Exchange, Fire, Truck and the stock subsidiaries' investment portfolios, including Securities Valuation Office reporting. DeAM was given the authority to vote the proxies of the common stock. The terms of the agreement were left unchanged except for the replacement of parties.

Tax Sharing Agreement

The Exchange's federal income tax return was consolidated with various insurance and non-insurance affiliates and subsidiaries. An amended Tax Sharing Agreement was executed on August 14, 2012, with an effective date of July 1, 2009, to include the acquired eighteen 21st Century Personal Auto Group companies.

The latest tax sharing agreement, effective September 1, 2013, amends and supersedes the August 14, 2012 agreement. The CDI approved the September 1, 2013 agreement on February 18, 2014. Allocation of taxes is based upon separate return calculations with inter-company tax balances payable or receivable being settled in amounts equal to the amounts which would be due to or from federal taxing authorities if separate returns were filed.

FIDELITY BONDS AND OTHER INSURANCE

The minimum fidelity coverage suggested by the NAIC for an insurer of the Company's size and premium volume is not less than \$800,000. As of December 31, 2013, the Company had sufficient fidelity bond coverage of \$20,000,000.

The Company also had additional insurance protection against directors' and officers' liability; fiduciary liability; property and casualty; general liability; automobile liability; aircraft liability;

storage tank liability; umbrella and excess liability; workers' compensation and employers' liability; key man life insurance; surety, and financial institution bond insurance.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

Postretirement Benefits

The Company and certain of the Farmers P&C Companies, provide certain postretirement benefits to retired employees. The postretirement medical benefits plan is a contributory defined benefit plan for employees who were retired or who were eligible for early retirement as of January 1, 1991, and is a contributory defined dollar plan for all other employees retiring after January 1, 1991. Currently, access to a retiree medical plan is available to retiring employees age 55 or older with five or more years of service, and a subsidy toward payment of retiree medical premiums is provided to retiring employees age 55 or older, with ten or more years of service. A retiree life insurance benefit is no longer offered to retiring employees; although some retirees retain a life insurance benefit under legacy provisions.

During 2013, the Farmers P&C Companies Postretirement Welfare Plan was amended to include the following for the post-65 medical benefit (except for Hawaii) effective July 1, 2013. Under this amendment, the plan no longer offers an employer sponsored post-65 medical plan. For retirees who retired before 1991, the plan provides an annual premium reimbursement of \$2,800 (in 2013) each for retiree and covered spouse. The premium reimbursement amount increases by 5% each year thereafter. For retirees who retired between January 1, 1991 and December 31, 2009, the amended plan provides annual premium reimbursement of \$1,500 (in 2013) each for retiree and covered spouse.

Retirement Plans

FIE and certain of the Farmers P&C Companies participate in two non-contributory retirement plans (the "Regular Plan" and the "Restoration Plan") sponsored by Farmers Group, Inc. (FGI). The Regular Plan covers substantially all employees of the Farmers P&C Companies and FGI and its subsidiaries who have reached age 21 and have rendered one year of service. Benefits are based on years of service and the employee's compensation during the last five years of employment. The Restoration Plan provides supplemental retirement benefits for certain key employees of the Farmers P&C Companies and FGI and its subsidiaries. Information regarding the Regular and Restoration Plans funded status is not developed separately. FIE has no legal obligation for benefits under this plan.

For the 2012-2013 and 2011-2012 plan years, the minimum required contribution did not exceed the full funding limitation under the Internal Revenue Code. As a result, as of year-to-date December 31, 2013, the Farmers P&C Companies, FGI and its subsidiaries made total contributions to the Plan of \$190.9M, of which \$105.7M came from the Farmers P&C Companies. The Company's share of the Farmers P&C Companies' contributions was \$0.8M in 2013.

Effective January 1, 2009, FIE and certain of the Farmers P&C Companies began participating in a third non-contributory retirement plan ("Cash Balance Program") also sponsored by FGI. The

Cash Balance program covers new hires, effective January 1, 2009, and all employees who are not grandfathered under the Regular Plan as of December 31, 2008. Vested employees who are age 40 and over or who have 10 or more years of service as of December 31, 2008 are grandfathered in the Regular Plan. Under the Cash Balance Program, FGI and the Farmers P&C Companies will make regular contributions based on a percentage of base pay. The contributions vary based on age and length of service. In addition, the Cash Balance Program has a minimum annual return of 5.0%. Employees who are vested under the Regular Plan as of December 31, 2008, under the age of 40 and have fewer than 10 years of service, will receive transitional contributions to maximize the benefit under the Cash Balance Program.

Short Term Incentive Program

Effective January 1, 2009, FIE and certain of the Farmers P&C Companies, participate in a new Short Term Incentive Program (STIP) and a 401(k) Savings Plan sponsored by FGI. These two plans replaced the previous Farmers P&C Companies' Deferred Profit Sharing and Cash Profit Sharing plans that were discontinued effective January 1, 2009. The STIP is a performance based plan that provides employees an annual incentive pay based on the achievement of certain Farmers P&C Companies' goals and individual employee performance. The Company's share of expense under this plan was \$0.6M as of December 31, 2013.

401(k) Savings Plan

Effective January 1, 2009, FIE and certain of the Farmers P&C Companies, participate in a 401(k) Savings Program sponsored by FGI. Contributions are made by eligible employees up to the yearly maximum allowable as defined by the Internal Revenue Service. FIE and certain Farmers Companies will match eligible employees' contributions up to 6.0% of earned base pay. All eligible employees are 100% vested in the 401(k) Savings Plan. The Company's share of expense under this plan was \$0.3M as of December 31, 2013.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2013, the Company was licensed in Idaho and as an accredited reinsurer in the States of Oregon and California. The Company's key lines of business are property, marine & transportation, casualty, workers' compensation, and surety business.

Insurance products are marketed through a comprehensive network of exclusive and independent agents and direct channels. There is an agency force of more than 51,000 agents, including 13,000 exclusive agents supported by 29 state offices, 11 service centers and 2,000 branch claim offices. There is also a new channel opportunity through AIG PAG/21st Century (web shopping and internet purchasing capabilities).

GROWTH OF THE COMPANY

The following represents the Company's Premium Activity and its relationship to surplus over the period of our examination:

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Gross Written Premium	\$ 196,030,928	201,535,666	200,917,952	185,089,161
Policyholder Surplus	\$ 68,328,527	66,620,121	65,274,016	66,196,168
Gross Written Premium to Policyholder Surplus Ratio	287%	303%	308%	280%

LOSS EXPERIENCE

The following represents the Company's loss experience and its relationship to net premium income over the period of our examination:

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Net Premium Earned	\$ 102,933,228	\$ 102,546,443	\$ 109,075,842	\$ 79,938,338
Loss Incurred	\$ 58,677,315	\$ 61,721,769	\$ 66,160,987	\$ 42,239,363
Loss Adjustment Expenses Incurred	\$ 10,358,403	\$ 11,243,769	\$ 13,507,749	\$ 9,683,700
Total Loss and Loss Adjustment Expenses Incurred	\$ 69,035,718	\$ 72,965,538	\$ 79,668,736	\$ 51,923,063
Total Loss and Loss Adjustment Expenses Incurred to Net Premium Earned (Loss Ratio)	67%	71%	73%	65%

REINSURANCE

Intercompany Reinsurance and Pooling Agreement

The Company participated in an Intercompany Reinsurance Pooling Agreement. The Exchange is the lead insurer in this agreement under which the insurers listed below pool their risks and obtain a proportional share of profits and/or losses of the pooled business. The agreement became effective on January 1, 1999. Under the agreement, business is allocated among the pool participants as follows:

<u>Pool Participant</u>	<u>Percentage</u>
Farmers Insurance Exchange (Lead Insurer)	51.75
Mid-Century Insurance Company	16.00
Truck Insurance Exchange	7.75
Fire Insurance Exchange	7.50
Farmers Insurance Company of Oregon	7.00
Farmers Insurance Company of Washington	2.00
Civic Property and Casualty Company	1.00
Exact Property and Casualty Company	1.00
Neighborhood Spirit Property and Casualty Company	1.00
Texas Farmers Insurance Company	1.00
Farmers Insurance of Columbus, Inc.	1.00
Farmers Insurance Company, Inc.	0.75
Illinois Farmers Insurance Company	0.75
Farmers New Century Insurance Company	0.75
Farmers Insurance Company of Idaho	0.75
Total	<u>100.00</u>

The last amendment to this long-standing pooling agreement was approved by the California Department of Insurance (CDI) on January 12, 1999.

Assumed

Through a combination of affiliated Fronting or Reinsurance Indemnity Agreements and a series of long-standing 100% affiliated Reinsurance Assumption Agreements, all of the business written in certain affiliated property and casualty companies not participating in the intercompany pool is ceded to the Exchange. The ceding companies not participating in the intercompany pool are as follows: Farmers Insurance Company of Arizona, Mid-Century Insurance Company of Texas, and Farmers Texas County Mutual Insurance Company.

In addition, there are also a series of affiliated 100% Quota Share Reinsurance Agreements under which the Exchange reinsures Bristol West Casualty Insurance Company, Bristol West Preferred Insurance Company, Bristol West Insurance Company, Coast National Insurance Company and Security National Insurance Company.

Effective January 1, 2000 and amended on December 31, 2010, the Exchange entered into a 100% Quota Share Reinsurance Agreement with its affiliate, Foremost Insurance Company, Grand Rapids, Michigan (Foremost) wherein Foremost cedes to the Exchange 100% of its in-force business as of the effective date and 100% of its renewal and new business after the effective date.

Effective June 30, 2009, the Exchange entered into a 100% Quota Share Reinsurance Agreement with its affiliate, 21st Century North America Insurance Company (21CNAI). Pursuant to the agreement, 21CNAI cedes to the Exchange 100% of the pooled premiums with respect to its in-force, new and renewal insurance and reinsurance contracts covering business earned on or after the effective date and 100% of its obligations for losses incurred with respect to such contracts on or after the effective date.

In addition, effective January 1, 1999, the Exchange reinsured all of the Zurich Insurance Company's personal lines insurance business. This includes policies of Maryland Casualty Company (MCC) and business ceded to MCC by its affiliates. Effective September 7, 2004, this reinsurance assumption agreement was amended to carve out Antique Automobile and Modified Automobile policies ceded to the Exchange, and cede such policies to Foremost.

As a result of the above intercompany reinsurance pooling agreement and the reinsurance assumed agreements, the Exchange assumed 100% of the business written by all members of the Farmers Group of companies.

Ceded

Affiliated

The Exchange maintains certain fronting 100% quota share agreements (RAS treaties, which are historically long-standing reinsurance agreements with affiliates initiated variously between 1950 and 1995 by which all the property business it writes is ceded prior to the inter-company pooling to Fire Insurance Exchange (Fire). Similarly, all of its commercial business is ceded to Truck Insurance Exchange (Truck) under these RAS quota share treaties. The only exception is that Texas Farmers Insurance Company cedes its property business directly to Fire and its commercial business directly to Truck.

Effective January 1, 2012, the Exchange entered into the 2012 Automobile Physical Damage Agreement of Reinsurance (APDAR), a quota share reinsurance agreement that covers automobile physical damage. This agreement supersedes the 2009 APDAR. Under the agreement, the Exchange, on behalf of itself and its pooling participants, cedes up to \$1 billion per year of its auto physical damage premiums. Through December 31, 2012, the subscribing reinsurers were Farmers Reinsurance Company (Farmers Re), with a 20% quota share participation, and Zurich Insurance Company (Zurich), with an 80% quota share participation. Effective January 1, 2013, Farmers Re reduced its quota share participation from 20% to 12.5%, with a non-affiliated reinsurer undertaking the 7.5% quota share participation from Farmers Re. Effective January 1, 2014, Farmers Re reduced its quota share participation from 12.5% to

10.0%, with a non-affiliate reinsurer undertaking the 2.5% quota share participation from Farmers Re. The CDI approved this agreement on January 31, 2014.

The Exchange, effective June 30, 2009, entered into the All Lines Quota Share Agreement of Reinsurance, a quota share reinsurance agreement that covers all lines except personal automobile. Zurich Insurance Company (Zurich) and Farmers Re were the original subscribing reinsurers. Their aggregate participation was originally at 37.5%, and was subsequently reduced from 37.5% to 35% effective December 31, 2009, from 35% to 25% effective June 30, 2010, and from 25% to 12% effective December 31, 2010. Effective December 31, 2011, the aggregate participation was increased from 12% to 20%. Effective December 31, 2012, the quota share participation of Farmers Re was reduced from 4% to 2.5%, thus reducing the aggregate participation of Zurich and Farmers Re from 20% to 18.5%. A non-affiliated reinsurer undertook the 1.5% quota share participation from Farmers Re. An amendment, effective December 31, 2013, reduced the quota share participation of Farmers Re from 2.5% to 2.0%, thus reducing the aggregate participation of Zurich and Farmers Re from 18.5% to 18%. A non-affiliated reinsurer undertook the .5% quota share participation from Farmers Re. The CDI approved the December 31, 2013 amendment to this agreement on January 31, 2014.

There are a series of 100% Equipment Breakdown Quota Share Reinsurance Agreements effective November 1, 2000, under which Zurich American Insurance Company (Zurich American) reinsures the Exchange and certain of its affiliates for specified industry programs.

Effective December 31, 2010, the 95% Retrocession Reinsurance Agreement between the Exchange and Foremost through which the Exchange retroceded to Foremost 95% of mobile home, manufactured homes, and recreational vehicle business was cancelled on a cut-off basis.

Ceded

Non-affiliated

Treaties ceding risks to non-affiliated reinsurers were written with the Exchange and all of its subsidiaries and affiliates as the cedents. The following is a summary of the principal non-affiliated ceded reinsurance treaties in-force as of December 31, 2013:

Type of Contract	Reinsurer's Name	Company's Retention	Reinsurer's Maximum Limits
Property Catastrophe Named Hurricane Excess of Loss	Lloyd's of London (16.8%) Various reinsurers (73.2%)	\$250 million per occurrence	90.0% of \$250 million excess of \$250 million retention per occurrence, subject to a maximum aggregate recovery of \$500 million during the term of the contract. Coverage for property located in all territories except Florida.
Property Catastrophe Non Hurricane Excess of Loss	Lloyd's of London (29.525%) Various reinsurers (46.875%)	\$300 million per occurrence	76.4% of \$200 million excess of \$300 million retention per occurrence, subject to a maximum aggregate recovery of \$400 million during the term of the contract.
Property Catastrophe Excess of Loss – 2 nd layer	Lloyds of London (19.115%) Various reinsurers (73.385%)	\$500 million per occurrence	92.5% of \$500 million excess of \$500 million retention per occurrence, subject to a maximum aggregate recovery of \$1 billion during the term of the contract. Coverage for property located in all territories except Florida.
Property Catastrophe Excess of Loss – 3 rd Layer	Lloyd's of London (18.2706%) Various reinsurers (73.4378%)	\$1.0 billion per occurrence	91.7084% of \$500 million in excess of \$1.0 billion per occurrence, subject to a maximum aggregate

Type of Contract	Reinsurer's Name	Company's Retention	Reinsurer's Maximum Limits
			<p>recovery of \$1 billion during the term of the contract.</p> <p>Coverage for property located in Arkansas, California, Kentucky, Louisiana, Mississippi, Missouri, Oklahoma, Tennessee and Texas.</p>
Property Catastrophe Excess of Loss – 4 th Layer	<p>Lloyd's of London (9.575%)</p> <p>Various reinsurers (90.425%)</p>	\$1.5 billion per occurrence	<p>100% of \$500 million in excess \$1.5 billion retention per occurrence, subject to a maximum aggregate recovery of \$1 billion during the term of the contract. Maximum aggregate recovery in California limited to \$250 million during the term of the contract.</p> <p>Coverage for property located in Alabama, Arkansas, California, Kentucky, Louisiana, Mississippi, Missouri, Oklahoma, Tennessee and Texas.</p>
Property Catastrophe Excess of Loss – Southeast region	<p>Renaissance Reinsurance, Ltd (6.50%)</p> <p>Validus Reinsurance, Ltd. (6.00%)</p> <p>Lloyd's of London (32.11%)</p> <p>Various reinsurers (36.35%)</p>	\$80 million per occurrence.	<p>80.96% of \$300 million in excess of \$80 million retention per occurrence, subject to a maximum aggregate recovery of \$600 million during the term of the contract.</p> <p>Coverage for losses from Florida, Georgia, North Carolina and South Carolina.</p>

Type of Contract	Reinsurer's Name	Company's Retention	Reinsurer's Maximum Limits
Property Catastrophe Excess of Loss - Florida	Lloyds of London (4.04%) Amlin Bermuda Limited (5.00%)	\$80 million per occurrence.	9.04% of \$300 million in excess of \$80 million retention per occurrence, subject to a maximum aggregate recovery of \$600 million during the term of the contract.
Underlying Property Catastrophe Non Hurricane Excess of Loss	DaVinci Reinsurance Ltd. (6.0%) Renaissance Reinsurance Ltd. reinsurers (9.0%)	\$100 million per occurrence.	15% of \$200 million excess of \$100 million excess \$300 million, subject to a maximum aggregate recovery of \$400 million during the term of the contract. Coverage for property located in all territories except Florida.
Property Per Risk Excess of Loss – 1 st Layer	Lloyds of London (47.45%) Various reinsurers (52.55%)	\$7.5 million per risk	100% of \$12.5 million in excess of \$7.5 million per risk, subject to \$12.5 million in occurrence limit, and \$50 million treaty aggregate for the term of the agreement.
Property Per Risk Excess of Loss – 2 nd Layer	Lloyds of London (47.75%) Various reinsurers (52.25%)	\$20 million per risk	100% of \$30 million in excess of \$20 million per risk subject to \$30 million in occurrence limit, and \$90 million treaty aggregate for the term of the agreement.
Casualty Excess of Loss – 1 st Layer	Lloyds of London (42.67%) Aspen Insurance UK Limited (20.00%) Endurance Specialty Ins. Ltd. (22.00%)	\$10 million per occurrence	100% of \$15 million in excess of \$10 million per occurrence subject to \$15 million in occurrence limit, and \$30 million annual maximum treaty aggregate.

Type of Contract	Reinsurer's Name	Company's Retention	Reinsurer's Maximum Limits
	Various reinsurers (15.33%)		
Casualty Excess of Loss – 2 nd Layer	Lloyds of London (40%) Aspen Insurance UK Limited (18%) Endurance Specialty Ins. Ltd. (23%) Various reinsurers (19%)	\$25 million per occurrence	100% of \$25 million in excess of \$25 million per occurrence subject to \$25 million in occurrence limit, and \$50 million annual maximum treaty aggregate.
Casualty Excess of Loss – 3 rd Layer	Lloyds of London (32%) Aspen Insurance UK Limited (22%) Endurance Specialty Ins. Ltd. (25%) Various reinsurers (21%)	\$50 million per occurrence.	100% of \$50 million in excess of \$50 million per occurrence subject to \$50 million in occurrence limit, and \$100 million annual maximum treaty aggregate.
Workers' Compensation Per Person Excess of Loss	Lloyds of London (32.5%) Aspen Insurance UK Limited (40.0%) Various reinsurers (27.5%)	\$10 million per occurrence.	100% of \$10 million in excess of \$10 million per occurrence subject to a \$20 million annual maximum treaty aggregate.
	General Reinsurance Corporation	\$1 million per occurrence.	100% \$9 million in excess of \$1 million.
Employment Practices Liability Insurance Quota Share	Lloyds of London (100%)	35% Quota Share	65% Quota Share up to \$1 million. Business Covered/Peril: Employers' Liability. All perils.

Type of Contract	Reinsurer's Name	Company's Retention	Reinsurer's Maximum Limits
			Territory: United States of America.
Automatic Property Facultative Facility	General Reinsurance Corporation (50%) Swiss Reinsurance America Corporation (50%)	\$50 million each risk	\$25 million excess of \$50 million each risk. Business Covered/Peril: In-force, new and renewal Property business with total insured value greater than \$50,000,000. All perils. Territory: United States of America.
Cyber Liability Insurance Quota Share	Lloyds of London (100%)	0%	100% quota share up to \$50,000. Territory: United States of America.

As of December 31, 2013, reinsurance recoverables totaled \$69.2 million, or 101.2% of surplus as regards policyholders. All of the ceded reinsurance recoverables were attributable to the Intercompany Pooling agreement.

ACCOUNTS AND RECORDS

The annual independent audits of the Company for the years 2010 through 2013 were performed by PricewaterhouseCoopers LLP, Los Angeles. Their audit reports were made available for the examination.

Document and information requests for the examination were generally made in writing. The Company provided the requested documentation and information in a timely manner.

STATUTORY DEPOSITS

Pursuant to §41-316A, Idaho Code, the Company was required to maintain a deposit in an amount equal to \$1,000,000. The Company's minimum capital requirement was \$1,000,000 plus a minimum surplus of \$1,000,000 at December 31, 2013. The examination confirmed the Company maintained a statutory deposit with the State of Idaho consisting of the following security, with total par value of \$1,000,000, which was adequate to cover the required deposit.

In compliance with §72-301(2), Idaho Code, the Company deposited \$250,000 par value of US Treasury Notes as of December 31, 2013, with the Idaho State Treasurer, as required by the Idaho Industrial Commission.

Description	Par Value	Statement Value	Market Value
Idaho Department of Insurance:			
US Treasury Notes, 2.625%, Due 8/15/2020	\$1,000,000	\$1,001,755	\$1,020,312
Idaho Industrial Commission:			
US Treasury Notes, 2.250% Due 3/31/2016	250,000	251,207	259,981
Totals	\$1,250,000	\$1,252,962	\$1,280,293

FINANCIAL STATEMENTS

Balance Sheet
As of December 31, 2013

ASSETS

Bonds	\$ 155,705,823
Cash \$(213) cash equivalents \$0 and short-term investments \$209,912	209,699
Derivatives	<u>1,184</u>
Total Invested Assets	\$ 155,916,705
Investment income due and accrued	944,184
Uncollected premiums and agents' balances in the course of collection	1,909,627
Deferred premiums; agents' balances and installments booked but deferred and not yet due	16,960,201
Accrued retrospective premiums	17,933
Amounts recoverable from reinsurers	1,027,020
Net deferred tax asset	5,262,797
Receivables from parent, subsidiaries and affiliates	3,328,349
*Aggregate write-ins for other-than-invested assets	<u>435,174</u>
Total Assets	<u>\$ 185,802,080</u>

*Business owned life insurance - cash value: \$435,174.

Balance Sheet, continued
As of December 31, 2013
LIABILITIES, CAPITAL AND SURPLUS

Losses (Note 1)	\$	46,618,149
Reinsurance payable on losses and loss adjustment expenses		6,109,933
Loss adjustment expenses (Note 1)		12,888,079
Other expenses		76,638
Taxes; licenses and fees		26,955
Unearned premiums		44,978,978
Advance premium		1,109,428
Dividends declared but unpaid: Policyholders		23,074
Ceded reinsurance premiums payable		4,630,141
*Aggregate write-ins for liabilities		<u>1,012,167</u>
Total liabilities	\$	117,473,553
**Aggregate write-ins for special surplus		581,692
Common capital stock		1,504,000
Gross paid in and contributed surplus		<u>33,162,448</u>
Unassigned funds (surplus)		<u>33,080,387</u>
Surplus as regards policyholders	\$	<u>68,328,527</u>
Total Liabilities and Policyholders Surplus	\$	<u><u>185,802,080</u></u>

*Deferred Agent/DM Compensation Liability: \$493,578; Accounts Payable: \$450,079; Pooled Share of Unauthorized Reinsurance: \$68,510.

**Increase due to SSAP No. 10R net deferred tax.

Statement of Income

For the Year Ending December 31, 2013

Premiums earned		\$ 102,933,228
Losses incurred	\$ 58,677,315	
Loss adjustment expenses incurred	10,358,403	
Other underwriting expenses incurred	35,530,604	
Aggregate write-ins for underwriting deductions		
Total underwriting deductions		<u>104,566,323</u>
Net underwriting gain or loss		\$ (1,633,094)
Net investment income earned	\$ 3,646,019	
Net realized capital gains (losses) less capital gains tax of \$0	<u>7,876</u>	
Net investment gain (loss)		3,653,895
Net gain or (loss) from agents' or premium balances charged off (amount recovered \$75,408 amount charged off \$864,931	\$ (789,523)	
Finance and service charges not included in premiums	1,779,577	
*Aggregate write-ins for miscellaneous income	<u>(362,637)</u>	
Total other income		<u>627,416</u>
Net income before dividends and federal and foreign income taxes		\$ 2,648,217
Dividends to policyholders		<u>7,270</u>
Net income after dividends an before federal and foreign income taxes		<u>\$ 2,640,946</u>
Federal and foreign income taxes incurred		<u>711,893</u>
Net income		<u>\$ 1,929,053</u>

*Miscellaneous (expense) income: \$(357,880); Premiums for business-owned life insurance: \$(4,757).

Reconciliation of Surplus

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Surplus as regards policyholders; December 31 prior year	\$ 66,620,121	\$ 65,274,016	\$66,196,168	\$ 66,314,008
Net income	1,929,053	975,006	(1,024,367)	(1,576,992)
Change in net unrealized capital gains	(6,346)	126,456	(37,871)	291,004
Change in net deferred income tax	(365,361)	637,611	(1,380,584)	1,417,778
Change in nonadmitted assets	157,494	(412,612)	909,136	(244,241)
Capital changes paid in Surplus adjustments paid in Dividends to stockholders				
*Aggregate write-ins for gains and losses in surplus	(6,434)	19,645	611,533	(5,388)
Change in surplus as regards policyholders for the year	\$ 1,708,406	\$ 1,346,105	(922,152)	\$ (117,840)
Surplus as regards policyholders; December 31 current year	\$ 68,328,527	\$ 66,620,121	\$65,274,016	\$ 66,196,168

*Pooled share of unauthorized reinsurance: \$(6,434), \$19,645, \$(5,388). 2011: Pooled share of unauthorized reinsurance: \$29,841; Increases due to SSAP No. 10R net deferred tax: \$581,692.

Analysis of Changes in Financial Statements Resulting From Examination

There were no adjustments made to surplus in the Report of Examination.

NOTES TO FINANCIAL STATEMENTS

Note (1)	Losses	\$46,618,149
	Loss adjustment expenses	12,888,079

The Exchange was directed by the California Department of Insurance (CDI), under California Insurance Code (CIC) Section 733(g), to retain the American Actuarial Consulting Group, LLC, (AACF) for the purpose of assisting this examination in determining the reasonableness of the Exchange's loss and loss adjustment expense reserves. Because the business of the Exchange was pooled, it was necessary to review the losses on a group-wide basis. Based on the analysis

Exchange's loss and loss adjustment expense reserves. Because the business of the Exchange was pooled, it was necessary to review the losses on a group-wide basis. Based on the analysis by AACG and the review of their work by a Casualty Actuary from the CDI, the Exchange's December 31, 2013 reserves for losses and loss adjustment expenses were determined to be reasonably stated and have been accepted for purposes of this examination.

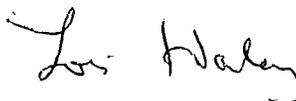
SUMMARY OF RECOMMENDATIONS

There were no recommendations made in this Report of Examination as of December 31, 2013.

ACKNOWLEDGEMENT

The undersigned acknowledging the assistance and cooperation extended during the course of the examination by representatives of the Company.

Respectfully submitted,

A handwritten signature in cursive script that reads "Lois Haley".

Lois Haley, CFE
Examiner-in-Charge
Representing the Idaho Department of Insurance

State of Idaho
DEPARTMENT OF INSURANCE

C. L. "BUTCH" OTTER
Governor

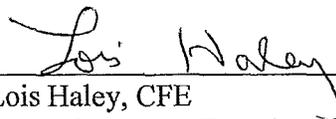
700 West State Street, 3rd Floor
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Boise, Idaho 83720-0043
Phone (208)334-4250
FAX # (208)334-4398

THOMAS DONOVAN
Acting Director

AFFIDAVIT OF EXAMINER

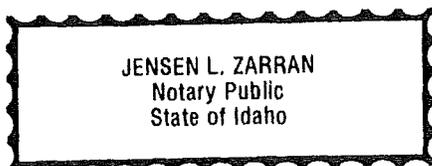
State of Idaho
County of Ada

Lois Haley, being duly sworn, deposes and says that she is a duly appointed Examiner for the Department of Insurance of the State of Idaho, that she has made an examination of the affairs and financial condition of Farmers Insurance Company of Idaho for the period from January 1, 2010 through December 31, 2013, including subsequent events, that the information contained in the report consisting of the foregoing pages is true and correct to the best of her knowledge and belief, and that any conclusions and recommendations contained in the report are based on the facts disclosed in the examination.



Lois Haley, CFE
Senior Insurance Examiner
Department of Insurance
State of Idaho

Subscribed and sworn to before me the 9TH day of JUNE, 2015 at Boise, Idaho



Notary Public

My commission expires: 10/31/2017

State of Idaho
DEPARTMENT OF INSURANCE

C. L. "BUTCH" OTTER
Governor

700 West State Street, 3rd Floor
P.O. Box 83720
Boise, Idaho 83720-0043
Phone (208)334-4250
FAX # (208)334-4398

THOMAS DONOVAN
Deputy Director

WAIVER

In the matter of the Report of Examination as of December 31, 2013, of the:

FARMERS INSURANCE COMPANY OF IDAHO
2500 South Fifth Avenue
Pocatello, Idaho 83204-1923

By executing this Waiver, the Company hereby acknowledges receipt of the above-described examination report, verified as of the 9th day of June, 2015, and by this Waiver hereby consents to the immediate entry of a final order by the Director of the Department of Insurance adopting said report without any modifications.

By executing this Waiver, the Company also hereby waives:

1. its right to examine the report for up to thirty (30) days as provided in Idaho Code section 41-227(4),
2. its right to make a written submission or rebuttal to the report prior to entry of a final order as provided in Idaho Code section 41-227(4) and (5),
3. any right to request a hearing under Idaho Code sections 41-227(5) and (6), 41-232(2)(b), or elsewhere in the Idaho Code, and
4. any right to seek reconsideration and appeal from the Director's order adopting the report as provided by section 41-227(6), Idaho Code, or elsewhere in the Idaho Code.

Dated this 19th day of June, 2015

FARMERS INSURANCE COMPANY OF IDAHO

Joseph Hammond
Name (print)

Joseph Hammond
Name (signature)

Director, P & C Accounting
Title

