



May 10, 2019

Dear Policyholder:

As a member eligible to vote (an “**Eligible Member**”), you are cordially invited to attend a special meeting (the “**Special Meeting**”) of the policyholders of Colorado Farm Bureau Mutual Insurance Co., a Colorado mutual insurance company (the “**Company**”), which will be held on June 10, 2019, commencing at 5:00 p.m., Mountain Time, at the corporate offices of the Company located at 9177 East Mineral Circle, Centennial, Colorado 80112. At the Special Meeting, Eligible Members will be asked to approve a plan to demutualize and combine the Company’s operations with Southern Farm Bureau Casualty Insurance Company (the “**Sponsor**”) (the “**Plan**”). The Commissioner of the Colorado Division of Insurance preliminarily approved the Plan on March 7, 2019. The Commissioner’s preliminary approval is not an endorsement of the Plan or a recommendation in favor of the Plan.

The Plan now requires approval by at least two-thirds of the votes cast by the Eligible Members, either by mailing a completed proxy card (“**Proxy Card**”) or attending the Special Meeting in person. We strongly urge you to vote on this important matter. Following the completion of the transactions contemplated by the Plan, we will continue to have our home office and headquarters in Centennial, Colorado and we will continue to be a Colorado-licensed insurance company focused on our Colorado policyholders. As part of the Plan, our jurisdiction of domicile will move to Mississippi immediately following the effective time of the Plan (the “**Redomestication**”).

At the Special Meeting, Eligible Members will be asked to vote upon and approve the following (referred to collectively as the “**Proposal**”):

- the Plan of Conversion dated December 21, 2018 in the form attached as Appendix A to the enclosed Information Statement (the “**Plan of Conversion**”) and the transactions contemplated thereby, including, without limitation, the Redomestication, the Stock Purchase Agreement dated January 16, 2019 (the “**Stock Purchase Agreement**”) by and between the Company and the Sponsor, in the form attached as Exhibit A to the Plan of Conversion;
- a proposal to amend and restate the Articles of Incorporation of the Company to read in the form attached as Exhibit B to the Plan of Conversion; and
- a proposal to amend and restate the Bylaws of the Company to read in the form attached as Exhibit D to the Plan of Conversion.

Implementation of the Proposal will provide the Company with (a) the ability to compete more effectively, (b) a more cost effective capital structure and (c) an affiliation with the Sponsor, an enterprise that is better positioned to support the business of the Company and successfully navigate current and future market cycles.

In connection with the Proposal, the Sponsor will pay compensation in an aggregate amount of \$25.7 million in cash to the Eligible Members in exchange for their relinquishing their membership interests in the Company. For further information regarding compensation, please see “Principal Terms of the Plan of Conversion—Compensation” beginning at page 35 of the Information Statement. **The Proposal will not reduce, in any way, the benefits or other terms of your policies.**

Our Board of Directors has unanimously approved and adopted the Plan of Conversion and Stock Purchase Agreement and the transactions contemplated thereby. The Board believes that the Proposal does not prejudice the interests of, and is fair to, our policyholders. The Board recommends a vote “FOR” adoption of the Proposal.

To assist you in making your decision about the Proposal, the following materials are enclosed:

- A Notice of the Special Meeting of Members;
- An Information Statement, which describes the Plan of Conversion and the transactions contemplated thereby, including, without limitation, the Stock Purchase Agreement, the proposed Amended and Restated Articles of Incorporation, the proposed Amended and Restated Bylaws and the Redomestication. Attachments to the Information Statement include:
 - A copy of the Plan of Conversion as it was approved by our Board of Directors and the Commissioner of the Colorado Division of Insurance and the exhibits thereto, including the Stock Purchase Agreement, the Amended and Restated Articles of Incorporation and the Amended and Restated Bylaws;
 - A copy of the fairness opinion issued by the Company’s financial advisor; and
 - Selected historical financial data and Statutory Financial Statements of the Company; and
- A Proxy Card for your vote on the Proposal, which includes the amount of cash consideration that we expect to be allocated to you if the Proposal is approved at the Special Meeting and the Company successfully converts from a mutual insurance company to a stock insurance company, to be signed and returned in the enclosed postage-paid reply envelope.

I realize this is a significant amount of material for you to review, but I encourage you to read this information carefully and in its entirety so that you are fully informed with respect to the Proposal upon which you are being asked to vote.

A tax information form (Form W-9) is included in this mailing. Please complete this form and return it in the enclosed self-addressed stamped envelope by July 10, 2019. **Failure to complete and return Form W-9 may result in the withholding and paying over to the IRS 24% of any cash payment (so-called backup withholding). We encourage you to consult with your personal tax advisor if you have any questions regarding the impact of this transaction on your own taxes.** For further information regarding tax consequences, please see “Certain Federal Tax Consequences” beginning at page 49 of the Information Statement.

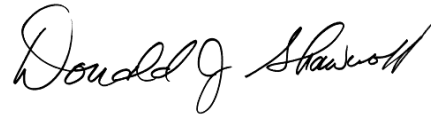
For questions or assistance in connection with the Proposal, please feel free to call us at (833) 444-4CFB ((833) 444-4232), contact us by email at AskCFBI@cfbmic.com or contact us by mail at 9177 East Mineral Circle, Centennial, Colorado 80112.

If you do not plan to attend the Special Meeting in person, it is important that you complete, date, sign and return promptly the enclosed postage prepaid Proxy Card. Mailed Proxy Cards must be received by 5:00 p.m. Mountain time on June 7, 2019 in order to be counted. Your prompt cooperation will be greatly appreciated.

We value the confidence you have placed in the Company and we look forward to continuing to serve your insurance and financial needs in the future. **In the best interests of our Company, we urge you to vote “FOR” approval of the Proposal.**

We look forward to receiving your Proxy Card or seeing you at the Special Meeting. Your vote is important. Please vote today.

Sincerely,

A handwritten signature in black ink, reading "Donald J. Shawcroft". The signature is written in a cursive style with a large initial "D".

Donald J. Shawcroft
President

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COLORADO FARM BUREAU MUTUAL INSURANCE CO.

9177 East Mineral Circle

Centennial, Colorado 80112

May 10, 2019

NOTICE OF SPECIAL MEETING OF MEMBERS

To be held on June 10, 2019

To the Members of Colorado Farm Bureau Mutual Insurance Co.:

NOTICE IS HEREBY GIVEN that a special meeting of the members of Colorado Farm Bureau Mutual Insurance Co., a Colorado mutual insurance company (the “**Company**”), will be held on June 10, 2019, at 5:00 p.m., Mountain time, at the Company’s offices at 9177 East Mineral Circle, Centennial, Colorado 80112, and any adjournment or postponement thereof (the “**Special Meeting**”), for the following purposes:

- To consider and vote upon a proposal to approve and adopt the Plan of Conversion dated December 21, 2018 (the “**Plan of Conversion**”) and the transactions contemplated thereby, including, without limitation, the redomestication of the Company to Mississippi, the Stock Purchase Agreement dated January 16, 2019 (the “**Stock Purchase Agreement**”) by and among the Company and Southern Farm Bureau Casualty Insurance Company, a Mississippi corporation, a proposal to amend and restate the articles of incorporation of the Company and a proposal to amend and restate the bylaws of the Company (collectively referred to as the “**Proposal**”); and
- To transact such other business, if any, as may properly come before the Special Meeting or any adjournments, postponements, reschedulings or continuations thereof.

In accordance with the Plan of Conversion, only members of the Company with policies in force on May 1, 2019 at 5:00 p.m. Mountain time are entitled to notice of, and to vote at, the Special Meeting (such members are referred to herein as “**Eligible Members**”). Each Eligible Member is entitled to cast one vote at the Special Meeting regardless of the number of policies held by such Eligible Member. The Company’s bylaws provide that the presence, in person or by proxy, of at least 500 Eligible Members shall constitute a quorum for purposes of considering the matters presented at the Special Meeting. Approval and adoption of the Proposal requires the affirmative vote of at least two-thirds of the votes cast by the Eligible Members voting, in person or by proxy, at the Special Meeting.

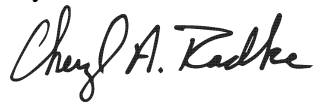
YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING IN PERSON, PLEASE MARK, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD PROMPTLY TO THE COMPANY IN THE ENCLOSED POSTAGE PAID REPLY ENVELOPE.

FOR INFORMATION REGARDING THE PROPOSAL, CONTACT:

Colorado Farm Bureau Mutual Insurance Co.
9177 East Mineral Circle
Centennial, Colorado 80122
(833) 444-4CFB ((833) 444-4232)
AskCFBI@cfbmic.com

Proxies are valid only if the proxy card is properly executed and received by the Company prior to 5:00 p.m. Mountain time on June 7, 2019, which is three days prior to the Special Meeting or any adjournment thereof. If you attend the Special Meeting, you may vote personally whether or not you have previously submitted a proxy card and such vote shall be in lieu of your previously submitted proxy card.

By Order of the Board of Directors

A handwritten signature in black ink that reads "Cheryl A. Radke". The signature is written in a cursive style with a large initial "C".

Cheryl A. Radke
Secretary

May 10, 2019

Centennial, Colorado

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COLORADO FARM BUREAU MUTUAL INSURANCE CO.

INFORMATION STATEMENT

This Information Statement relates to the proposed sponsored demutualization of Colorado Farm Bureau Mutual Insurance Co., a Colorado mutual insurance company (the “**Company**”), a process by which the Company will convert from a mutual insurance company to a stock insurance company (the “**Conversion**”), and Southern Farm Bureau Casualty Insurance Company, a Mississippi corporation (the “**Sponsor**”) will purchase the newly issued shares of Company common stock, with the Company becoming a wholly owned subsidiary of the Sponsor (the “**Purchase**,” and together with the Conversion, the “**Sponsored Demutualization**”). Immediately thereafter, the Company will redomesticate to Mississippi (the “**Redomestication**”). The Sponsored Demutualization will be effected pursuant to the Plan of Conversion, dated as of December 21, 2018, a copy of which is attached hereto as Appendix A (the “**Plan of Conversion**”), and the Stock Purchase Agreement, dated as of January 16, 2019, between the Company and the Sponsor attached as Exhibit A to the Plan of Conversion (the “**Stock Purchase Agreement**”).

This Information Statement is being furnished by the Company to all Members holding a policy that was in force on May 1, 2019 at 5:00 p.m. Mountain time (the “**Eligibility Date**”), which is the date forty (40) calendar days prior to the date of a special meeting of Company members (the “**Special Meeting**”) to be held on June 10, 2019 at 5:00 p.m., Mountain time, at the Company’s offices located at 9177 East Mineral Circle, Centennial, Colorado 80112 to consider and act upon a recommendation of the Company’s Board of Directors (the “**Board**”) to approve and adopt the Plan of Conversion and the transactions contemplated thereby, including, without limitation, the Redomestication, the Stock Purchase Agreement, to amend and restate the articles of incorporation of the Company (the “**Amended and Restated Articles**”) and to amend and restate the bylaws of the Company (the “**Amended and Restated Bylaws**”) as of the effective time of the Sponsored Demutualization (the “**Effective Time**”) and as of the time of the completion of the Redomestication. The Eligibility Date is the record date for the determination of Members entitled to notice of and to vote (collectively, the “**Eligible Members**”) at the Special Meeting. This Information Statement is being furnished in connection with the solicitation of proxies by the Board for use at the Special Meeting, and at any adjournments, postponements, reschedulings or continuations thereof. In order to consummate the Sponsored Demutualization, at least two-thirds of the votes cast by Eligible Members who are present and voting (in person or by properly executed proxy) at the Special Meeting must be voted in favor of the proposal to approve and adopt the Plan of Conversion and the transactions contemplated thereby, including, without limitation, the Redomestication, the Stock Purchase Agreement and the transactions contemplated thereby, the Amended and Restated Articles and the Amended and Restated Bylaws (the “**Proposal**”). Each Eligible Member is entitled to cast one vote at the Special Meeting regardless of the number of policies held by such Eligible Member.

This Information Statement and the accompanying proxy card (the “**Proxy Card**”) are being mailed on or about May 10, 2019 to Eligible Members. Persons who become Members after the Eligibility Date who wish to receive a copy of the Information Statement may obtain one by writing to Colorado Farm Bureau Mutual Insurance Co., 9177 East Mineral Avenue, Centennial, Colorado 80112, calling (833) 444-4CFB ((833) 444-4232) or emailing AskCFBI@cfbmic.com. However, persons who were not Members on the Eligibility Date will not be entitled to vote at the Special Meeting.

THE CONSUMMATION OF THE SPONSORED DEMUTUALIZATION IS SUBJECT TO, AMONG OTHER CONDITIONS, APPROVAL BY ELIGIBLE MEMBERS AND FINAL APPROVAL BY THE COMMISSIONER OF THE COLORADO DIVISION OF INSURANCE. SEE “PRINCIPAL TERMS OF THE PLAN OF CONVERSION – CONDITIONS TO EFFECTIVENESS OF THE PLAN OF CONVERSION.”

The Sponsored Demutualization and the transactions contemplated thereby, and other related matters, are more fully described in this Information Statement and the appendices hereto. Members are strongly urged to read and consider carefully this Information Statement in its entirety.

All information contained in this Information Statement relating to the Sponsor has been supplied by the Sponsor. No information or representation in connection with the solicitation of proxies other than those contained or referred to in this Information Statement should be relied on as having been authorized by the Company, the Sponsor or any person representing either the Company or the Sponsor. The delivery of this Information Statement shall not under any circumstances create an implication that there has been no change in the facts set forth in this Information Statement or in the affairs of the Company or the Sponsor or any of their respective subsidiaries since the date hereof or that the information herein is correct as of any time subsequent to its date.

Capitalized terms used herein but not otherwise defined in this Information Statement shall have the meanings assigned to them in the Plan of Conversion and/or the Stock Purchase Agreement.

The date of this Information Statement is May 10, 2019.

GLOSSARY

The following are brief explanations of certain terms used in this Information Statement. For complete definitions of most of these terms, please see the Plan of Conversion attached hereto as Appendix A.

Adoption Date.....	December 21, 2018, which is the date the Plan of Conversion was approved and adopted by a unanimous vote of voting members of the Board at a meeting duly called and held on such date.
Amended and Restated Articles.....	(a) The articles of incorporation of the Company as will be amended and restated as of the Plan Effective Date and (b) the articles of incorporation of the Company as will be amended and restated immediately thereafter upon the completion of the Redomestication.
Amended and Restated Bylaws	(a) The bylaws of the Company as will be amended and restated as of the Plan Effective Date and (b) the bylaws of the Company as will be amended and restated immediately thereafter upon the completion of the Redomestication.
Board.....	The board of directors of the Company.
Code.....	The United States Internal Revenue Code of 1986, as amended.
Colorado Insurance Law	Title 10 of the Colorado Revised Statutes, as amended, and the rules and regulations promulgated thereunder.
Commissioner	The Commissioner of the Division.
Common Stock	The shares of common stock of the Company after it is converted from a mutual insurance company to a stock insurance company.
Company.....	Colorado Farm Bureau Mutual Insurance Co., a Colorado mutual insurance company that will be reorganized to become a Colorado stock insurance company at the Effective Time. This entity is referred to as the “Company,” both before and after its demutualization, the sale of Common Stock to the Sponsor and the Redomestication. Unless indicated otherwise, the terms the “Company,” “we,” “our,” “our company” and “us” refer to Colorado Farm Bureau Mutual Insurance Co.
Compensation	The aggregate amount of \$25.7 million that will be paid to Eligible Members in the form of cash in exchange for extinguishment of the Membership Interests of all Members, pursuant to the Plan of Conversion and Colo. Rev. Stat. § 10-12-411.
Conversion.....	The conversion of the Company from a mutual insurance company to a stock insurance company pursuant to the

Plan of Conversion and Colo. Rev. Stat. § 10-12-411.

Division.....	The Colorado Division of Insurance.
Effective Time	12:01 a.m. Mountain time, on the Plan Effective Date.
Eligible Member	Each Member who was the first person named in a Policy that was In Force, as determined in accordance with the Plan of Conversion, on the Eligibility Date.
Eligibility Date.....	May 1, 2019 at 5:00 p.m. Mountain time, which is forty (40) calendar days prior to the date of the Special Meeting and is the record date for the determination of Eligible Members.
ERISA.....	The Employee Retirement Income Security Act of 1974, as amended.
Fairness Opinion.....	The opinion of Waller Helms dated December 21, 2018, that as of the Adoption Date and based upon the assumptions made therein, the aggregate consideration to be received by the Eligible Members, as a group, pursuant to the transactions contemplated by the Plan of Conversion, is fair from a financial point of view to such Eligible Members, as a group.
In Force	A Policy that is in effect, based on the Company's books and records, as determined in accordance with the Plan of Conversion. Generally, a Policy is In Force if it has been bound or issued and has not expired, been cancelled, non-renewed or otherwise terminated.
IRS	The United States Internal Revenue Service.
Member.....	A person who, according to the books and records of the Company and pursuant to its bylaws, is deemed to be an owner of a Policy, but shall not include a person named in a Policy as an additional insured. Unless otherwise stated in the Plan of Conversion, the Member holding any Policy as of any date shall be determined on the basis of the books and records of the Company in accordance with the following: (a) each person, firm, corporation or other entity which has executed an application of insurance and which has a Policy with the Company in good standing is a Member of the Company; (b) where two or more applicants execute an application, the applicant whose name appears first on the application shall be the Member; and (c) when the applicant is a firm, corporation or other entity, the person who signs the application shall be authorized to vote on behalf of the applicant unless a different person is designated by the applicant.
Membership Interests.....	All policyholders' rights as Members arising prior to the

Conversion under Colorado law and the articles of incorporation and bylaws of the Company prior to the Conversion. These include the right to vote for the election of directors and on certain other matters. All Membership Interests will be extinguished on the Plan Effective Date. The term “Membership Interests” does not include any rights expressly conferred on policyholders by their Policies or contract (other than any right to vote and rights related thereto).

- Payment Agent..... Corporate Stock Transfer, Inc. or such other person as designated by the Sponsor and acceptable to the Company to act as paying agent in connection with the Plan of Conversion and the Stock Purchase Agreement for distributing the Compensation payable to Eligible Members pursuant to the Plan of Conversion.
- Plan Effective Date The date and time when, among other things, the Company will become a stock insurance company and a wholly owned subsidiary of the Sponsor. The Plan Effective Date is currently expected to occur on or about July 1, 2019.
- Plan of Conversion..... The Plan of Conversion of the Company dated December 21, 2018 and the transactions contemplated thereby (including all of its exhibits), as it was approved and adopted by a unanimous vote of voting members of the Board on December 21, 2018.
- Policy An insurance policy issued or to be issued (including an insurance policy issued or assumed through assumption reinsurance) by the Company, but excluding (a) any reinsurance assumed by the Company as a reinsurer on an indemnity basis other than certain assumption certificates, (b) all administrative services agreements and (c) any insurance policy or contract issued by the Company and ceded to another insurance company through assumption reinsurance.
- Proposal The single proposal presented to the Eligible Members at the Special Meeting to approve and adopt (a) the Plan of Conversion and the transactions contemplated thereby, including, without limitation, the Redomestication and the Stock Purchase Agreement, (b) the Amended and Restated Articles and (c) the Amended and Restated Bylaws.
- Proxy Card The proxy card accompanying this Information Statement.
- Purchase Price..... An amount equal to \$25.7 million deposited by the Sponsor with the Payment Agent for distribution to Eligible Members pursuant to the Stock Purchase Agreement.
- Redomestication..... The process by which the Company will move its jurisdiction of domicile from Colorado to Mississippi in

connection with the Sponsored Demutualization.

- Special Meeting The meeting to be held on June 10, 2019 at which Eligible Members will vote for or against the Proposal.
- Sponsor Southern Farm Bureau Casualty Insurance Company, a Mississippi corporation, which will purchase all of the shares of Common Stock at the Effective Time.
- Sponsored Demutualization The process by which the Company will convert from a mutual insurance company into a stock insurance company, pursuant to the Plan of Conversion and Colo. Rev. Stat. § 10-12-411, and all of the shares of Common Stock will be sold to the Sponsor in exchange for payment by the Sponsor of the Purchase Price.
- Stock Purchase Agreement The Stock Purchase Agreement, dated as of January 16, 2019, by and between the Company and the Sponsor.
- Waller Helms Waller Helms Advisors LLC

QUESTIONS AND ANSWERS ABOUT THE SPONSORED DEMUTUALIZATION

What is the purpose of this Information Statement?

This Information Statement contains important information and explains your rights.

This Information Statement:

- tells you about the special vote of Eligible Members to approve or disapprove the Proposal;
- gives you information to help you decide how to vote;
- reviews the highlights of the Plan of Conversion, the document governing the Company's conversion to a stock insurance company;
- reviews the highlights of the Stock Purchase Agreement, the document governing the Sponsor's purchase of all the Common Stock;
- reviews the highlights of the Amended and Restated Articles, the documents which will serve as the amended and restated articles of incorporation of the Company as of and following the Plan Effective Date;
- reviews the highlights of the Amended and Restated Bylaws, the documents which will serve as the amended and restated bylaws of the Company as of and following the Plan Effective Date;
- explains certain federal income tax consequences to you that will result from the Sponsored Demutualization; and
- assures you that the Sponsored Demutualization will not affect the validity of your Policy and explains that the contractual benefits of existing policies or contracts issued by the Company will not be reduced in any way.

Why has this Information Statement been sent to you?

This Information Statement is being sent to Members entitled to vote on the Proposal.

This Information Statement has been sent to you because you are an Eligible Member of the Company.

As an Eligible Member:

- you are entitled to vote on the Proposal to approve (a) the Plan of Conversion and the transactions contemplated thereby, including, without limitation, the Redomestication and the Stock Purchase Agreement, (b) the Amended and Restated Articles and (c) the Amended and Restated Bylaws; and
- you will receive Compensation as part of the Sponsored

Demutualization.

This Information Statement contains important information and explains your rights. Please read it carefully and in its entirety.

What is included in this mailing package?

Included with this Information Statement is a Proxy Card for voting and other important documents.

This mailing package includes this Information Statement which describes the details of the Proposal. It also includes a Proxy Card with which Eligible Members can vote on the Proposal and which sets forth the amount of the Compensation that we expect to be allocated to you if the Proposal is approved at the Special Meeting and the Company successfully converts from a mutual insurance company to a stock insurance company. We urge you to read this Information Statement carefully and in its entirety before voting on the Proposal.

What are the steps in the proposed Sponsored Demutualization transaction?

There are three main steps in the Sponsored Demutualization.

The proposed Sponsored Demutualization has three steps:

- The Company will convert from a mutual insurance company into a stock insurance company in a process known as a “demutualization.”
- As part of the demutualization, in exchange for the agreement by the Sponsor to pay the Compensation to you, the Company will issue all of the newly issued shares of Common Stock to the Sponsor, with the Company becoming a wholly owned subsidiary of the Sponsor.
- Immediately after the first two steps, the Company will redomesticate from Colorado to Mississippi.

What does it mean to demutualize?

In a demutualization, a mutual insurance company, which has no stockholders, changes its organizational form to become a stock insurance company owned by one or more stockholders.

The Company is a mutual insurance company. Mutual insurance companies have no stockholders. When an insurance company demutualizes, it converts its organizational form from a mutual insurance company to a stock insurance company with one or more stockholders. If the demutualization becomes effective, the Company will become a stock insurance company, and all of its newly issued shares of Common Stock will be issued to the Sponsor. In other words, the Company will become a wholly owned subsidiary of the Sponsor.

What does it mean to be a “wholly owned subsidiary?”

A wholly owned subsidiary is an entity that is completely owned by another entity.

Essentially, a wholly owned subsidiary is an entity that is completely owned by another entity. Following the Sponsored Demutualization, the Company will be a wholly owned subsidiary of the Sponsor that will continue to be focused on issuing insurance policies to members

of the local county Farm Bureaus in the state of Colorado.

Why is the Company converting from a mutual insurance company to a stock insurance company? Is the Company in financial difficulty?

The Company is not experiencing financial difficulty.

The Board believes that the demutualization will enhance strategic and financial flexibility, allow broader access to capital markets and permit a distribution of value to Members.

The Board believes the Sponsored Demutualization will benefit the Company's policyholders, producers and employees in a number of ways. Among them are:

- the demutualization will allow the Company to combine with a company with significant financial strength as well as strong business operations, financial condition, operating results and prospects;
- the combination of the Company with the Sponsor is expected to provide the Company with greater flexibility to obtain capital and provide the Company with access to greater resources;
- the combination with the Sponsor is expected to enhance the ability of the Company to pursue its strategic objectives and establish a strategic fit, matching the compatible cultures and visions of the Company and the Sponsor;
- the combination with the Sponsor is expected to ensure the continuity of the Company's insurance business in the State of Colorado, enhance the competitiveness of the Company and generate significant opportunities for improved financial performance and financial ratings;
- the combination will allow a distribution of cash to Eligible Members; and
- the combination with the Sponsor is expected to provide the Company with increased flexibility to support the growth of existing product lines and continue to take advantage of growth opportunities.

How will the Sponsored Demutualization affect the Company?

After the Sponsored Demutualization, the Company will be a stock insurance company controlled by its sole shareholder, the Sponsor.

As a result of the Sponsored Demutualization, the Company will no longer be a mutual insurance company with members. In a mutual insurance company, policyholders have membership interests in the company and have the ability to elect directors who then appoint the company's management. After the Sponsored Demutualization, the Company will be a stock insurance company operated by its sole shareholder, the Sponsor. Policyholders will continue to be insured under their existing Policies.

The name of the Company will be slightly modified in order to meet legal requirements since it will no longer be a mutual insurance

company. The new name will be Colorado Farm Bureau Insurance Company.

Additionally, the Company will change its state of domicile from Colorado to Mississippi, the state of domicile of the Sponsor, in order to achieve administrative efficiencies.

What will happen regarding the management and operations of the Company after the Sponsored Demutualization?

The Company will be operated as a subsidiary of the Sponsor under the leadership of the Company's current management team.

As a result of the Sponsored Demutualization, the Company will become a wholly owned subsidiary of the Sponsor. The directors of the Company immediately prior to the consummation of the Sponsored Demutualization will resign from the Board at the Effective Time and new directors will be elected by the Sponsor as the sole stockholder of the Company. The officers of the Company immediately prior to the consummation of the Sponsored Demutualization will continue as officers of the Company after the Effective Time until such time as the new Board elects their successors.

Do you have to give up anything to receive Compensation in the Sponsored Demutualization?

The Sponsored Demutualization will not in any way reduce the contractual benefits of existing Policies or insurance contracts issued by the Company. Policyholders will give up their Membership Interests in exchange for Compensation.

The Sponsored Demutualization will not in any way reduce the contractual benefits of existing Policies or insurance contracts issued by the Company. With respect to your Policy, you will speak with the same people at the same phone numbers and our underwriting and claims operations will not change. There will be no interruption in the service to Company policyholders as a result of the Sponsored Demutualization. The Sponsored Demutualization will not impact the coverage under policies offered by the Company or the services that the Company provides.

On the Plan Effective Date, the Company's policyholders will no longer be Members of the Company. Your membership rights, referred to as your "Membership Interests", consist principally of the right to vote on matters submitted to a vote of Members (including the election of directors). If the Plan of Conversion and the transactions contemplated thereby become effective, your Membership Interests will be extinguished in exchange for Compensation paid in cash.

What will Members receive in connection with the Sponsored Demutualization?

As part of the Sponsored Demutualization you will receive Compensation.

If you were a Member holding a Policy In Force on May 1, 2019 at 5:00 p.m. Mountain time, you are an Eligible Member and will be eligible to receive Compensation if the Sponsored Demutualization takes effect. The determination of who is a Member and whether a Policy was "In Force" on the Eligibility Date will be determined in accordance with the books and records of the Company and the Plan of Conversion.

Compensation will be paid in cash. The value of Compensation you will receive will depend on a number of factors. Please see the Proxy Card included herewith setting forth the amount of the Compensation that we expect to be allocated to you if the Proposal is approved at the Special Meeting and the Company successfully converts from a mutual insurance company to a stock insurance company. For further details on these factors, please see “Principal Terms of the Plan of Conversion – Compensation” beginning on page 35.

Will any former Members of the Company be entitled to any compensation if the Sponsored Demutualization is completed?

No.

No. Only Eligible Members of the Company will be entitled to any Compensation.

What amounts of Compensation will Eligible Members receive?

The aggregate Compensation will be equal to \$25.7 million in cash to be allocated among Eligible Members.

The aggregate Compensation to be paid to all Eligible Members in the Sponsored Demutualization will be equal to \$25.7 million payable on the Plan Effective Date by the Sponsor to the Payment Agent in cash, in accordance with the Stock Purchase Agreement, to be allocated among Eligible Members, and distributed to them by check within ten business days after the Plan Effective Date. For further details regarding the formula that will be used to calculate and allocate the aggregate Compensation to be paid to Eligible Members please see “Principal Terms of the Plan of Conversion – Compensation” beginning on page 35.

What will be the material federal income tax consequences of the Sponsored Demutualization to the Company and Eligible Members?

We encourage you to consult your tax or benefit advisor. Compensation received by Eligible Members will generally be taxable.

Because special rules may apply to you in your particular circumstances, we recommend that you consult a tax or benefit advisor. Receipt of compensation in exchange for your mutual interests will be taxable to you. As discussed in greater detail below in “Certain Federal Income Tax Consequences,” the IRS takes the view that the entire amount of compensation will be taxable to you.

A tax information form is included in this mailing. Please complete and return this form in the enclosed self-addressed, stamped envelope. Even if you choose not to return a completed proxy, please complete and return the tax information form. Your failure to complete and return the tax information form may result in the Payment Agent withholding and paying over to the IRS 24% of any cash payment (so-called backup withholding).

See “Certain Federal Income Tax Consequences” beginning on page 49.

When will Compensation be distributed to Eligible Members if the Sponsored Demutualization occurs?

A distribution of cash will occur within ten business days after the Plan Effective Date.

As soon as practicable but no later than ten business days following the Plan Effective Date, the Payment Agent will make a distribution of the Compensation by mailing checks to Eligible Members entitled thereto. For more information regarding the calculation and allocation of Compensation, see “Principal Terms of the Plan of Conversion – Compensation” beginning on page 35.

Are the Company directors or officers receiving stock in the reorganized company?

Officers and directors of the Company will not receive shares of Common Stock at the Effective Time, but may receive other compensation.

No. Neither the Company directors nor officers will receive shares of Common Stock in connection with the Sponsored Demutualization. However, certain officers of the Company will continue to receive compensation from the Sponsor in connection with their continued management of the Company after the Sponsored Demutualization.

What steps must take place for the Sponsored Demutualization to occur?

There are a number of conditions that must be satisfied in order for the Sponsored Demutualization to occur, including the affirmative vote of at least two-thirds of the Eligible Members that cast a vote at the Special Meeting and the satisfaction of the conditions to the closing of the Stock Purchase Agreement.

For the Sponsored Demutualization to occur, a number of steps must be taken, including the following key steps:

- The Plan of Conversion and the transactions contemplated thereby, including the Redomestication, the Stock Purchase Agreement, the Amended and Restated Articles and the Amended and Restated Bylaws were required to be adopted by the Board. This adoption occurred on December 21, 2018;
- The Board was required to receive an opinion from its financial advisor, Waller Helms Advisors LLC (“**Waller Helms**”), regarding the fairness from a financial point of view to Eligible Members of the exchange of their aggregate Membership Interests for the aggregate Compensation in accordance with the Plan of Conversion (the “**Fairness Opinion**”). The Board has received this opinion, which is attached hereto as Appendix B;
- The Commissioner was required to preliminarily approve the Plan of Conversion and the transactions contemplated thereby, including the Redomestication, the Stock Purchase Agreement, the Amended and Restated Articles and the Amended and Restated Bylaws. This approval occurred on March 7, 2019;
- The Commissioner is required to approve the Sponsor’s application to acquire control of the Company pursuant to the transactions contemplated by the Stock Purchase Agreement and the Plan of Conversion. The Sponsor has filed with the Commissioner a statement on Form A in support of its request for approval of the change of control. The Commissioner is expected to make his determination on or before June 30, 2019;
- The commissioner of the Mississippi Insurance Department and the Commissioner are required to approve the Redomestication, as contemplated by the Plan of Conversion and the Stock Purchase

Agreement. The Company has filed with the Commissioner a statement in support of its request for redomestication. The Commissioner is expected to make his determination on or before June 30, 2019;

- The Proposal must be submitted to a vote of Eligible Members. At least two-thirds of the Eligible Members that cast a vote at the Special Meeting (either in person or by proxy) must vote “FOR” the Proposal in order for it to be effective; and
- The Commissioner is required to provide final approval for the Plan of Conversion and the transactions contemplated thereby, including the Redomestication, the Stock Purchase Agreement, the Amended and Restated Articles and the Amended and Restated Bylaws. The Company will file with the Commissioner the Plan of Conversion together with proof that it has been approved by the Eligible Members as provided above.

In addition, in order for the Sponsored Demutualization to become effective, the conditions to the closing of the Stock Purchase Agreement must be satisfied. These include the following:

- The sale and transfer of ownership of the Company and the Redomestication shall have been approved by all necessary insurance regulators, to the extent approvals are required, all statutory waiting periods shall have expired and all other required regulatory approvals have been obtained;
- The Sponsor shall have funded the Purchase Price payable to Eligible Members as Compensation;
- The Company’s and the Sponsor’s respective material covenants shall have been performed and the Sponsor and the Company shall have received a closing certificate signed by the CEO of the Company and the Sponsor, respectively, to such effect; and
- The Company’s and the Sponsor’s representations and warranties made in the Stock Purchase Agreement shall be true and correct in all material respects and the Sponsor and the Company shall have received a closing certificate signed by the CEO of the Company and the Sponsor, respectively, to such effect.

Why is there a special vote of Eligible Members?

A vote of Eligible Members is required by law and the Company’s bylaws.

In order for the Plan of Conversion to become effective, Colorado Insurance Law requires the Proposal to be submitted to a vote of Eligible Members. At least two-thirds of the votes cast by Eligible Members at the Special Meeting (either in person or by proxy) must be in favor of the Proposal, otherwise the Sponsored Demutualization will not occur. Each Eligible Member is entitled to one vote regardless of the number or face amount of the Policies owned.

When will the Sponsored Demutualization occur?

The Sponsored Demutualization is expected to occur on or about July 1, 2019, subject to satisfaction of all required closing conditions.

The Sponsored Demutualization will occur when all the conditions to closing are satisfied or waived. If approved by Eligible Members at the Special Meeting, the Company expects the Sponsored Demutualization to occur promptly upon the receipt of final approval from the Commissioner of the Plan of Conversion, the Amended and Restated Articles and the Amended and Restated Bylaws.

Why does the Sponsor want to bring the Company into its organization?

The Sponsor recognizes the Company's expertise in its geographic market and its ability to meet the needs of policyholders.

The Company brings a distinct geographic customer base to the Sponsor. The Company is the number one writer of Farmowners business in the state of Colorado with 17% of the market.

What is the Sponsor?

The Sponsor is a large casualty insurance company with an emphasis on private passenger auto and farm general liability coverages.

The Sponsor is the dominant member of one of the top 100 largest property and casualty insurance organizations in the U.S. The group is comprised of six property and casualty insurance companies led by Sponsor and its subsidiaries, South Carolina Farm Bureau Insurance Company, Louisiana Farm Bureau Casualty Insurance Company, Mississippi Farm Bureau Casualty Company, Florida Farm Bureau Group (consisting of Florida Farm Bureau Casualty Insurance Company and its subsidiary Florida Farm Bureau General Insurance Company), and Southern Farm Bureau Property Insurance Company.

Recognized as one of the leading personal lines insurance organizations in its predominating states, the Sponsor's group specializes in the "preferred" and "standard" personal lines markets, particularly private passenger auto liability and physical damage coverages, which represent approximately two-thirds of the Sponsor's net premiums written. Other coverages include farm, mercantile and homeowners lines. Utilizing over 1,300 exclusive agents, all products are widely distributed throughout Arkansas, Florida, Louisiana, Mississippi and South Carolina and Colorado.

Where can I go to find out information about the Sponsor?

You may obtain a copy of the Form A by written request to the Sponsor.

The Sponsor has filed a Statement on Form A with the Commissioner in support of its request for approval to acquire control of the Company. The Form A includes information regarding the Sponsor and its plans for the Company after completion of the change of control. Copies of the Form A may be obtained without charge by Eligible Members by written request to Lydia Warren, Southern Farm Bureau Casualty Insurance Company at 1800 East County Line Road, Ridgeland, Mississippi 39157.

Who can help answer my questions?

Help is available if you have questions.

If you have any questions regarding the Proposal or how to vote, or if you need additional copies of this Information Statement or the Proxy

Card or voting instructions, you should contact:

Colorado Farm Bureau Mutual Insurance Co.
9177 East Mineral Avenue
Centennial, Colorado 80112

(833) 444-4CFB ((833) 444-4232)

AskCFBI@cfbmic.com

What should I do now if I am an Eligible Member?

You should complete and return the Proxy Card to register your vote.

You should mail your completed, signed and dated, Proxy Card to the Company in the enclosed postage paid return envelope as soon as possible so that you will be represented in the vote at the Special Meeting. You should also return your Payment Agent's tax information form as soon as you receive it in order to avoid withholding of federal income taxes and possible IRS penalties. See "Certain Federal Income Tax Consequences" beginning on page 49.

Can I change my vote after I have mailed in a signed Proxy Card?

You may subsequently change your Proxy Card vote.

Yes. You can change your vote in one of the following ways at any time before your proxy is voted at the Special Meeting. First, you can revoke your proxy by written notice to the office of the Secretary of the Company by sending notice to 9177 East Mineral Circle, Centennial, Colorado 80112. Second, you can submit a new properly executed, later dated Proxy Card to the Secretary of the Company prior to 5:00 p.m. Mountain Time on June 7, 2019, which is three days prior to the date of the Special Meeting. Third, you can attend the Special Meeting and vote in person.

May I exercise dissenters' rights and demand an appraisal of the fair value of my Membership Interests in the Company?

You may not demand an appraisal of your Membership Interest.

No. Dissenters' rights are not available to Eligible Members in connection with the Sponsored Demutualization.

THE COMPANIES

Colorado Farm Bureau Mutual Insurance Co.

9177 East Mineral Circle
Centennial, Colorado 80112
Phone: (303) 749-7500

Incorporated in 1950 in Colorado, the Company specializes in providing farmowners, personal and commercial insurance products to members of the Colorado Farm Bureau Federation. Its principal lines of business include private passenger and commercial automobile, homeowners, farmowners and commercial multiple peril business. As of March 31, 2019, the Company had assets of approximately \$83.2 million and approximately \$35.2 million of policyholders surplus.

As a mutual insurance company, the Company has no authorized, issued or outstanding stock. Through the purchase of the Company insurance Policies, policyholders obtain insurance coverage from the Company and Membership Interests in the Company. These Membership Interests include the right to vote on matters submitted to a vote of Members.

The Company is organized under the laws of the State of Colorado and is subject to regulation and supervision by the Division. The Company submits on a quarterly basis to the Division certain reports regarding its statutory financial condition (each, a “**Company SAP Statement**” and, collectively, the “**Company SAP Statements**”). Each Company SAP Statement consists of statutory basis financial statements and other supporting schedules as of the end of and for the period to which such Company SAP Statement relates. Company SAP Statements are prepared in conformity with statutory accounting practices prescribed or permitted by the Division (“**SAP**”). Copies of Company SAP Statements may be obtained free of cost by visiting www.cfbinsurance.com, calling (833) 444-4CFB ((833) 444-4232), emailing AskCFBI@cfbmic.com, or writing to the Company at 9177 East Mineral Circle, Centennial, Colorado 80112. The consolidated financial statements of the Company included in this Information Statement have been prepared in accordance with SAP.

Southern Farm Bureau Casualty Insurance Company

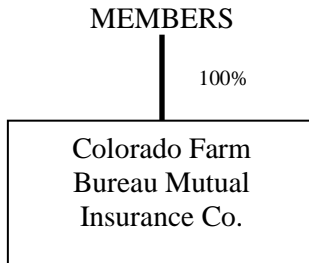
1800 East County Line Road
Ridgeland, Mississippi 39157

The Sponsor is the dominant member of one of the top 100 largest property/casualty insurance organizations in the United States, specializing in personal lines and primary casualty insurance coverages with an emphasis on private passenger auto and farm general liability coverages. On December 31, 2018, the Sponsor had total assets of approximately \$2.8 billion and total policyholders surplus of approximately \$1.4 billion.

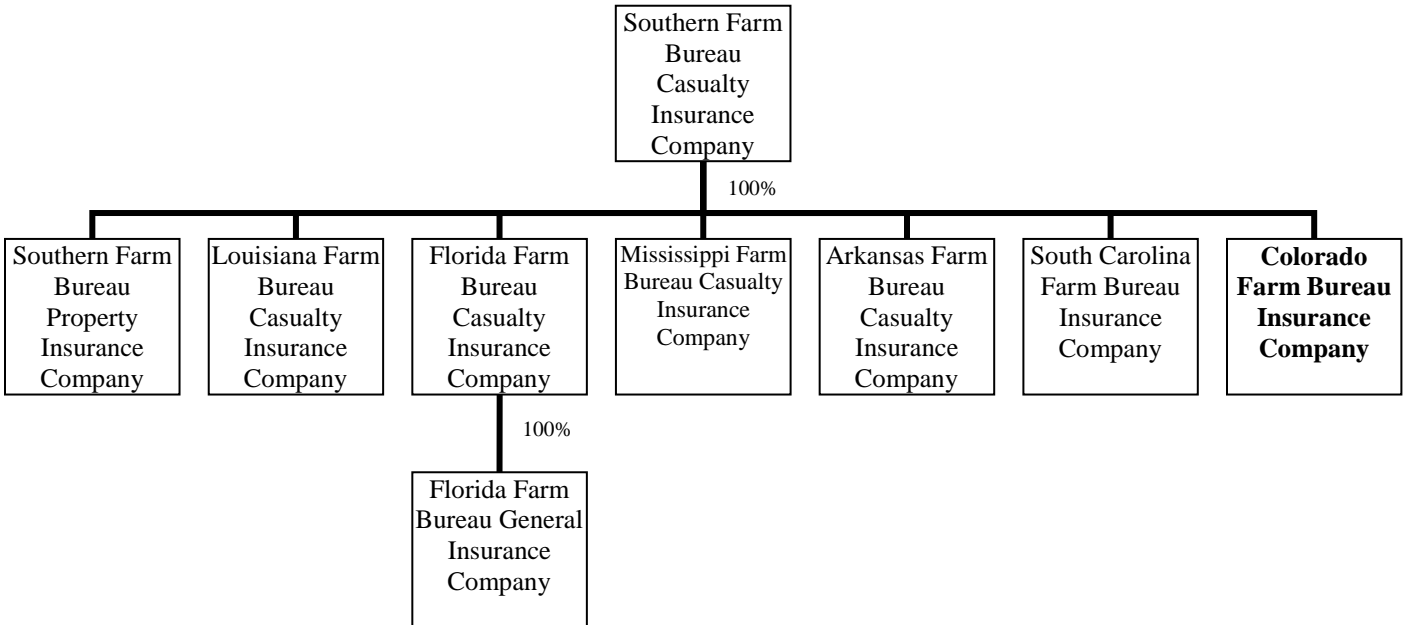
OUR ORGANIZATION BEFORE AND AFTER THE SPONSORED DEMUTUALIZATION

Certain non-insurance company subsidiaries of the Company and the Sponsor are not included in the organizational charts shown below.

STRUCTURE BEFORE THE SPONSORED DEMUTUALIZATION

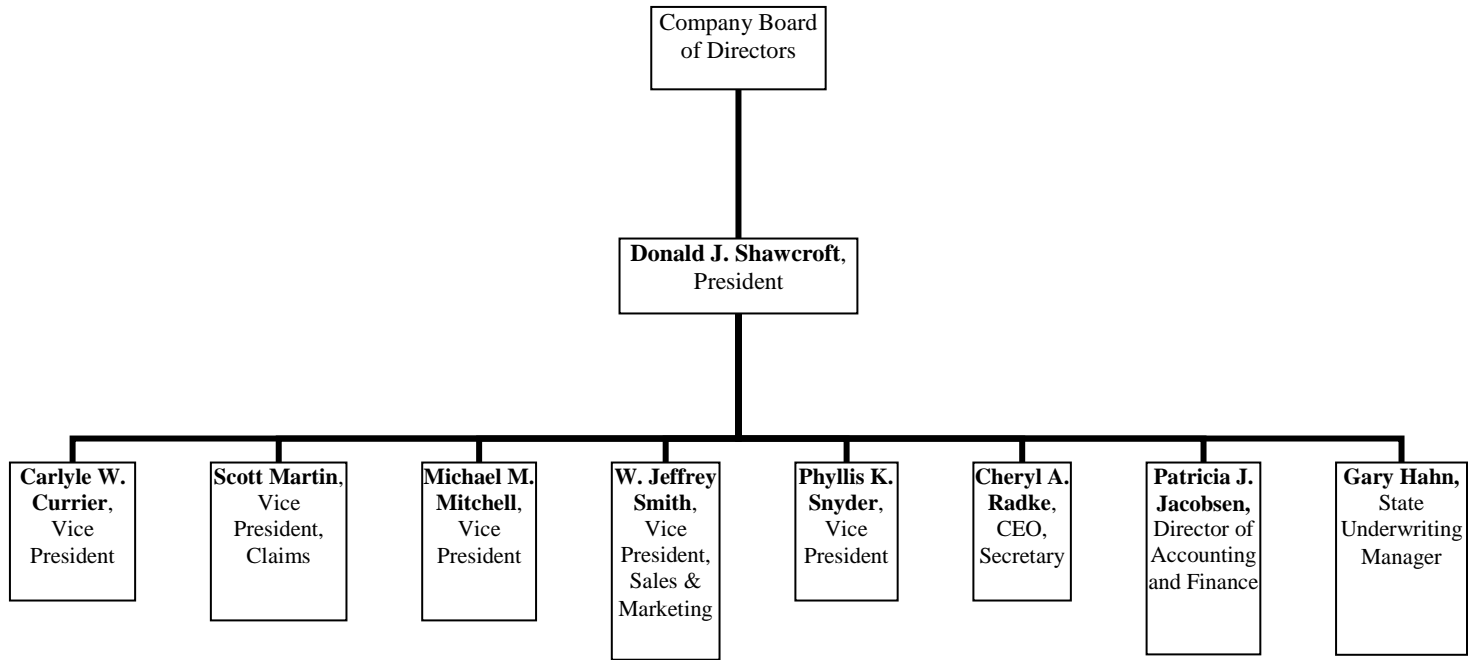


STRUCTURE AFTER THE SPONSORED DEMUTUALIZATION

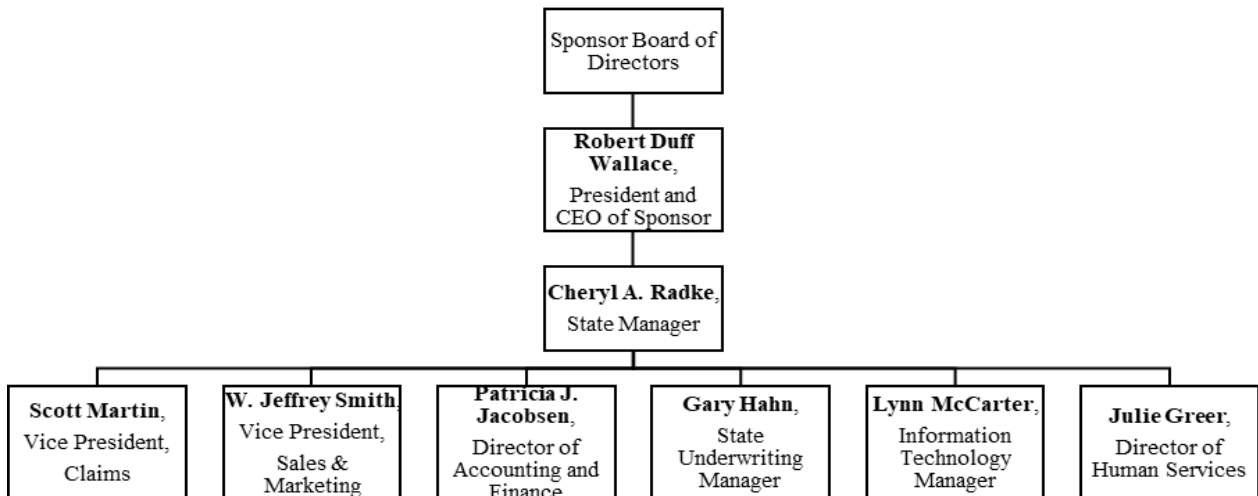


OUR MANAGEMENT STRUCTURE BEFORE AND AFTER THE SPONSORED DEMUTUALIZATION

MANAGEMENT STRUCTURE BEFORE THE SPONSORED DEMUTUALIZATION



EXPECTED MANAGEMENT STRUCTURE AFTER THE SPONSORED DEMUTUALIZATION



SPECIAL FACTORS

Background of the Sponsored Demutualization

The Company's senior management from time to time in the ordinary course of the Company's business has considered and evaluated potential strategic opportunities, both internally and in informal discussions with representatives of various advisors and potential advisors.

Prior to 2006, during regularly scheduled meetings of our Board and in recognition of the economic and regulatory changes occurring in the insurance and financial services industry, members of our Board, with input from our senior management, regularly evaluated the Company's business profile, competitive position and strategic opportunities. Key considerations in these discussions included whether the Company could continue to compete effectively in all of its business lines, whether the Company had sufficient capital necessary to meet its long-term strategic goals and whether the Company had the overall flexibility it needed to continue to grow in the short- and long-terms.

Prior to 2006, our President, Donald J. Shawcroft, would occasionally meet with members of the Sponsor's senior management team at industry conferences and other meetings to discuss a wide range of topics relating to both our companies and the property and casualty insurance industry in general. Prior to 2010, Mr. Shawcroft did not have discussions with the Sponsor's senior management involving a potential change of control of the Company, and no formal arrangements were established between the Company and the Sponsor.

Beginning in 2006, the Company entered into reinsurance arrangements with the Sponsor whereby all casualty business of the Company was 100% ceded to the Sponsor, including premiums, losses, direct expenses and all other expenses through a joint expense allocation agreement.

In 2010, the Company began negotiations to merge with three other Farm Bureau mutual companies to address concerns relating to profitability, rating agency pressure and pressure on policyholder rates, and to create a company that would serve the policyholders and build a stronger presence in Colorado with the backing of a stronger, more financially stable company. Due to the inability to obtain the required regulatory approvals in all applicable states, the merger transaction was terminated on January 1, 2015. The merger "rationale" for the Company remained, however, and issues were addressed on a short-term basis.

Long-term strategic thinking continued and on February 5, 2018, our Board adopted a resolution requesting that the Sponsor provide assistance and resources to develop recommendations regarding the most efficient and effective long-term corporate governance for the Company.

On February 19, 2018, the Sponsor's board of directors adopted a resolution to conduct a study, at our request, of the corporate structure and governance of the Company to determine if a different structure was warranted in order for the Company to operate in the most effective and efficient way and to protect the Company, its policyholders and its Members.

Following this board meeting, the Sponsor engaged Sidley Austin LLP ("**Sidley Austin**") to serve as legal advisor as it considered structural and non-structural strategic transactions that may be available to the Company to address its long-term viability.

On April 24, 2018, Sidley Austin presented the results of the study at a meeting of our Board, discussing several strategic alternatives including a significant reinsurance transaction with the Sponsor, issuance of a surplus note to the Sponsor, an independent demutualization, a sponsored demutualization with the Sponsor (contingent upon a redomestication of the Company to Mississippi), a mutual holding company conversion and an affiliation arrangement with the Sponsor. Kutak Rock LLP ("**Kutak Rock**") participated in the meeting as legal advisor to the Company. Significant discussion among our Board and representatives of

the Sponsor and Sidley Austin centered on the sponsored demutualization and affiliation arrangement alternatives. Following these discussions, our Board adopted a resolution to present to the Sponsor's board of directors a request for their consideration of sponsoring the demutualization of the Company and the redomestication of the Company to Mississippi in connection therewith. Following the meeting with the Sponsor, our Board formally requested that the Sponsor consider entering into a sponsored demutualization transaction with the Company.

On May 21, 2018, the Sponsor's board of directors met. Following this meeting, the Sponsor indicated its interest in entering into the proposed sponsored demutualization with the Company, contingent upon, among other things, regulatory approval of the redomestication of the Company to Mississippi.

On June 26, 2018, representatives of the Company, Kutak Rock, the Sponsor and Sidley Austin met with the Colorado Division of Insurance to discuss the proposed sponsored demutualization.

On August 31, 2018, the Company received a letter from the Sponsor in which the Sponsor responded to our Board's request by making an offer of \$25.7 million to be paid to Members of the Company in cash in connection with the proposed sponsored demutualization, contingent upon the redomestication of the Company to Mississippi.

On October 29, 2018, our Board met with representatives of Waller Helms Advisors and Kutak Rock to discuss the Sponsor's offer and the valuation performed by Waller Helms Advisors. At that meeting, our Board adopted a resolution to accept the Sponsor's offer. Following the meeting, our Board indicated they would like to proceed on the basis of the price and terms of the Sponsor's offer. Cheryl Radke, the Company's CEO, notified the Sponsor of the Company's intent to proceed with the Sponsor's offer.

On November 20, 2018, Sidley Austin delivered to Kutak Rock and our senior management initial drafts of the Plan of Conversion and Stock Purchase Agreement. Following receipt of these drafts, Kutak Rock reviewed the terms of these documents with members of our senior management.

On December 3, 2018, Kutak Rock delivered to Sidley Austin and the Sponsor revised drafts of the Stock Purchase Agreement, reflecting the parties' negotiations up to that time, as well as a revised draft of the Plan of Conversion.

On December 5, 2018, members of our senior management met via telephone with representatives of the Sponsor, Sidley Austin and Kutak Rock to discuss Kutak Rock's revised drafts of the Stock Purchase Agreement and the Plan of Conversion. Following the call, Sidley Austin delivered to Kutak Rock and the Company revised drafts of the Stock Purchase Agreement and Plan of Conversion reflecting the parties' negotiations on the earlier call.

On December 6, 2018, representatives of Sidley Austin and Kutak Rock met via telephone to discuss additional revisions to the Stock Purchase Agreement. Following the call, Sidley Austin delivered to Kutak Rock and the Company a revised draft of the Stock Purchase Agreement reflecting the parties' negotiations on the earlier call.

On December 20, 2018, the Board of Directors of the Sponsor held a meeting to consider the proposed sponsored demutualization and to vote on the approval of the Stock Purchase Agreement. After discussion with representatives of Sidley Austin, the Sponsor's Board of Directors approved the terms of the Stock Purchase Agreement and authorized its management to execute the Stock Purchase Agreement by a unanimous vote of members of the Board of Directors of the Sponsor present and constituting a quorum.

On December 21, 2018, our Board met to consider the proposed sponsored demutualization. The meeting began with our legal advisors reviewing with our directors their fiduciary duties and responsibilities under Colorado law in connection with their consideration of the proposed sponsored demutualization. This

was followed by a detailed review by Kutak Rock of the key provisions of the Stock Purchase Agreement that had been negotiated in the prior weeks and the transactions contemplated thereby, including aggregate consideration to be paid to the Eligible Members, termination events and consequences, post-combination operations and governance, regulatory matters, employee matters and closing conditions. Next, Kutak Rock provided a similarly detailed review of the provisions of the Plan of Conversion, including the effect of the Conversion on the Company and its Members and policyholders, the allocation of the total consideration to be paid by the Sponsor to the Eligible Members and the tax consequences to the Company. Representatives from Waller Helms then led a discussion on the financial aspects of the proposed sponsored demutualization and orally rendered its opinion, subject to various considerations to be set forth in the written opinion, that the aggregate consideration to be received by the Eligible Members, in exchange for their aggregate membership interests was fair, from a financial point of view, to the Eligible Members. The directors asked extensive questions of our management and of our financial and legal advisors present at the meeting. Based on the information presented, our Board approved the proposed Stock Purchase Agreement and the Plan of Conversion and authorized our management to execute the proposed Stock Purchase Agreement by a unanimous vote of the voting members of the Board. Later that evening, Waller Helms Advisors issued its Fairness Opinion concluding that “the aggregate consideration to be received by Eligible Members, as a group, pursuant to the transactions contemplated by the Plan of Conversion, is fair from a financial point of view to such Eligible Members.

On January 16, 2019, the Company executed the Petition and Plan of Conversion. The Company and the Sponsor also executed and delivered the Stock Purchase Agreement.

For a description of the terms of the Stock Purchase Agreement that was approved by our Board on December 21, 2018, please see “Principal Terms of the Stock Purchase Agreement” beginning on page 38.

Eligibility of Members to Vote and Receive Compensation

If you were a Member holding a Policy that was In Force on the Eligibility Date, you are eligible to vote on the Proposal and, if the Company demutualizes, to receive cash Compensation.

If you are eligible to vote, you are entitled to one vote regardless of the number or size or the face amount of the Policies you own in the same capacity. For more information about these requirements, see “Principal Terms of the Plan of Conversion - Membership and In Force Dates” beginning on page 33.

Recommendations of the Board

The Board adopted and approved the Plan of Conversion by a unanimous vote of voting members of the Board on December 21, 2018, found that the Plan of Conversion would be fair and equitable and has certified that it would not prejudice the interests of the Company’s Members. The Board recommends that you vote “FOR” the Proposal.

Reasons for the Sponsored Demutualization

The principal purpose of the Conversion is to convert the Company from a mutual insurance company into a stock insurance company in order to enhance its strategic and financial flexibility and make possible a distribution of value to Eligible Members pursuant to the Plan of Conversion and the Stock Purchase Agreement. The Board believes that the Sponsored Demutualization is in the best interest of the Company because it should provide the Company with (a) the ability to compete more effectively, (b) a more cost effective capital structure and (c) an affiliation with an enterprise that is better positioned to support the business of the Company and successfully navigate current and future market cycles, as well as allow a distribution of the Compensation to Eligible Members. The Board further believes that the Sponsored Demutualization will not prejudice the interests of the policyholders of the Company. The distribution made possible by the Sponsored Demutualization could not have occurred under the current mutual insurance

company structure of the Company, other than in the unlikely event of a liquidation of the Company in which any distribution would be limited to the Company's liquidation value.

Although the amounts distributed to Eligible Members will vary according to the nature of their Policies and certain other factors described herein, the Company intends that all Eligible Members will receive fair and equitable consideration, as described in Article 8 of the Plan of Conversion and Article 2 of the Stock Purchase Agreement, in respect of the extinguishment of all Membership Interests.

In its present structure as a mutual insurance company, the Company can increase its statutory capital only through earnings contributed by its operating businesses, through the use of financial reinsurance arrangements, through the issuance of surplus notes or by divestiture of all or a portion of its interest in subsidiaries or other investments. These methods, however, are limited as to the extent to which they can provide a long-term source of permanent capital to allow the Company to develop new businesses, successfully manage through challenging investment environments or provide greater stability and protection for its policyholders.

Through the transactions contemplated by the Plan of Conversion and the Stock Purchase Agreement, the Company will become a wholly owned subsidiary of, and thereby affiliated with, the Sponsor, a larger enterprise with significant financial strength as well as strong business, operations, financial condition, operating results and prospects. The Sponsor is a casualty insurer with over \$2.7 billion in assets as of September 30, 2018 and is the dominant member of one of the top 100 largest property and casualty insurance organizations in the United States. The Board believes that the resulting affiliation with the Sponsor will be in the best interests of the Company and its Members because, among other things:

- such affiliation will help ensure the continuity of the Company's Colorado focused property and casualty insurance business, will enhance the competitiveness of the Company and will generate greater efficiencies and significant opportunities for improved financial performance;
- the Board has considered the Company's position as an independent company, and the constraints on the Company's ability to pursue its strategic objectives due to its present size and status as a mutual insurance company, and believes that the Company's ability to pursue its strategic objectives would be enhanced by this affiliation;
- such affiliation will provide the Company with greater flexibility to obtain capital as compared to the current mutual insurance company structure, will enhance the Company's financial strength and will provide the Company with greater resources to back its obligations to policyholders;
- such affiliation will provide the Company with increased flexibility to support the growth of existing product lines and take advantage of investment and growth opportunities;
- such affiliation will benefit both the short-term and long-term interests of the Company, its policyholders and its employees, its producers, the communities in which the Company does business and its other constituents;
- this affiliation will establish a strategic fit, matching the compatible and visions of the future of the Company and the Sponsor;
- the Board has determined that the Plan of Conversion and the Conversion will not be prejudicial to the policyholders of the Company; and
- the Board has received the Fairness Opinion.

Furthermore, as a result of the Sponsored Demutualization, the Sponsor will compensate the Eligible Members for their respective Membership Interests, which will be extinguished as part of the Conversion, by giving them Compensation in cash. Such Compensation would not be available to the Eligible Members as long as the Company continues its operations as a mutual insurance company. In addition, the Sponsor is a larger company with greater economies of scale, a wider variety of products and an excellent record of providing service to policyholders.

In connection with the Sponsored Demutualization, the Company will redomesticate to Mississippi, the state of domicile of the Sponsor. Such redomestication will result in administrative efficiencies arising from the fact that the Sponsor and the Company, as the Sponsor's wholly owned subsidiary, will be domiciled in the same jurisdiction and be subject to the domestic regulation of the same insurance regulator.

The Sponsored Demutualization will not, in any way, increase premiums or reduce policy benefits, or other policy obligations of the Company to policyholders.

Other Considerations

The considerations set forth below were among the matters considered by the Board in reaching its decision to approve the Plan of Conversion and the transactions contemplated thereby and should be considered by Eligible Members in voting on the Proposal.

You will lose the benefits of mutuality in the Sponsored Demutualization, including the freedom from conflict between policyholder and shareholder interests

As a consequence of the Sponsored Demutualization, you will lose the benefits of the Company being a mutual insurance company. These benefits include your Membership Interests – namely, the right to vote in the election of directors and any rights you may have to share in any residual value in the unlikely event that the Company were to liquidate in the future – which will be extinguished in the Conversion. They also include the freedom from conflict between policyholder and shareholder interests. A mutual insurance company is generally operated for the benefit of its members. Converting from a mutual insurance company to a stock insurance company under the Plan of Conversion and the transactions contemplated thereby involves the introduction of a shareholder (the Sponsor, as the sole shareholder following the Sponsored Demutualization) and the need to balance shareholder interests with those of policyholders. The interests of policyholders may not coincide in the future with the interests of shareholders.

After the Sponsored Demutualization, the members of the Board will not be elected by Members of the Company, but will be selected by the Sponsor as the sole shareholder of the Company. In turn, the directors will appoint the Company's management.

Failure to complete the Sponsored Demutualization could negatively impact the Company's future business and operations

The failure to consummate the Sponsored Demutualization could have serious adverse financial consequences for the Company, such as the possibility that rating agencies will reduce the Company's ratings, or that this failure will impair the Company's ability to successfully pursue its strategic objectives. Reduced ratings and any impairment of the Company's ability to successfully pursue its strategic objectives may have a material adverse effect on the Company's business. Further, if the Sponsored Demutualization is not completed, the Company will continue to face challenges to its ability as a mutual insurance company to raise capital, to achieve economies of scale and to achieve significantly larger financial size and strength.

Failure to complete the Sponsored Demutualization could negatively impact the consideration Eligible Members receive in a future demutualization

If the Sponsored Demutualization is not consummated and the Board determines to seek another purchase or affiliation, there can be no assurance that the Company will be able to find an equivalent strategic partner or a partner willing to pay an equivalent or more attractive price than that which would be paid by the Sponsor in the Sponsored Demutualization.

Failure to complete the Sponsored Demutualization could cause the Company to become liable for termination costs and fees

If the Sponsored Demutualization is not consummated, the Company could become liable, under certain circumstances, for termination costs and fees under the Stock Purchase Agreement. For a detailed discussion of the Company's potential liability if the Sponsored Demutualization is not consummated, see "Principal Terms of The Stock Purchase Agreement – Termination Fee" on page 44.

Anticipated benefits from the Sponsored Demutualization may not be realized

Among the factors considered by the Board in connection with its approval of the Plan of Conversion and the transactions contemplated thereby were opportunities for economic benefits that could be realized and the efficiencies that could result from the Sponsored Demutualization. Specifically, the Sponsored Demutualization should provide the Company with (a) the ability to compete more effectively, (b) a more cost effective capital structure and (c) an affiliation with an enterprise that is better positioned to support the business of the Company and successfully navigate current and future market cycles. However, these savings and benefits may not be realized within the time periods contemplated or even at all.

Obtaining required approvals and satisfying closing conditions may delay or prevent completion of the Sponsored Demutualization

Completion of the Sponsored Demutualization is conditioned upon the receipt of all required governmental authorizations, consents, orders and approvals (including with respect to the Redomestication) without the application of any burdensome conditions. The Company and the Sponsor intend to vigorously pursue all of these required approvals and consents. The failure to obtain these approvals and consents could delay the completion of the Sponsored Demutualization for a significant period of time after the Eligible Members have approved the Proposal. These approvals and consents may not be obtained without burdensome conditions and the other required conditions to closing may not be satisfied. If the governmental consents and approvals are obtained, but impose burdensome conditions, then either the Company or the Sponsor may choose not to consummate the Sponsored Demutualization. Even if all of these approvals and consents are obtained without burdensome conditions, or the requirements for them are waived, and the other conditions are satisfied, the terms and conditions of these consents and approvals or the timing of their receipt cannot be guaranteed.

The Company may face potential adverse reaction to the Sponsored Demutualization

The contracts that we have with our policyholders are cancelable with minimal notice requirements and are renewable periodically. The Company cannot assure you that the Sponsored Demutualization will not adversely affect the marketability of the Company's products or that current policyholders will not object to the Sponsored Demutualization and either cancel or decline to renew their contracts.

Determination of Fairness – Opinion of Financial Advisor of the Company

On September 13, 2018 the Company retained Waller Helms to act as the financial advisor to the Board. As part of this engagement, the Board requested Waller Helms' opinion as to the fairness, from a

financial point of view, of the aggregate compensation to be received by Eligible Members in connection with a sponsored demutualization transaction in which the Company is converted from a mutual insurance company to a stock insurance company and all newly created shares of the stock insurance company are sold to the Sponsor pursuant and subject to the Plan of Conversion and the Stock Purchase Agreement between the Company and the Sponsor.

In connection with its engagement, Waller Helms has delivered to the Board its opinion that, based upon and subject to the various considerations set forth in its written opinion dated December 21, 2018, the aggregate Compensation to be received by Eligible Members pursuant to the Plan of Conversion and the Stock Purchase Agreement, is fair, from a financial point of view, to Eligible Members. The Compensation was agreed upon through arm's length negotiations between the parties and Waller Helms did not recommend the amount of Compensation to be paid by the Sponsor. In requesting Waller Helms' opinion, the Board imposed no limitations upon Waller Helms with respect to the investigations made or procedures followed by it in rendering its opinion.

The full text of Waller Helms' opinion, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limits on the review undertaken by Waller Helms, is attached as **Appendix B** to this Information Statement. You are urged to read the opinion carefully and in its entirety. Any description of or reference to Waller Helms' opinion is subject to, and qualified in its entirety by reference to, the full text of such opinion. **Waller Helms' opinion is directed to the Board and does not constitute a recommendation to any Member or any other person as to whether such person should vote to approve the Proposal.**

In connection with its review of the proposed Sponsored Demutualization and the preparation of its opinion, Waller Helms, among other things: (a) reviewed the terms and conditions in the draft Stock Purchase Agreement dated December 7, 2018; (b) reviewed the terms and conditions in the draft Plan of Conversion dated December 5, 2018; (c) reviewed the historical statutory financial statements of the Company that were made available to Waller Helms by the Company in the online data room; (d) reviewed the operating data relating to the Company's performance that were provided in via the online data room; (e) reviewed financial projections provided by the Company; (f) reviewed the reinsurance information provided by the Company; (g) reviewed key material contracts provided by the Company; (h) reviewed certain information regarding strategic, financial and operational benefits anticipated to result from the Sponsored Demutualization that were provided to or discussed with Waller Helms by the management of the Company and the Board; (i) held telephonic meetings with the Company's senior leadership to discuss the business and operations of the Company; (j) held telephonic meetings with the Company's legal counsel to discuss the Sponsored Demutualization mechanics and structure; (k) considered the implications to the Company of the Sponsored Demutualization, including the limitations of the Company's current structure as a mutual company, its current reliance on third-party reinsurance, the Company's relative market position in the State of Colorado and the historical and potential future impact of catastrophes on the Company's surplus; (l) considered financial and other publicly available information concerning companies engaged in providing personal lines insurance (on a national basis and a single/limited geographic basis) and considered the financial characteristics and valuations of those companies whose equity securities trade in the public markets; (m) reviewed and analyzed certain publicly available and proprietary information concerning the financial and operating characteristics and valuations of transactions involving (i) the sale of personal lines insurance companies and (ii) the sale of general property and casualty insurance companies; (n) considered and applied three conventional valuation methodologies to determine the valuation of the Company with reference to the Purchase Price: (i) discounted cash flow analysis, (ii) public market valuation analysis and (iii) precedent transaction valuation analysis; and (o) performed such other analyses and examinations and considered such additional financial, economic, business, market and other criteria and factors as Waller Helms deemed appropriate.

Waller Helms' opinion is necessarily based upon market, economic, financial and other circumstances and conditions existing and disclosed to them as of the date of Waller Helms' opinion, and any material change

in such circumstances and conditions would require a re-evaluation of its opinion, which Waller Helms is under no obligation to undertake.

Waller Helms expressed no opinion as to the underlying business decision to effect the Sponsored Demutualization, the structure or tax consequences of the Sponsored Demutualization or the availability or advisability of any alternatives to the Sponsored Demutualization. Waller Helms did not structure the Sponsored Demutualization, nor did it negotiate the final terms of the Plan of Conversion or the Stock Purchase Agreement. Waller Helms' opinion is limited to the fairness, from a financial point of view, of the aggregate consideration to be received by Eligible Members in connection with the Sponsored Demutualization. Waller Helms expressed no opinion with respect to any other reasons, legal, business, or otherwise, that may support the decision of the Board to approve or consummate the Sponsored Demutualization.

Waller Helms' opinion expressly excludes any opinion as to any other financial or non-financial term, condition, determination or action of or relating to the Sponsored Demutualization, including, without limitation, each Eligible Member's Conversion Payment, the Company's re-domestication to Mississippi and any other items contemplated in the Stock Purchase Agreement and Plan of Conversion.

In preparing its opinion, Waller Helms relied on and assumed the accuracy and completeness of the financial and other information that was provided by the Company or its actuary or that was publicly available, and did not attempt to independently verify the same. Waller Helms, with the Company's consent, assumed that forecasts provided by the Company's management in fact were reasonably prepared on a basis reflecting the best currently available estimates and judgments of the Company, and expressed no opinion with respect to such forecasts or the assumptions on which they were based. In addition, Waller Helms did not make or obtain any evaluations or appraisals of the properties, assets, liabilities, reserves or surplus of the Company or the Sponsor nor was Waller Helms furnished with any such appraisals. Waller Helms is not an actuarial firm and its services did not include actuarial determinations or evaluations by it or an attempt to evaluate any actuarial assumptions. In that regard, Waller Helms has made no analysis of, and expresses no opinion as to, the adequacy of the Company's losses and loss adjustment expense reserves under any state or federal laws relating to bankruptcy, insolvency or similar matters.

In arriving at its opinion, Waller Helms did not attribute any particular weight to any analysis or factor considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. Waller Helms arrived at its opinion based on the results of all the analyses it undertook, assessed as a whole, and did not draw conclusions from, or with regard to, any one method of analysis. Accordingly, Waller Helms believes that its analyses must be considered as a whole and that selecting portions of its analyses, without considering all analyses, would create an incomplete view of the process underlying its opinion.

With respect to the comparison of selected comparable companies and selected merger and acquisition transactions analyses, no company utilized as a comparison is identical to the Company and no transaction is identical to the Sponsored Demutualization. Such analyses necessarily involve complex considerations and judgments concerning the differences in financial and operating characteristics of the companies and other factors that could affect the acquisition or public trading values of the companies concerned.

Summary of Compensation

The Sponsored Demutualization provides for Eligible Members to receive an aggregate amount equal to \$25,700,000 upon the completion of the Sponsored Demutualization.

Summary of Comparable Companies Analysis

Waller Helms compared publicly available historical and projected earnings, historical operating earnings, equity values and tangible equity values of publicly held companies with insurance businesses operations in the national personal lines and limited geography personal lines believed to be comparable to the Company. For the selected companies, Waller Helms used the latest available financial information, which was as of and for the latest twelve months and quarter ended September 30, 2018. The group of selected national personal lines and limited geography personal lines companies consisted of:

National Personal Lines Writers:

- Travelers Companies, Inc.
- Allstate Corporation
- Kemper Corporation
- National General Holdings Corporation
- United Fire Group, Inc.

Limited Geography Personal Lines Writers:

- Universal Insurance Holdings, Inc.
- United Insurance Holdings Corp.
- HCI Group Inc.
- Heritage Insurance Holdings, Inc.
- Federated National Holding Company
- Kingstone Companies Inc.

Waller Helms reviewed the stock price of the comparable companies as of December 11, 2018 as a multiple of the following for each of the selected companies: (i) most recent quarter equity value per share as of September 30, 2018; (ii) most recent quarter tangible equity value per share as of September 30, 2018; (iii) last twelve-month net operating income per share as of September 30, 2018; (iv) 2018 estimated earnings per share; and (v) 2019 estimated earnings per share. Waller Helms then calculated the multiples for the above selected comparable companies and applied the minimum and maximum multiples for those companies to SAP estimated earnings for 2018 and 2019 as provided by the Company to derive imputed ranges of values for the Company. Waller Helms then added the net present value of the Company's net operating losses of approximately \$0.9 million, to the imputed ranges of values for the Company, which calculated an implied value range of \$20.7 million to \$23.7 million for the Compensation.

Selected Merger and Acquisition Transactions Analysis

Waller Helms reviewed all personal lines insurance carrier transactions over the past five years for which public information was available. The selected transactions included the sale of:

- Tri-State Consumer Insurance Company

- National Farmers Union P&C Company
- Mendota Insurance Company
- Infinity Property and Casualty Corporation
- Narragansett Bay Insurance
- Elara Holding, Inc.
- Northern Homeland Company
- Standard Mutual Insurance Company
- Century-National Insurance Company
- Interboro Insurance Company
- ARX Holding Corp.
- Family Security Holdings, LLC
- Alliance United Group
- American Reliable Insurance Company

Waller Helms reviewed P&C insurance company transactions, including commercial and personal lines companies, over the past three years with transaction values between \$20 million and \$500 million for which public information was available. The selected transactions included the sale of:

- Tri-State Consumer Insurance Company
- National Farmers Union P&C Company
- Mendota Insurance Company
- Dealers Assurance / Southwest Reinsurance
- Pacific Compensation Insurance Company
- PartnerRe Insurance Company of NY
- Narragansett Bay Insurance
- Hamilton U.S. Holdings, Inc.
- Fireman's Fund Insurance Company of Ohio
- PPM Services, Inc.
- AmCo Holding Company

- National Interstate Corporation
- Elara Holdings, Inc.
- Northern Homelands Company
- Standard Mutual Insurance Company
- Century-National Insurance Company

The primary business, or a significant portion of these companies' business, was in the personal lines and P&C insurance business. In reviewing these transactions, Waller Helms evaluated the multiple of the transaction equity value relative to the acquired company's SAP surplus, SAP net income, GAAP equity value, GAAP tangible equity value and GAAP earnings at the time such transactions were announced for which information is publicly available. Waller Helms then applied the minimum and maximum multiples from the transactions to the SAP surplus as of September 30, 2018 and SAP estimated earnings for 2018 and 2019. Waller Helms then added the net present value of the Company's net operating losses of approximately \$0.9 million, to the imputed ranges of values for the Company, which calculated an implied range of values for the Purchase Price of \$22.3 million to \$25.3 million.

Discounted Cash Flow Analysis

Waller Helms performed an analysis that estimated the future stream of cash flows of the Company through 2023 assuming that the Company operated as an independent entity and performed in accordance with the earnings projections for 2018 and the years thereafter, as provided by the Company's senior management. To approximate the terminal value of the Company at December 21, 2018, Waller Helms made the following general assumptions: (a) the Company is targeting a 5.3% to 5.7% growth in gross premiums written ("GPW") during the projection period; (b) ceded premium % (of GPW) is consistent with historical operation, with ~64% of the GPW ceded; (c) for 2018, an 80.1% loss and loss adjustment expense ("LAE") ratio; (d) for all other periods, the loss and LAE ratio is equal to 78.5% (accident year loss ratios of 71.5% and unallocated loss adjustment expenses of 7.0%); (e) the expense ratio will be between 20.2% and 21.2% over the projection period; (f) no redundancies or deficiencies in the reserves during the projection period; (g) dividend out of the insurance company are the annual cash flows; (h) dividends determined by testing the regulatory constraint (equal to the lesser of 10% of prior year's surplus or net income) and an operating constraint (equal to a target net premiums written/surplus leverage ratio of 1.00x) and taking the lesser of the two; (i) assumes a 14.5% discount rate based on the cost of equity for the Company's public peers and adjustments made to account for Company-specific risk; and (j) the 21% U.S. corporate tax rate. Based on its experience and judgment, Waller Helms deemed these assumptions and discount rates to be appropriate for analyzing the Sponsored Demutualization. This analysis, inclusive of the net present value of the Company's net operating losses, indicated an implied range of values \$23.3 million to \$27.3 million.

The Board retained Waller Helms based upon the recognized experience and expertise of its investment banking personnel and its reputation as a nationally recognized investment banking firm. Waller Helms, as a part of its investment banking and advisory business, is continually engaged in the valuation of investment securities in connection with mergers and acquisitions, public offerings, private placements and valuations for estate, corporate and other purposes, and provides research reports to its clients on many property and casualty insurance companies. The Board selected Waller Helms as its financial advisor because of its reputation and because of its experience in transactions similar to the Sponsored Demutualization.

The Company and Waller Helms entered into a letter agreement, dated September 13, 2018 relating to the services to be provided by Waller Helms in connection with the Sponsored Demutualization. Under the terms of this letter agreement, the Company will pay Waller Helms approximately \$125,000 for its services in connection with the Sponsored Demutualization, \$50,000 of which was payable upon the initial engagement of

Waller Helms by the Company and \$75,000 of which was payable upon Waller Helms rendering its fairness opinion to the Board. In addition, the Company will reimburse Waller Helms up to \$15,000 for Waller Helms' out-of-pocket expenses. The foregoing fees and expenses related to Waller Helms rendering its fairness opinion to the Board were payable whether or not Waller Helms gave the Company a favorable fairness opinion. The Company has agreed to indemnify Waller Helms and its affiliated entities, directors, officers, employees, legal counsel, agents and controlling persons against certain costs, expenses and liabilities to which they may become subject arising out of or in connection with their engagement.

THE SPECIAL MEETING

General

This Information Statement is being furnished to Eligible Members in connection with the solicitation of proxies by and on behalf of the Board for use at the Special Meeting to be held on June 10, 2019 at our offices at 9177 East Mineral Circle, Centennial, Colorado 80112, commencing at 5:00 p.m., Mountain time and any adjournments, postponements, reschedulings or continuations thereof.

Matters to be Considered at the Special Meeting

At the Special Meeting, Eligible Members will be asked (a) to consider and vote upon the Proposal, consisting of a single proposal to approve and adopt (i) the Plan of Conversion and the transactions contemplated thereby, including, without limitation, the Redomestication and the Stock Purchase Agreement, (ii) the Amended and Restated Articles and (iii) the Amended and Restated Bylaws and (b) to transact such other business, if any, as may properly come before the Special Meeting or any adjournments, postponements, reschedulings or continuations thereof. The Board does not intend to bring any other matters before the Special Meeting, and the Company does not know of any other matters to be brought before the Special Meeting by others. If any other matters properly come before the Special Meeting and authorization is given on the accompanying proxy, it is the intention of the persons named in the accompanying proxy to vote such proxy in accordance with their best judgment.

Copies of Information Statement

This Information Statement and the Proxy Card are being mailed to all Eligible Members. Persons who become Members after the Eligibility Date may obtain this Information Statement and the Proxy Card without charge by writing to Colorado Farm Bureau Mutual Insurance Co., 9177 East Mineral Avenue, Centennial, Colorado 80112, calling (833) 444-4CFB ((833) 444-4232) or emailing AskCFBI@cfbmic.com. However, persons who were not Members on the Eligibility Date will not be entitled to vote at the Special Meeting.

Quorum

The Company's bylaws provide that the presence, in person or by proxy, of 500 Members entitled to vote shall constitute a quorum for purposes of considering the matters presented at the Special Meeting.

Proxies

The votes of all Eligible Members represented at the Special Meeting by properly executed proxies received by the Company prior to 5:00 p.m. Mountain time on June 7, 2019, which is three days prior to the date of the Special Meeting, and not duly and timely revoked, will be voted at the Special Meeting in accordance with the instructions indicated on such proxies. **If no instructions are given on properly executed proxies timely received by the Company, such proxies will be voted at the Special Meeting "FOR" the Proposal. If conflicting instructions are given on a proxy, such proxy will not be counted as a vote cast either for or against the Proposal.**

Revocation of Proxies

Any proxy given pursuant to this solicitation may be revoked by the person giving such proxy at any time before such proxy is voted. Proxies may be revoked by (a) filing with the Secretary of the Company, at or before the taking of the vote at the Special Meeting, a written notice of revocation bearing a later date than the proxy, (b) duly executing a later dated proxy and delivering it to the Secretary of the Company prior to 5:00 p.m. Mountain time on June 7, 2019, which is three days prior to the date of the Special Meeting or (c) attending the Special Meeting and voting in person (although attendance at the Special Meeting will not in and of itself constitute revocation of a proxy). Any written notice of revocation or subsequent proxy must be sent to Colorado Farm Bureau Mutual Insurance Co., 9177 East Mineral Circle, Centennial, Colorado 80112, or hand-delivered to the Company, at or before 5:00 p.m., Mountain time, on the date of the Special Meeting, in the case of a notice of revocation, or prior to 5:00 p.m. Mountain time on June 7, 2019, which is three days prior to the date of the Special Meeting, in the case of a subsequent proxy. Eligible Members may obtain a new Proxy Card by contacting Colorado Farm Bureau Mutual Insurance Co., 9177 East Mineral Circle, Centennial, Colorado 80112, or by telephone at (833) 444-4CFB ((833) 444-4232).

Other Solicitations

In addition to solicitation by use of the mails, proxies may be solicited by representatives of the Company in person or by telephone, facsimile, telegram or other means of communication.

Voting Rights; Required Vote

The voting rights of Eligible Members with respect to the approval and adoption of the Proposal are governed by the Company's articles of incorporation, bylaws and Colorado Insurance Law. Colorado Insurance Law requires the affirmative vote of at least two-thirds of the Eligible Members that cast a vote at the Special Meeting, in person or by properly executed proxy, in favor of the approval and adoption of the Proposal.

Each Eligible Member is entitled to one vote at the Special Meeting, in person or by properly executed proxy, regardless of the number of Policies held by such Eligible Member. When the Eligible Member is a firm, corporation or other entity, the person who signs the application shall be authorized to vote on behalf of the Eligible Member, unless a different person is designated by the Eligible Member.

Other Matters

The Board does not intend to bring any matter before the Special Meeting other than those specifically set forth in the notice of meeting, and the Company does not know of any matters to be brought before the Special Meeting by others. If any other matters properly come before the Special Meeting and authorization is properly given on the accompanying proxy, it is the intention of the persons named thereon to vote such proxy in accordance with their best judgment.

DIFFERENCES BETWEEN MUTUAL AND STOCK INSURANCE COMPANIES

A mutual insurance company is structured and operated differently from a stock insurance company. The chart that follows contrasts the general characteristics of mutual insurance companies as compared to stock insurance companies. The chart also illustrates how the rights of policyholders differ in the two structures and the effects on policyholders of a demutualization. In some instances, this general comparison has been supplemented with specific references to the Sponsored Demutualization.

	<u>Mutual Insurance Companies</u>	<u>Stock Insurance Companies</u>
Policy Benefits	As provided in policy.	Remain as provided in policy.
Who Controls the Company	Policyholders are members of the company and, as its members, control the company through the election of the board of directors; there are no shareholders.	Shareholders own and control the company through the election of the board of directors; policyholders do not.
Membership/Ownership Interests-Financial	Eligible members do not have the right to, but may receive, compensation upon the extinguishment of membership interests through a sponsored demutualization. Policyholders at the time of liquidation, as members of the company, may have the right to the remaining value of the insurer in a liquidation (after satisfaction of all claims for policy benefits and other creditor claims).	The shareholders of the insurer (not its policyholders) have the right to the remaining value of the insurer in a liquidation (after satisfaction of all claims for policy benefits and other creditor claims).
Membership/Ownership Interests-Voting	Policyholders, as members of the company, may vote on director elections, demutualizations and mergers.	Policyholders do not have the right to vote on director elections, mergers or other matters. Only shareholders have the right to vote. All matters required to be submitted to a vote of the Company's shareholders (including the election of directors) will be voted on by its sole shareholder, the Sponsor.
Transferability of Membership/Ownership Interests	Not transferable; an individual's membership interest terminates when he or she no longer owns any policies.	Generally transferable; unless specific restrictions apply, stock may be sold or transferred at will.
Dividends to Shareholders	Not applicable.	Dividends on stock are payable if and as declared by the board of directors.
Ability to Conduct Capital Transactions	Limited - can only raise capital through borrowing or through sale of assets or the stock of a subsidiary.	Increased ability to raise capital by selling stock and other securities and can use stock and other securities to pay for acquisitions.

PRINCIPAL TERMS OF THE PLAN OF CONVERSION

The following is a brief summary of the material provisions of the Plan of Conversion. A copy of the Plan of Conversion is attached as Appendix A to this Information Statement and is incorporated in this Information Statement by reference. This summary does not purport to be complete and we urge you to read the Plan of Conversion carefully and in its entirety.

General

The Plan of Conversion contemplates the reorganization of the Company from a mutual insurance company to a stock insurance company.

Membership and In Force Dates

In Force

In order to vote on the Proposal and receive Compensation if the Company demutualizes, you must have owned a Policy that was In Force on the Eligibility Date. In general, a Policy is considered to have been In Force on the Eligibility Date if, as shown on the Company's books and records, *all* of the following conditions existed on such date:

- the Policy had been issued or coverage had been bound by the Company or assumed by the Company through assumption reinsurance; and
- the Policy had not expired, been cancelled, non-renewed or otherwise terminated, provided that a Policy shall be deemed to have been In Force after lapse for nonpayment of premiums until the expiration of any applicable grace period (or similar period however designated in such Policy) during which the Policy was in full force for its basic benefits.

A Policy shall not be deemed to have been In Force as of a given date if the Policy was returned to the Company and all premiums were refunded within thirty days of such date.

The above determinations will be made based on the books and records of the Company on the Eligibility Date. For more information on determining whether a Policy was In Force, please see Section 7.03 of the Plan of Conversion.

Determination of Membership

A Member is a person who, according to the books and records of the Company and pursuant to its bylaws, is deemed to be an owner of a Policy, but shall not include a person named in a Policy as an additional insured. Unless otherwise stated in the Plan of Conversion, the Member holding any Policy as of any date shall be determined on the basis of the books and records of the Company as of such date in accordance with the following provisions:

- (a) each person, firm, corporation or other entity which has executed an application of insurance and which has a Policy with the Company in good standing is a Member of the Company;
- (b) where two or more applicants execute an application, the applicant whose name appears first on the application shall be the Member;
- (c) when the applicant is a firm, corporation or other entity, the person who signs the application shall be authorized to vote on behalf of the applicant unless a different person is designated by the applicant; and

(d) in any situation not expressly covered by the provisions set forth above, the Member, as reflected on the books and records of the Company, and as determined in good faith by the Company, shall conclusively be presumed to be the Member holding such Policy for purposes of the Sponsored Demutualization, and except for administrative errors, the Company shall not be required to examine or consider any other facts or circumstances;

The mailing address of a Member as of any date for purposes of the Sponsored Demutualization shall be such Member's last known address as shown on the books and records of the Company as of such date.

Any dispute as to the identity of a Member's qualification as an Eligible Member, including, but not limited to, whether such Member holds an Eligible Policy or the right to vote or receive Compensation shall be resolved in accordance with the provisions set forth above and such other procedures as the Company may determine. Any determinations made by the Company shall be conclusive as between the Company and any Member or any other person with an interest therein but shall not preclude any actions among such persons.

For more information on determining who is considered a Member, please see Section 7.02 of the Plan of Conversion.

Exchange of Membership Interests

Termination of Membership Interests

As a Member holding a Policy, you have certain rights because the Company is a mutual insurance company. For the purposes of the Sponsored Demutualization, these rights are referred to as Membership Interests. They consist principally of the right to vote on matters submitted to Members for a vote, including the election of directors, and the right to receive a portion of any remaining surplus (total assets minus total liabilities) in the unlikely event that the Company is liquidated as a mutual insurance company while you are a Member.

Changes in Rights to Vote

If the Plan of Conversion becomes effective, the Membership Interests of all of our Members will be extinguished and they will no longer have any voting rights. After the Plan Effective Date, all matters previously submitted to a vote of our Members (including the elections of our directors) will be voted on by the Sponsor as the sole shareholder of the Company.

Comparison of Your Rights Before and After the Sponsored Demutualization

Below is a comparison of your rights before and after the Sponsored Demutualization:

Rights	Before Sponsored Demutualization	After Sponsored Demutualization
Policy Provisions	In effect.	In effect.
Right to Distribution if the Company Liquidates	Policyholders have the right to participate in any surplus distribution in the event that the Company is liquidated.	Policyholders will not have any right of participation in any surplus distribution in the event that the Company is liquidated. In such event, any remaining assets would be distributed to the Company's sole shareholder, the Sponsor.
Right to Vote	Policyholders may vote on director elections, demutualizations and mergers.	Policyholders will not have the right to vote on director elections, mergers or other matters. All matters required to be submitted to a vote of the Company's stockholders (including the election of directors) will be voted on by its sole shareholder, the Sponsor.

Compensation

If the Plan of Conversion becomes effective, all Eligible Members will receive Compensation in the form of cash in exchange for relinquishing their Membership Interests.

Eligibility for Compensation

If the Sponsored Demutualization becomes effective, Eligible Members will be entitled to receive their allocable portion of the aggregate Compensation.

Aggregate Compensation

If the Sponsored Demutualization becomes effective, the aggregate Compensation which Eligible Members will receive in exchange for relinquishing their Membership Interests will be equal to \$25.7 million, the purchase price paid by the Sponsor for the purchase of all of the shares of Common Stock to be issued and outstanding on the Plan Effective Date.

Allocation and Distribution of Compensation

For purposes of calculating the amount of Compensation payable to the Eligible Members pursuant to the Plan of Conversion and the Stock Purchase Agreement, each Eligible Member's allocation of the Compensation shall be determined in accordance with Article 8 of the Plan of Conversion, as described further below:

Each Eligible Member shall be paid consideration in cash in an amount equal to such Eligible Member's Conversion Payment. For any Eligible Member, the "**Conversion Payment**" is an amount equal to the product of (x) the Conversion Factor *multiplied by* (y) such Eligible Member's Eligible Premium. As used herein:

(a) Any Eligible Member's "**Eligible Premium**" is the sum of all premiums paid by the Eligible Member to the Company on the Eligibility Date and in the previous thirty-six (36) consecutive months pursuant to such Eligible Member's Eligible Policies, on the Eligibility Date, as reflected in the books and records of the Company;

(b) "**Total Eligible Premium**" means the sum of all premiums paid by the Eligible Members to the Company on the Eligibility Date and in the previous thirty-six (36) consecutive months pursuant to all Eligible Members' Eligible Policies, on the Eligibility Date, as reflected in the books and records of the Company; and

(c) "**Conversion Factor**" means an amount equal to \$25.7 million *divided by* the Total Eligible Premium.

Following the satisfaction or waiver of all conditions contained in Article 8 of the Stock Purchase Agreement, on the Plan Effective Date, the Sponsor shall deposit the Compensation with the Payment Agent for distribution to Eligible Members in accordance with the Plan of Conversion and the Stock Purchase Agreement. The Sponsor or the Payment Agent will be entitled to deduct and withhold from the Compensation otherwise payable pursuant to the Plan of Conversion and the Stock Purchase Agreement to any Eligible Member such amounts as the Sponsor or the Payment Agent is required to deduct and withhold with respect to the making of such payment under the Code, or any other applicable provision of U.S. federal, state, local or non-U.S. tax law. Such withheld amounts will be treated for all purposes of the Plan of Conversion and the Stock Purchase Agreement as having been paid to the Eligible Member in respect of whom such deduction and withholding were made by the Sponsor or the Payment Agent.

As promptly as practicable following the Plan Effective Date, but in any event no later than ten business days following the Plan Effective Date, the Payment Agent shall distribute the Compensation (net of any required withholding, as described in the preceding paragraph), by check, to Eligible Members that are to receive Compensation pursuant to the Plan of Conversion and in accordance with the Stock Purchase Agreement. No interest shall be payable on the Compensation.

Included in the mailing that contained this Information Statement, is a Proxy Card setting forth the amount of Compensation that the Company expects will be allocated to you if the Proposal is approved and the Sponsored Demutualization is consummated, calculated in accordance with Article 8 of the Plan of Conversion, as described above.

Conditions to Effectiveness of the Plan of Conversion

For the Sponsored Demutualization to occur, the following conditions must be met:

Approval by Eligible Members

The Proposal must be submitted to a vote of Eligible Members at the Special Meeting. At least two-thirds of the Eligible Members that cast a vote in person or by proxy on the Proposal must vote “FOR” the Proposal in order for it to be approved.

Approval by, and Filing with, the Commissioner

The Commissioner must grant final approval of the Plan of Conversion. In addition, after approval of the Proposal by Eligible Members at the Special Meeting, the Company must file with the Commissioner (a) the minutes of the Special Meeting, (b) a certificate of the Secretary of the Company setting forth the results of the vote on the Proposal and certifying as to whether the requisite two-thirds approval was obtained and (c) the Amended and Restated Articles and the Amended and Restated Bylaws of the Company.

Receipt of Fairness Opinion

The Company must receive the Fairness Opinion. The Company has received such opinion from Waller Helms as of December 21, 2018. The full text of this opinion is included as Appendix B to this Information Statement and a summary of this opinion is provided in “Special Factors – Determination of Fairness – Opinion of Financial Advisor of the Company” beginning on page 24. You are urged to read the opinion of Waller Helms carefully and in its entirety.

Satisfaction of Conditions under the Stock Purchase Agreement

All conditions contained in Article 8 of the Stock Purchase Agreement must be satisfied or waived. A description of these conditions is included in “Principal Terms of The Stock Purchase Agreement – Conditions to the Closing of the Stock Purchase Agreement” beginning on page 42.

Effectiveness of the Plan of Conversion

If every condition to the closing of the Sponsored Demutualization is met, the Plan of Conversion will go into effect, and the Company will demutualize on the Plan Effective Date. Management currently anticipates that the Plan Effective Date will occur on or about July 1, 2019.

If the Plan of Conversion does not become effective for any reason, the Company will remain a mutual insurance company, the Membership Interests of Members will remain unchanged and no Compensation will be distributed to Eligible Members. The failure to complete the Sponsored

Demutualization could have serious adverse consequences for the Company, including the possibility of reduced ratings. Please see “Other Considerations” beginning on Page 23.

Amendment or Withdrawal of the Plan of Conversion

At any time prior to the Plan Effective Date, the Company may, by resolution of not less than two-thirds of the Board, amend or withdraw the Plan of Conversion (including the exhibits thereto). Any amendment shall require the written consent of the Commissioner. No amendment may change the Plan of Conversion after its approval by Eligible Members in a manner that the Commissioner determines is material unless the Plan of Conversion, as amended, is submitted for reconsideration by Eligible Members pursuant to the provisions thereof. No amendment may change the Adoption Date of the Plan of Conversion.

Further Amendments to the Amended and Restated Articles

After the Plan Effective Date, the Amended and Restated Articles adopted pursuant to the Plan of Conversion may be amended pursuant to the provisions of such Amended and Restated Articles, Colorado Insurance Law or Mississippi insurance law, as applicable, and the statutory provisions generally applicable to the amendment of the articles of incorporation of stock insurance companies, or such other statutory provisions as may be applicable at the time of the amendment.

Further Amendments to the Amended and Restated Bylaws

After the Plan Effective Date, the Amended and Restated Bylaws adopted pursuant to the Plan of Conversion may be amended pursuant to the provisions of such Amended and Restated Bylaws, the Amended and Restated Articles, Colorado Insurance Law or Mississippi insurance law, as applicable, and the statutory provisions generally applicable to the amendment of the bylaws of stock insurance companies, or such other statutory provisions as may be applicable at the time of the amendment.

Redomestication

After the Plan Effective Date, the Company will be redomesticated to the State of Mississippi, as contemplated by the Plan of Conversion and the Stock Purchase Agreement. At such time, the applicable Amended and Restated Articles and Amended and Restated Bylaws will come into effect.

PRINCIPAL TERMS OF THE STOCK PURCHASE AGREEMENT

The following is a brief summary of the material provisions of the Stock Purchase Agreement. A copy of the Stock Purchase Agreement is attached as Exhibit A of the Plan of Conversion attached as Appendix A to this Information Statement and is incorporated in this Information Statement by reference. This summary does not purport to be complete and we urge you to read the Stock Purchase Agreement carefully and in its entirety.

Structure of the Sponsored Demutualization

The Sponsored Demutualization, as contemplated by the Stock Purchase Agreement, is a series of related transactions as a result of which the Company will convert from a mutual insurance company to a stock insurance company and become a direct, wholly owned subsidiary of the Sponsor.

- At the Effective Time, the Company will convert from a mutual insurance company to a stock insurance company pursuant to the Plan of Conversion;
- On the Plan Effective Date, the Company will issue Common Stock to the Sponsor in exchange for payment of the Purchase Price by the Sponsor to the Eligible Members, which will be distributed by the Payment Agent to Eligible Members as Compensation in exchange for the extinguishment of all of their Membership Interests in the Company; and
- The Company will become a wholly owned subsidiary of the Sponsor.

Compensation

In exchange for the issuance by the Company to the Sponsor of all of the newly issued and outstanding shares of Common Stock, the Sponsor will pay the Purchase Price of \$25.7 million in cash to be allocated among Eligible Members in accordance with the Plan of Conversion and the Stock Purchase Agreement.

For further information with respect to the allocation of the Compensation among, and distribution to, Eligible Members, see “Principal Terms of the Plan of Conversion – Compensation” on page 35.

Representations and Warranties

In the Stock Purchase Agreement, both the Company and the Sponsor have made representations and warranties generally customary for a transaction of this nature (with the Company, as the entity being acquired, providing most of the representations and warranties), with respect to, among other matters:

- corporate existence and power;
- authority to execute and deliver the Stock Purchase Agreement and fulfill its obligations thereunder;
- capitalization, charter and bylaws;
- absence of any breach of or conflict with any agreements, governmental authorizations or charter documents;
- required consents and approvals of governmental authorities;
- required consents and approvals of other third parties;
- litigation;

- intellectual and other property matters;
- employees and labor matters;
- general compliance with applicable law;
- insurance reports, licenses and permits; and
- regulatory and tax filings.

Conduct of the Company's Business Pending the Purchase

During the period between the date of the Stock Purchase Agreement and the Effective Time, except as expressly contemplated or permitted by the Stock Purchase Agreement, the Company shall, and shall cause each of its subsidiaries to: (a) conduct its business in the usual, regular and ordinary course consistent with past practice and its current business plan, and (b) use commercially reasonable efforts to maintain and preserve intact its business organization, employees, agents and advantageous business relationships, and retain the services of its key employees and agents.

Among other restrictions, the Company has agreed that from the date of the Stock Purchase Agreement until the Effective Time, without the prior written consent of the Sponsor, and except as expressly contemplated or permitted by the Plan of Conversion or the Stock Purchase Agreement, the Company will not, and will not permit any of its subsidiaries to:

- incur certain debts or obligations other than in the ordinary course of business consistent with past practice;
- redeem, repay, discharge or defease any guarantee fund certificate or surplus note, unless such redemption, repayment, discharge or defeasance is an express condition of any approval of any governmental authority required to consummate the Plan of Conversion or Stock Purchase Agreement;
- grant any stock options or stock awards or stock appreciation rights or right with respect to the Common Stock to be authorized under the Plan of Conversion and the Amended and Restated Articles;
- declare any dividend or make any other distribution on or with respect to insurance Policies written by the Company, other than paying dividends that have been declared prior to the date of the Stock Purchase Agreement;
- sell, transfer, mortgage, encumber or otherwise dispose of any of its material properties or material assets to any person other than a subsidiary of the Company, or cancel, release or assign any material indebtedness of any such person or any material claims held by any such person, except in the ordinary course of business consistent with past practice;
- except pursuant to contracts or agreements in force on the date of the Stock Purchase Agreement, enter into certain material obligations;
- enter into, change or terminate certain material agreements, except in the ordinary course of business consistent with past practice, and other than renewals of contracts, leases and agreements without material adverse changes of terms;

- hire any employees;
- recognize any labor union or enter into or modify any collective bargaining agreement, except as required by applicable law;
- adopt, establish, contribute to or agreed to adopt, establish or contribute to any pension, retirement, profit-sharing or welfare benefit plan;
- settle any claim, action or proceeding involving money damages against the Company or any of its subsidiaries, except in the ordinary course of business consistent with past practice;
- take any action that would cause the Plan of Conversion to result in the recognition of gain by the Company under the Code;
- amend its articles of incorporation or bylaws, except as provided for in the Plan of Conversion and the Stock Purchase Agreement;
- other than in accordance with its current investment guidelines, restructure or materially change its investment securities portfolio through purchases, sales or otherwise, or the manner in which such portfolio is classified or reported;
- prepare or file any tax return inconsistent with past practice, file any amended tax return, settle or otherwise compromise any claim relating to taxes, enter into any closing agreement or similar agreement relating to taxes, otherwise settle any dispute relating to taxes, surrender any right to claim a tax refund, offset or other reduction in tax liability, or request any ruling or similar guidance with respect to taxes;
- offer or sell insurance or reinsurance of any type other than such lines of insurance and reinsurance that it offers and sells on the date of the Stock Purchase Agreement or lines that are substantially similar to such lines; or
- take any action that is intended or may reasonably be expected to result in any of its representations and warranties set forth in the Stock Purchase Agreement being or becoming untrue at any time prior to the Effective Time, or in any of the closing conditions set forth in Article 8 of the Stock Purchase Agreement not being satisfied, or in a violation of any provision of the Stock Purchase Agreement, except, in every case, as may be required by applicable law.

No Solicitation

The Company has agreed in the Stock Purchase Agreement that it will not authorize or knowingly permit any of its representatives, directly or indirectly, to initiate, entertain, solicit, encourage, engage in, or participate in, negotiations with any third party concerning a competing proposal, other than as expressly provided in the Stock Purchase Agreement. The Company will promptly inform the Sponsor of any bona fide inquiry it receives with respect to a competing transaction and will provide certain information relating to such competing proposal.

The Stock Purchase Agreement permits the Company to furnish information to, or enter into discussions or negotiations with, a third party regarding a competing proposal, or approve and recommend to the Eligible Members a competing proposal from a third party if the Board determines in good faith that such action is appropriate in furtherance of the best interests of the Members. If the Company makes such determination, the Company must advise the Sponsor of the material terms of such competing proposal, keep the Sponsor apprised of the status of such discussions, obtain information relevant to the ability of the third party to finance the competing proposal and comply with certain confidentiality and other requirements.

Directors of the Company

The Plan of Conversion and Stock Purchase Agreement provide that each of the members of the boards of directors of the Company will resign at the Effective Time and that the Sponsor, as the sole stockholder of the Company, will cause the following named persons to be elected as directors of each of the Company:

Name	Relationship to the Sponsor/the Company
Ronald Anderson	- Director of the Sponsor since October, 1985
Randy Veach	- Director of the Sponsor since February, 2004
Mike McCormick	- Director of the Sponsor since February, 2015
Harry Ott	- Director of the Sponsor since February, 2016
John Hoblick	- Director of the Sponsor since February, 2000
Don Shawcroft	- Director of the Sponsor since February, 2010; President of the Company since November 2010

Other Covenants and Agreements

The Stock Purchase Agreement includes other covenants generally customary for a transaction of this nature with respect to, among other matters:

- using commercially reasonable efforts to take all steps proper or advisable under applicable laws to consummate the transactions contemplated by the Stock Purchase Agreement;
- cooperating in obtaining governmental approvals;
- using commercially reasonable efforts to obtain all necessary third party consents and approvals;
- making various filings with, and obtaining approvals of, insurance regulators under applicable insurance laws;
- treating as confidential certain proprietary information concerning the business and operations of the parties; and
- providing access to such party's books and records.

The Stock Purchase Agreement also includes a covenant with respect to using commercially reasonable efforts to take any and all actions necessary in order to complete the Redomestication, including making all necessary filings with, and providing any information requested by, the Mississippi Insurance Department.

Indemnification and Insurance

Prior to the Effective Time, a single payment, run-off or "tail" insurance policy or policies of directors' and officers' liability insurance must be purchased covering current and former officers and directors of the Company and its subsidiaries on terms and conditions, including limits, no less favorable than their respective directors' and officers' liability insurance policy in effect on the date of the Stock Purchase Agreement, such policy or policies to become effective at the Effective Time and remain in effect for a period of six years after the Effective Time with respect to directors' and officers' liability for claims arising from facts or events that occurred on or prior to the Effective Time. If such tail policy coverage is not obtained prior

to the Effective Time, the Sponsor will use commercially reasonable efforts to obtain coverage under the existing Company policy or a substantially similar substitute policy, subject to a cap on the amount of the premium required to be paid.

For a period of six years after the Effective Time, the articles of incorporation and bylaws of the Company and its subsidiaries will contain provisions no less favorable with respect to the exculpation of, indemnification of and advancement of expenses to, directors, officers, employees and agents than those set forth in the articles of incorporation or bylaws of the Company (or the relevant subsidiary) as in effect on the date of the Stock Purchase Agreement.

Continued Operations

At the Effective Time, the officers of the Company will continue in the same capacities of each respective company.

Conditions to the Closing of the Stock Purchase Agreement

The Stock Purchase Agreement provides that the respective obligation of the Company and the Sponsor to consummate the transactions contemplated by the Plan of Conversion and the Stock Purchase Agreement are subject to the satisfaction at or prior to the Effective Time of the following conditions:

- The Plan of Conversion and the Stock Purchase Agreement and the transactions contemplated by the Stock Purchase Agreement, including the Redomestication, shall have been approved and adopted by the required affirmative vote of the Eligible Members of the Company;
- The Plan of Conversion, the Amended and Restated Articles and the Amended and Restated Bylaws shall have received final approval from the Commissioner prior to or on the Plan Effective Date; and
- No order, injunction or decree issued by any governmental authority of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Plan of Conversion or any of the transactions contemplated by the Stock Purchase Agreement shall be in effect.

The Stock Purchase Agreement also provides that the obligation of the Sponsor to consummate the transactions contemplated by the Plan of Conversion and the Stock Purchase Agreement is subject to the satisfaction or waiver by the Sponsor at or prior to the Effective Time of the following additional conditions:

- The Company shall have performed all material obligations required under the Stock Purchase Agreement and the Sponsor shall have received a closing certificate signed on behalf of the Company by the Chief Executive Officer of the Company to such effect;
- The representations and warranties of the Company contained in Article 4 of the Stock Purchase Agreement shall be true and correct in all material respects, and the Sponsor shall have received a closing certificate signed on behalf of the Company by the Chief Executive Officer of the Company to such effect;
- The Company or its subsidiaries, taken as a whole, shall not have suffered a Material Adverse Effect nor shall a Material Adverse Effect be reasonably likely to occur, and the Sponsor shall have received a closing certificate signed on behalf of the Company by the Chief Executive Officer of the Company to such effect; and
- All approvals of governmental authorities required to consummate the transactions contemplated by the Stock Purchase Agreement, including the Sponsor Form A and the Redomestication, shall have been obtained and shall remain in full force and effect and all statutory waiting periods in respect

thereof shall have expired. For more information regarding the Sponsor Form A and the Redomestication, see “Principal Terms of the Stock Purchase Agreement - Sponsor Form A and Redomestication” on page 43.

The Stock Purchase Agreement also provides that the obligation of the Company to consummate the transactions contemplated by the Plan of Conversion and the Stock Purchase Agreement is subject to the satisfaction or waiver by the Company at or prior to the Effective Time of the following additional conditions:

- The Sponsor shall have performed all material obligations required under the Stock Purchase Agreement, and the Company shall have received a closing certificate signed on behalf of the Sponsor by the Chief Executive Officer and of the Sponsor to such effect;
- The Sponsor shall have deposited in trust with the Payment Agent for the benefit of the Eligible Members, cash in the amount of the Purchase Price in accordance with the Stock Purchase Agreement; and
- The representations and warranties of the Sponsor contained in Article 5 of the Stock Purchase Agreement shall be true and correct in all material respects, and the Company shall have received a closing certificate signed on behalf of the Sponsor by the Chief Executive Officer of the Sponsor to such effect.

Sponsor Form A and Redomestication

Under Colorado Insurance Law, the Sponsor is required to obtain approval of the Commissioner in order for it to acquire control of the Company. On January 18, 2019, the Sponsor filed a Statement Regarding the Acquisition of Control of a Domestic Insurer on Form A in support of its request for the Commissioner’s approval of the acquisition of control of the Company as a result of the Sponsor’s purchase of all of the Common Stock.

On the Plan Effective Date, the Company will make all filings and requests for approval necessary with the Colorado Division of Insurance and the Mississippi Department of Insurance to effect the Redomestication.

Amendment of the Stock Purchase Agreement

The Stock Purchase Agreement may be amended in writing by the Company and the Sponsor, by action taken or authorized by the board of directors of the Sponsor and the Board, at any time before or after approval of the matters presented in connection with the Plan of Conversion and the Stock Purchase Agreement by the Eligible Members of the Company; provided, however, that after any approval of the Plan of Conversion and the transactions contemplated thereby, including the Redomestication and the Stock Purchase Agreement, by Eligible Members, there may not be, without further approval of such Eligible Members, any amendment of the Stock Purchase Agreement which changes or otherwise modifies or amends the (a) amount of the Compensation, (b) the form of the Compensation to be delivered to Eligible Members under the Stock Purchase Agreement or (c) any other material term contained in the Plan of Conversion.

Termination of the Stock Purchase Agreement

The Stock Purchase Agreement may be terminated as follows:

- by mutual written consent;
- by either party if a requisite regulatory approval has not been obtained and such termination is approved by the board of directors of the terminating party;

- by either party (provided that such party is not then in breach of the Stock Purchase Agreement) if a breach of a representation or warranty remains uncured for 45 days after written notice to the breaching party, such breach has resulted in the failure of a closing condition to be satisfied;
- by the Sponsor upon a failure of the Board to recommend approval of the Proposal to Eligible Members or upon a withdrawal of, or modification or amendment to, a previously issued recommendation that is materially adverse to the Sponsor (a “**Company Recommendation Event**”);
- by the Sponsor if the Company shall have authorized, recommended, approved or entered into an agreement with a third party to effect a competing acquisition (a “**Company Acquisition Event**”);
- by the Company upon the occurrence of either a Company Recommendation Event or a Company Acquisition Event;
- by either party if the Special Meeting has been held and the requisite Eligible Member vote is not obtained; or
- by either party if the closing has not occurred on or prior to July 1, 2019 subject to a six-month extension for receipt of required regulatory approvals.

Termination Fee

The Company must pay to the Sponsor a termination fee of four percent of the purchase price if (a) either the Sponsor or the Company terminates the Stock Purchase Agreement due to a Company Recommendation Event (which, as described above, occurs upon a failure of the Board to recommend approval of the Proposal to Eligible Members or upon a withdrawal of, or modification or amendment to, a previously issued recommendation that is materially adverse to the Sponsor) or a Company Acquisition Event (which, as described above, occurs if the Company shall have authorized, recommended, approved or entered into an agreement with a third party to effect a competing acquisition) or (b) the Special Meeting has not been held within 120 days after the Commissioner issues his preliminary approval of the Plan of Conversion and this Information Statement.

Expenses of the Sponsored Demutualization

Each party will bear its own expenses except that (a) the Company will pay all expenses related to obtaining Commissioner approval of the Plan of Conversion and (b) the Sponsor will pay all expenses related to obtaining Commissioner approval of the change of control of the Company and any other required filing with any insurance regulator, including in order to effect the Redomestication, and all expenses of the Payment Agent retained to effect the conversion.

PRINCIPAL TERMS OF THE AMENDED AND RESTATED ARTICLES

The following is a summary of the Amended and Restated Articles, which were adopted by the Board on December 21, 2018 and which, if approved by the Eligible Members at the Special Meeting, will become effective at the Effective Time and immediately thereafter upon the completion of the Redomestication, as specified below. The Company's articles of incorporation are being amended in connection with the Sponsored Demutualization because the Company's conversion from a mutual insurance company to a stock insurance company will require certain changes to its articles of incorporation to satisfy the requirements of Colorado Insurance Law and Mississippi insurance law applicable to stock insurance companies. Additionally, some of the amendments were deemed desirable by the Sponsor because, upon the consummation of the Sponsored Demutualization, the Sponsor will become the sole shareholder of the Company.

As of the Effective Time, the articles of incorporation of the Company will have the following terms, which have been preliminarily approved by the Commissioner, for a moment in time prior to the Redomestication:

Generally

The Company's full legal name will be Colorado Farm Bureau Insurance Company. The Company, a corporation of perpetual duration, will have its principal office in Colorado. The Company may operate other offices in or outside of Colorado at the discretion of the Company's officers or Board. The Company may transact business in any state or country where it becomes qualified to conduct business. The Company will be subject to and comply with all terms and provisions of Colorado Insurance Law.

Purposes of the Company

The Amended and Restated Articles authorize the Company to engage in all lawful business for which corporations may be incorporated under the Colorado Business Corporation Act and as a Colorado stock insurance company including the writing of multiple lines of insurance coverages in accordance with Colo. Rev. Stat. § 10-3-102.

Corporate Powers

The Board will be composed of six persons. The term of office of each director is one annual meeting of the shareholders of the Company. The Amended and Restated Articles may be amended by a vote of holders of at least sixty percent (60%) of the outstanding shares of the Company.

Capital

The Company's authorized capital will be \$10,000,000. The Company will be authorized to issue 100,000 shares of common voting stock, with \$100 par value. If the Sponsored Demutualization is approved and consummated, the Company will issue 20,000 of its authorized common shares to the Sponsor, which will constitute all of the issued and outstanding stock of the Company (after which the Company would become a wholly owned subsidiary of the Sponsor).

Upon the completion of the Redomestication, the articles of incorporation of the Company will have the following terms, which are provided for informational purposes only:

Generally

The Company's full legal name will be Colorado Farm Bureau Insurance Company. The Company, a corporation of perpetual duration, will have its principal office in Mississippi. The Company intends to continue to maintain its home office in Colorado and may operate other offices in or outside of Mississippi at

the discretion of the Company's officers or Board. The Company may transact business in any state or country where it becomes qualified to conduct business.

Purposes of the Company

The Amended and Restated Articles authorize the Company to make and enter into all forms of insurance contracts that an insurer may lawfully enter into as a Class 1 insurer or as an insurer that writes accident and health insurance pursuant to Miss. Code Ann. § 83-19-1 and to carry on all other business activities and financial services that an insurance company may lawfully conduct under the laws of Mississippi.

Corporate Powers

The Board will be composed of six persons. The term of office of each director is one annual meeting of the shareholders of the Company. The Amended and Restated Articles may be amended by a vote of holders of at least sixty percent (60%) of the outstanding shares of the Company.

Capital

The Company's authorized capital will be \$10,000,000. The Company will be authorized to issue 100 shares of common voting stock, with \$100 par value. All issued and outstanding common shares will be owned by the Sponsor.

PRINCIPAL TERMS OF THE AMENDED AND RESTATED BYLAWS

The following is a summary of the Amended and Restated Bylaws, which were adopted by the Board on December 21, 2018 and which, if approved by the Eligible Members at the Special Meeting, will become effective at the Effective Time and immediately thereafter upon the completion of the Redomestication, as specified below. The Company's bylaws are being amended in connection with the Sponsored Demutualization because the Company's conversion from a mutual insurance company to a stock insurance company will require certain changes to its bylaws to satisfy the requirements of Colorado Insurance Law and Mississippi insurance law applicable to stock insurance companies. Additionally, some of the amendments were deemed desirable by the Sponsor because, upon the consummation of the Sponsored Demutualization, the Sponsor will become the sole shareholder of the Company.

As of the Effective Time, the bylaws of the Company will have the following terms, which have been preliminarily approved by the Commissioner, for a moment in time prior to the Redomestication:

Stockholders

The Sponsor will be the sole shareholder of the Company.

Board of Directors

The corporate powers, business and corporate property of the Company will be exercised, conducted and controlled by the Board, which will consist of six members, one member each from the States of Arkansas, Colorado, Florida, Louisiana, Mississippi and South Carolina, each of whom will be the president of the state Farm Bureau of his or her respective state. No person may serve as a director if such person has previously been convicted, pleaded guilty or nolo contendere to a felony criminal offense or is otherwise found unsuitable by the applicable state insurance regulator.

Committees

The Board may set up an investment committee, which may be composed of both Board and non-Board members, charged with the duty of supervising loans and investments.

Officers

The Board may elect or appoint a President and Chief Executive Officer, Chief Financial Officer, one or more Senior Vice Presidents, a Treasurer, a Secretary, one or more Vice Presidents and such other officers as the Board may determine. The Board will have the power to prescribe the powers and duties for each officer.

Meetings

Annual meetings of the shareholders will be held each year on the date and at the place fixed by the shareholder or the Board. A special meeting of the shareholders may be called by the chairman of the Board, the President and Chief Executive Officer, the Board, or by written request of shareholders holding ten percent (10%) or more of the issued and outstanding shares of the Company at any place within the state of Colorado. Notice of a stockholders meeting will be given at least fifteen (15) (in the case of an annual meeting, or ten (10) (in the case of a special meeting), days before such meeting. A majority of the issued and outstanding shares attending in person or by proxy will constitute a quorum.

A special meeting of the investment committee may be called upon three days advance notice to each member of the committee. Meetings of the investment committee may be held at any time or place without

prior notice by unanimous written consent of the members of the committee. Investment committee meetings may be held in person or by video or audio conference.

Upon the completion of the Redomestication, the articles of incorporation of the Company will have the following terms, which are provided for informational purposes only:

Stockholders

The Sponsor will be the sole shareholder of the Company.

Board of Directors

The corporate powers, business and corporate property of the Company will be exercised, conducted and controlled by the Board, which will consist of six members, one member each from the States of Arkansas, Colorado, Florida, Louisiana, Mississippi and South Carolina, each of whom will be the president of the state Farm Bureau of his or her respective state. No person may serve as a director if such person has previously been convicted, pleaded guilty or nolo contendere to a felony criminal offense or is otherwise found unsuitable by the applicable state insurance regulator.

Committees

The Board may set up an investment committee, which may be composed of both Board and non-Board members, charged with the duty of supervising loans and investments.

Officers

The Board may elect or appoint a President and Chief Executive Officer, Chief Financial Officer, one or more Senior Vice Presidents, a Treasurer, a Secretary, one or more Vice Presidents and such other officers as the Board may determine. The Board will have the power to prescribe the powers and duties for each officer.

Meetings

Annual meetings of the shareholders will be held each year on the date and at the place fixed by the shareholder or the Board. A special meeting of the shareholders may be called by the chairman of the Board, the President and Chief Executive Officer, the Board, or by written request of shareholders holding ten percent (10%) or more of the issued and outstanding shares of the Company at any place within the state of Mississippi. Notice of a stockholders meeting will be given at least fifteen (15) (in the case of an annual meeting, or ten (10) (in the case of a special meeting), days before such meeting. A majority of the issued and outstanding shares attending in person or by proxy will constitute a quorum.

A special meeting of the investment committee may be called upon three days advance notice to each member of the committee. Meetings of the investment committee may be held at any time or place without prior notice by unanimous written consent of the members of the committee. Investment committee meetings may be held in person or by video or audio conference.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The following summary discusses generally certain federal income tax consequences to Eligible Members who receive Compensation upon the consummation of the Plan of Conversion and the Stock Purchase Agreement under the federal income tax law as in effect on the date of this Information Statement. This summary does not address any taxes other than federal income taxes, and does not address how tax rules affect all possible types of Members or policyholders. As a result, you may be subject to special rules not discussed here. You should consult a qualified tax advisor to determine the federal, state, local and (if applicable) foreign tax consequences of receipt of Compensation upon the consummation of the Plan of Conversion and the Stock Purchase Agreement in your individual circumstances. In addition, a qualified tax advisor should advise you of any changes in tax laws or regulations that might take effect after the date of this Information Statement.

You will be asked to provide to the Payment Agent, and verify under penalties of perjury, certain tax-related information including your correct taxpayer identification number. A tax information form is included in this mailing. Please complete and return this form in the enclosed self-addressed, stamped envelope by July 10, 2019. Failure to comply with this requirement may result in the Payment Agent withholding and paying over to the IRS 24% of any cash payment (so-called backup withholding). The 24% backup withholding is not an additional tax. Any amount withheld can be claimed on your federal income tax return as a credit against your federal income tax liability for the year. Provision of incorrect information may subject you to a \$50 penalty.

Eligible Members Receiving Cash

If you are an Eligible Member receiving cash upon the consummation of the transactions contemplated by the Plan of Conversion and the Stock Purchase Agreement, the cash generally will be treated as proceeds of a sale or exchange of your Membership Interest. The IRS takes the view that a mutual company policyholder's tax basis in a membership interest is zero, such that the full amount of cash received constitutes taxable gain and a 2015 decision of the United States Court of Appeals for the Ninth Circuit agreed with this view. Under this view the transaction generally should be treated as a sale or exchange of a capital asset qualifying for the long-term capital gains tax rate in the case of an Eligible Member that first became a policyholder more than one year prior to the Plan Effective Date. The Payment Agent will report the cash payment to the IRS (on IRS Form 1099-B or other version of Form 1099) as required by law to recipients that are not exempt from such reporting requirements.

The tax treatment of cash received by Eligible Members described above is not entirely certain. A 2008 decision of the United States Court of Federal Claims allowed certain policyholders of a demutualizing life insurance company to defer reporting the gain from their receipt of cash in the demutualization to some unspecified future year, perhaps the future year in which their policies would terminate. The extent to which this decision could apply to Eligible Members is uncertain. You should consult your own tax advisor regarding this matter.

IMPORTANT INFORMATION REGARDING THE COMPANY

Selected Historical Consolidated Financial Data

The following tables provide a summary of our historical consolidated financial data as of the dates and for the periods indicated. We have derived the historical consolidated statement of income and balance sheet data for and as of the end of our fiscal years 2018, 2017 and 2016 from our statutory financial statements filed with the Colorado Department of Insurance. The selected historical financial information presented below should be read in conjunction with our 2018, 2017 and 2016 statutory consolidated financial statements from the independent auditors and notes thereto included in Appendices C and D to this Information Statement. The historical results presented below are not necessarily indicative of the results to be expected for any future period. Our statutory financial statements filed with the Colorado Division of Insurance for our fiscal years 2018, 2017 and 2016 and the notes thereto are also available at www.cfbinsurance.com.

Colorado Farm Bureau Mutual Insurance Co. 3 Year Balance Sheet Comparison as filed with the Colorado Division of Insurance

	<u>2016</u>	<u>2017</u>	<u>2018</u>
ASSETS			
Bonds	32,296,593	32,082,834	29,978,754
Stocks	5,331,077	5,338,633	5,431,125
Mortgage Loans.....	-	-	-
Real Estate.....	3,966,783	3,859,449	3,682,095
Cash.....	4,460,535	6,971,802	3,848,991
Other Invested Assets	532,564	520,634	520,634
Sub-Total Cash & Invested Assets	<u>46,587,552</u>	<u>48,773,352</u>	<u>43,461,599</u>
Investment Income Due & Accrued	367,380	347,392	329,413
Premiums Receivable	15,829,583	16,822,877	17,726,008
Reinsurance	10,424,362	7,131,211	7,850,783
Current Federal Tax Recoverable	17,658	27,973	181,522
Electronic Data Processing Equipment & Software	231,716	232,583	190,234
Furniture & Equipment	-	-	-
Receivables from Parent, Subsidiaries & Affiliates	25,944	14,171	21,475
Other Receivables	7,794,000	7,930,555	8,056,845
TOTAL ASSETS	<u>\$81,278,195</u>	<u>\$81,280,114</u>	<u>\$77,817,879</u>
LIABILITIES AND SURPLUS			
Loss Reserves	8,362,593	7,518,870	5,620,706
Loss Adjustment Expense Reserves	2,427,000	1,427,000	1,427,000
Commissions Payable.....	2,314,522	2,565,990	2,838,873
Other Expense Payables	3,883,321	3,956,324	4,517,209
Taxes, Licenses & Fees Payable.....	356,775	361,131	427,426
Current Federal Income Tax Payable	53,416	47,163	47,163
Unearned Premium.....	17,052,492	17,194,573	17,367,803
Advance Premium	1,126,524	1,047,863	1,215,910
Dividends Declared & Unpaid	-	-	-
Ceded Reinsurance Premium Payable (Net).....	9,233,066	10,183,102	9,639,587
Funds Held by Company under Reinsurance Treaties.....	111,320	71,720	72,369
Amounts Withheld/Retained by Company for Others.....	553,703	913,699	1,097,529
Remittances & Items not Allocated.....	52,639	68,488	52,855
Payable to Parent, Subsidiaries & Affiliates.....	146,825	142,907	142,504
Escheat Payable.....	532,733	382,302	460,937
TOTAL LIABILITIES	<u>46,206,929</u>	<u>45,881,132</u>	<u>44,927,871</u>
Guarantee Fund	2,000,000	2,000,000	2,000,000
Common Stock	-	-	-
Preferred Stock.....	-	-	-
Surplus Notes	-	-	-
Surplus	33,071,266	33,398,982	30,890,008
TOTAL SURPLUS AS REGARDS TO POLICYHOLDERS ...	<u>35,071,266</u>	<u>35,398,982</u>	<u>32,890,008</u>
TOTAL LIABILITIES AND SURPLUS	<u>\$81,278,195</u>	<u>\$81,280,114</u>	<u>\$77,817,879</u>

Colorado Farm Bureau Mutual Insurance Co. 3 Year Income Statement Comparison as filed with the Colorado Division of Insurance

UNDERWRITING INCOME

Premiums Earned	25,938,738	25,984,737	25,371,997
Losses Incurred	17,880,807	19,847,819	20,551,460
Loss Adjustment Expenses Incurred	1,804,035	1,607,667	2,755,061
Other Underwriting Expenses Incurred	5,828,587	5,993,125	5,891,663
Total Underwriting Deductions	<u>25,513,429</u>	<u>27,448,611</u>	<u>29,198,184</u>

NET UNDERWRITING GAIN (LOSS) **425,309** **(1,463,874)** **(3,826,187)**

INVESTMENT INCOME

Net Investment Income Earned	895,273	1,220,128	833,392
Net Realized Capital Gains (Losses)	89	(2,868)	1,890
NET UNDERWRITING GAIN (LOSS)	<u>895,362</u>	<u>1,217,260</u>	<u>835,282</u>

OTHER INCOME

Net Gain (Loss) from Agents' or Premium Balances Charged Off.....	(42,756)	(62,855)	(67,504)
Finance and Service Charges not included in Premiums	93,711	79,585	66,601
Miscellaneous Income	175,030	229,603	271,518
TOTAL OTHER INCOME	<u>225,985</u>	<u>246,333</u>	<u>270,615</u>

NET INCOME BEFORE DIVIDENDS & TAX..... **1,546,656** **(281)** **(2,720,290)**

Dividends to Policyholders	-	-	-
Federal Income Tax Incurred	(9,952)	(190,254)	(18,466)
NET INCOME	<u>1,556,608</u>	<u>189,973</u>	<u>(2,701,824)</u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as of Prior Year End	33,818,543	35,071,266	35,398,982
Net Income	1,556,608	189,973	(2,701,824)
Change in Unrealized Capital Gains (Losses)	81,847	4,987	61,045
Change in Net Deferred Income Tax	42,164	2,569	31,448
Change in Non-Admitted Assets	(427,896)	130,187	100,357
Change in Surplus	<u>1,252,723</u>	<u>327,716</u>	<u>(2,508,974)</u>
SURPLUS AT DECEMBER 31st.....	<u>\$35,071,266</u>	<u>\$35,398,982</u>	<u>\$32,890,008</u>

INDEPENDENT AUDITORS

The Company's consolidated financial statements as of December 31, 2018 and for the year then ended, appearing elsewhere herein, have been audited by Plante Moran PLLC, independent auditors, as set forth in their report thereon incorporated herein by reference, and are included in reliance upon such report.

The Company's consolidated financial statements as of December 31, 2017 and 2016, and for the years then ended, appearing elsewhere herein, were audited by EKS&H LLLP, independent auditors, as set forth in their report thereon incorporated herein by reference, and are included in reliance upon such report.

WHERE YOU CAN FIND MORE INFORMATION

The Company is domiciled in the State of Colorado. As such, it is subject to Colorado Insurance Law and, in accordance therewith, files financial reports and other information with the Commissioner. The Sponsor is domiciled in the State of Mississippi.

The Sponsor has filed the Form A Statement Regarding the Acquisition of Control or Merger of Domestic Insurers with the Commissioner on January 18, 2019, which Form A contains the information required by Colo. Rev. Stat. § 10-3-803. The Company has submitted the Plan of Conversion, the Amended and Restated Articles, the Amended and Restated Bylaws, this Information Statement and certain related documents to the Commissioner for preliminary approval. On March 7, 2019, the Commissioner preliminarily approved (a) the Plan of Conversion and the transactions contemplated thereby, (b) the Amended and Restated Articles and (c) the Amended and Restated Bylaws.

The Company will make certain filings with the Colorado Division of Insurance and the Mississippi Department of Insurance to affect the Redomestication.

Other information regarding the Company can be inspected and copies made at the offices of the Division at 1560 Broadway, Suite 850, Denver, Colorado 80202.

All annual and quarterly statements filed by the Company pursuant to Colorado Insurance Law from December 31, 2016, through the date hereof are available for inspection at the Company's home offices by any person to whom this Information Statement is delivered, by writing to Colorado Farm Bureau Mutual Insurance Co., 9177 East Mineral Avenue, Centennial, Colorado 80112, calling (833) 444-4CFB ((833) 444-4232) or emailing AskCFBI@cfbmic.com.

**PETITION AND PLAN OF CONVERSION
OF
COLORADO FARM BUREAU MUTUAL INSURANCE CO.**

Under Colo. Rev. Stat. § 10-12-411

As Approved on December 21, 2018
by the Board of Directors

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PETITION AND PLAN OF CONVERSION
OF
COLORADO FARM BUREAU MUTUAL INSURANCE CO.

Under Colo. Rev. Stat. § 10-12-411

This Plan of Conversion provides for the conversion of Colorado Farm Bureau Mutual Insurance Co., a mutual insurance company organized under the laws of Colorado (such entity, both before and after the Conversion, being referred to as the “Company”) from a mutual insurance company into a stock insurance company (the “Conversion”) and the purchase and sale (the “Purchase”) of newly issued shares of common stock of the Company to Southern Farm Bureau Casualty Insurance Company, a stock insurance company organized under the laws of Mississippi (the “Sponsor”) pursuant to that certain Stock Purchase Agreement, by and between the Company and the Sponsor, dated January 16, 2019, attached hereto as Exhibit A (the “Stock Purchase Agreement”), as authorized by Colo. Rev. Stat. § 10-12-411 (together, the Conversion and Purchase, the “Sponsored Demutualization”). In the Conversion, all Eligible Members will receive cash in exchange for the extinguishment of their Membership Interests in the Company. As required by Colo. Rev. Stat. § 10-12-411(2)(a), and in accordance with the Company’s bylaws, this Plan of Conversion has been approved and adopted by a unanimous vote of the voting members of the Board of Directors of the Company (the “Board”) at a meeting duly called and held on December 21, 2018 (the “Adoption Date”). Capitalized terms used herein without definition have the meaning set forth in Article 2 hereof.

ARTICLE 1
REASONS FOR THE CONVERSION

The principal purpose of the Conversion is to convert the Company from a mutual insurance company into a stock insurance company in order to enhance its strategic and financial flexibility and make possible a distribution of value to Eligible Members pursuant to this Plan of Conversion and the Stock Purchase Agreement. The Board believes that the Sponsored Demutualization is in the best interest of the Company because it should provide the Company with (i) the ability to compete more effectively, (ii) a more cost effective capital structure and (iii) an affiliation with an enterprise that is better positioned to support the business of the Company and successfully navigate current and future market cycles, as well as allow a distribution of cash to Eligible Members. The Board further believes that the transaction is consistent with the purpose and intent of Colo. Rev. Stat. § 10-12-411 and will not prejudice the interests of the policyholders of the Company. The distribution made possible by the Sponsored Demutualization could not have occurred under the current mutual insurance company structure of the Company, other than in the unlikely event of a liquidation of the Company in which any distribution would be limited to the Company’s liquidation value.

Although the amounts distributed to Eligible Members will vary according to the nature of their Policies and certain other factors described herein, the Company intends that all Eligible Members will receive fair and equitable consideration, as described in Article 8 of this Plan of Conversion and Article 2 of the Stock Purchase Agreement, in respect of the extinguishment of all Membership Interests.

In its present structure as a mutual insurance company, the Company can increase its statutory capital only through earnings contributed by its operating businesses, through the use of financial reinsurance arrangements, through the issuance of surplus notes or by divestiture of all or a portion of its interest in subsidiaries or other investments. These methods, however, are limited as to the extent to which they can provide a long-term source of permanent capital to allow the Company to develop new businesses, successfully manage through challenging investment environments or provide greater stability and protection for its policyholders.

Through the transactions contemplated by this Plan of Conversion and the Stock Purchase Agreement, the Company will become a wholly owned subsidiary of, and thereby affiliated with, the Sponsor, a larger enterprise with significant financial strength as well as strong business, operations, financial condition, operating results and prospects. The Sponsor is a casualty insurer with over \$2.7 billion in assets as of September 30, 2018 and is the

dominant member of one of the top 100 largest property and casualty insurance organizations in the United States. The Board believes that the resulting affiliation with the Sponsor will be in the best interests of the Company and its Members because, among other things:

- such affiliation will help ensure the continuity of the Company's Colorado focused property and casualty insurance business, will enhance the competitiveness of the Company and will generate greater efficiencies and significant opportunities for improved financial performance;
- the Board has considered the Company's position as an independent company, and the constraints on the Company's ability to pursue its strategic objectives due to its present size and status as a mutual insurance company, and believes that the Company's ability to pursue its strategic objectives would be enhanced by this affiliation;
- such affiliation will provide the Company with greater flexibility to obtain capital as compared to the current mutual insurance company structure, will enhance the Company's financial strength and will provide the Company with greater resources to back its obligations to policyholders;
- such affiliation will provide the Company with increased flexibility to support the growth of existing product lines and take advantage of investment and growth opportunities;
- such affiliation will benefit both the short-term and long-term interests of the Company, its policyholders and its employees, its producers, the communities in which the Company does business and its other constituents;
- this affiliation will establish a strategic fit, matching the compatible corporate cultures and visions of the future of the Company and the Sponsor;
- the Board has determined that this Plan of Conversion and the Conversion will not be prejudicial to the policyholders of the Company; and
- the Board has received the Fairness Opinion.

Furthermore, as a result of the Sponsored Demutualization, the Sponsor will compensate the Eligible Members for their respective Membership Interests, which will be extinguished as part of the Conversion, by giving them cash. Such cash would not be available to the Eligible Members as long as the Company continues its operations as a mutual insurance company. In addition, the Sponsor is a larger company with greater economies of scale, a wider variety of products and an excellent record of providing service to policyholders.

In connection with the Sponsored Demutualization, the Company will redomesticate to Mississippi, the state of domicile of the Sponsor. Such redomestication will result in administrative efficiencies arising from the fact that the Sponsor and the Company, as the Sponsor's wholly owned subsidiary, will be domiciled in the same jurisdiction and be subject to the domestic regulation of the same insurance regulator. It is the Company's understanding that the Sponsor currently intends that, following the completion of the transactions contemplated by the Plan of Conversion, the Company will continue to have its home office and headquarters in Centennial, Colorado, and the Company will continue to be a Colorado-licensed insurance company focused on the Company's Colorado policyholders. There will be no interruption of services to the Company's policyholders as a result of the Plan of Conversion.

The Sponsored Demutualization will not, in any way, increase premiums or reduce policy benefits, or other policy obligations of the Company to policyholders. Subject to Section 6.02, following the Conversion, Members who held participating Policies In Force on the Adoption Date will continue to have the right to receive dividends as provided in such Policies (although, as always, policyholder dividends are not guaranteed and may vary from year to year due to changes in experience).

ARTICLE 2
DEFINITIONS

2.01. Certain Terms. As used in this Plan of Conversion, the following terms have the meanings set forth below:

“Adoption Date” has the meaning specified in the Preamble.

“Amended and Restated Articles” has the meaning specified in Section 5.01(a).

“Amended and Restated Bylaws” has the meaning specified in Section 5.01(a).

“Application” has the meaning specified in Section 4.01.

“Board” has the meaning specified in the Preamble.

“Code” means the federal Internal Revenue Code of 1986, as amended.

“Commissioner” means the Colorado Insurance Commissioner

“Company” has the meaning specified in the Preamble.

“Company Common Stock” means the duly authorized shares of common stock of the Company to be issued to the Sponsor on the Plan Effective Date in accordance with this Plan of Conversion and the Stock Purchase Agreement.

“Company Records” means the books, records and accounts of the Company.

“Conversion” has the meaning specified in the Preamble.

“Conversion Factor” has the meaning specified in Section 8.01(c).

“Conversion Payment” has the meaning specified in Section 8.01.

“Division” means the Division of Insurance of the State of Colorado.

“Effective Date Filing” has the meaning specified in Section 6.03.

“Effective Time” means 12:01 a.m., Colorado time, on the Plan Effective Date. This is the time that this Plan of Conversion is deemed to be effective.

“Eligible Member” means a Member who is the first Person named in an Eligible Policy. The Company may deem a Person to be an Eligible Member in order to correct any immaterial administrative errors or oversights in the context of the Conversion.

“Eligible Policy” means any Policy that is In Force on the Eligibility Date.

“Eligible Premium” has the meaning specified in Section 8.01(a).

“Eligibility Date” means forty (40) calendar days prior to the date of the Special Meeting.

“Fairness Opinion” means the opinion of Waller Helms dated December 21, 2018, that as of the Adoption Date and based upon the assumptions made therein, the aggregate consideration to be received by the Eligible Members, as a group, pursuant to the transactions contemplated by the Plan of Conversion is fair from a financial point of view to such Eligible Members, as a group.

“Final Approval” means the final approval issued by the Commissioner and evidencing the Commissioner’s final approval of the Application and this Plan of Conversion pursuant to Colo. Rev. Stat. § 10-12-411(4)(c).

“In Force” has the meaning specified in Section 7.03(a).

“Member” means the Persons specified or determined pursuant to the provisions of Section 7.02.

“Membership Interests” means, with respect to the Company, the interests of Members arising under Colorado law and the articles of incorporation and bylaws of the Company prior to the Conversion. “Membership Interests” do not include any rights expressly conferred upon Members by their Policies (other than the right to vote and rights related thereto), such as the right to any declared policyholder dividends.

“Notice of Special Meeting” has the meaning specified in Section 5.02(a).

“Payment Agent” has the meaning specified in the Stock Purchase Agreement.

“Person” means an individual, partnership, firm, association, corporation, joint-stock company, limited liability company, trust, government or governmental agency, state or political subdivision of a state, public or private corporation, board, association, estate, trustee, or fiduciary, or any similar entity.

“Plan Effective Date” has the meaning specified in Section 6.04(a).

“Plan of Conversion” means this Plan of Conversion (including all Exhibits hereto), as it may be amended from time to time in accordance with Section 11.02 or corrected in accordance with Section 11.03. Any reference to the term “Plan of Conversion” shall be deemed to incorporate by reference all of the Exhibits thereto.

“Policy” or “Policies” has the meaning specified in Section 7.01(a).

“Preliminary Approval” means the preliminary approval issued by the Commissioner and evidencing the Commissioner’s preliminary approval of the Application and this Plan of Conversion pursuant to Colo. Rev. Stat. § 10-12-411(3).

“Proposal” has the meaning specified in Section 5.01(a).

“Purchase” has the meaning specified in the preamble.

“Purchase Price” means an amount equal to \$25,700,000 in cash to be paid to the Eligible Members in exchange for, with regard to the Eligible Members, the extinguishment of their Membership Interests pursuant to this Plan of Conversion and the Stock Purchase Agreement.

“Special Meeting” has the meaning specified in Section 5.01(a).

“Sponsor” has the meaning specified in the preamble.

“Sponsored Demutualization” has the meaning specified in the preamble.

“Stock Purchase Agreement” has the meaning specified in the preamble.

“Subsequent Policyholder” has the meaning specified in Section 9.01.

“Total Eligible Premium” has the meaning specified in Section 8.01(b).

“Waller Helms” means Waller Helms Advisors LLC.

2.02. Terms Generally. As used in this Plan of Conversion, except to the extent that the context otherwise requires:

(a) when a reference is made in this Plan of Conversion to an Article, Section or Exhibit, such reference is to an Article or Section of, or an Exhibit to, this Plan of Conversion unless otherwise indicated;

(b) the words “hereby”, “herein”, “hereof”, “hereunder” and words of similar import refer to this Plan of Conversion as a whole (including any Exhibits hereto) and not merely to the specific section, paragraph or clause in which such word appears;

(c) whenever the words “include,” “includes,” or “including” (or similar terms) are used in this Plan of Conversion, they are deemed to be followed by the words “without limitation”;

(d) the definitions contained in this Plan of Conversion are applicable to the singular as well as the plural forms of such terms; and

(e) whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms.

ARTICLE 3 ADOPTION BY THE BOARD OF DIRECTORS

3.01. Adoption by the Board. This Plan of Conversion has been approved and adopted by a unanimous vote of voting members of the Board at a meeting duly called and held on December 21, 2018. This Plan of Conversion provides for the conversion of the Company into a stock insurance company in accordance with the requirements of Colo. Rev. Stat. § 10-12-411 and the Purchase pursuant to the Stock Purchase Agreement.

ARTICLE 4 APPROVAL BY THE COMMISSIONER

4.01. Application for Approval. Following the adoption of this Plan of Conversion by the Board, the Company shall file an application (the “Application”) with the Commissioner for approval of this Plan of Conversion in accordance with Colo. Rev. Stat. § 10-12-411(1). The Application shall include true and complete copies of the following documents:

- (a) this Plan of Conversion;
- (b) the Fairness Opinion and the independent appraisal of market value of the Company provided by Waller Helms as part of the Fairness Opinion provided in accordance with Section 6.05;
- (c) the form of notice of the Special Meeting;
- (d) the form of information statement and proxy to be solicited from Eligible Members;
- (e) the form of notice to persons whose Policies are issued after the Eligibility Date but before the Plan Effective Date;
- (f) the proposed amended and restated articles of incorporation and amended and restated bylaws of the Company; and
- (g) any other information or documentation as the Commissioner may request.

If the Commissioner requires modifications to this Plan of Conversion, the Board shall submit any amended Plan of Conversion to the Commissioner for his review and approval.

4.02. Commissioner Approval.

(a) This Plan of Conversion is subject to the approval of the Commissioner.

(b) The Commissioner shall provide Preliminary Approval with respect to this Plan of Conversion upon receipt of the following information: (i) a certification that this Plan of Conversion has been adopted by a unanimous vote of voting members of the Board at a meeting duly called and held on the Adoption Date, (ii) a certification that this Plan of Conversion will not prejudice the interests of the policyholders of the Company, (iii) the method and basis for the issuance of the Company Common Stock and (iv) copies of the Amended and Restated Articles and Amended and Restated Bylaws.

ARTICLE 5
APPROVAL BY ELIGIBLE MEMBERS

5.01. Special Meeting.

(a) After the Preliminary Approval of the Application by the Commissioner, the Company shall hold a special meeting of Eligible Members to vote on this Plan of Conversion (the "Special Meeting"). At the Special Meeting, each Eligible Member shall be entitled to one vote on a single proposal (the "Proposal") to (i) adopt and approve this Plan of Conversion and the other transactions contemplated by this Plan of Conversion, including the transactions contemplated by the Stock Purchase Agreement and (ii) amend and restate (A) the articles of incorporation of the Company to read in the form attached as Exhibit B (as of the Effective Time) and Exhibit C (as of the time of the completion of the Company's redomestication to Mississippi) (collectively, the "Amended and Restated Articles") and (B) the bylaws of the Company to read in the form attached as Exhibit D (as of the Effective Time) and Exhibit E (as of the time of the completion of the Company's redomestication to Mississippi) (collectively, the "Amended and Restated Bylaws").

(b) Adoption of this Plan of Conversion and the Amended and Restated Articles, pursuant to Colo. Rev. Stat. § 10-12-411(4)(b), is subject to the approval of at least two-thirds of the votes cast by Eligible Members in person or by proxy at the Special Meeting.

5.02. Notice of the Special Meeting.

(a) The Company shall mail notice of the Special Meeting substantially in the form of Exhibit F (the "Notice of Special Meeting"). The Notice of Special Meeting shall be mailed to each Eligible Member. Such notice shall inform each Eligible Member of such Eligible Member's right to vote upon the Proposal and the place, the day and the hour of the Special Meeting. Such notice and other materials set forth in Sections 5.02(b) shall be mailed by first class or priority mail or an equivalent of first class or priority mail, to the last-known address of each Eligible Member as it appears on the Company Records, not more than sixty (60) and at least twenty-one (21) days prior to the date of the Special Meeting, and shall be in a form satisfactory to the Commissioner.

(b) The Notice of the Special Meeting shall be accompanied by information relevant to the Special Meeting, including a copy or summary of this Plan of Conversion, a form of proxy allowing the Eligible Members to vote for or against the Proposal, a policyholder information statement regarding this Plan of Conversion and the Purchase and such other explanatory information that the Commissioner approves or requires, all of which shall be in a form satisfactory to the Commissioner. With the prior approval of the Commissioner, the Company may also send supplemental information relating to this Plan of Conversion and the Purchase to Eligible Members either before or after the date of the Special Meeting.

ARTICLE 6
THE CONVERSION AND PURCHASE

6.01. Effect on the Company. On the Plan Effective Date, the Company shall be converted from a mutual insurance company into a stock insurance company in accordance with Colo. Rev. Stat. § 10-12-411 and the Purchase shall occur in accordance with this Plan of Conversion and the Stock Purchase Agreement. Under the

terms of the Stock Purchase Agreement, the Sponsor will acquire all of the Company Common Stock. The Sponsor thereupon will become the sole shareholder of the Company and, by operation of law, will have all the rights, privileges, immunities and powers and will be subject to all of the duties and liabilities to the extent provided by law of a shareholder of an insurance company organized under the laws of the State of Colorado. Immediately following the purchase of the Company Common Stock by the Sponsor, the Company shall redomesticate to Mississippi and will, as a result, be a stock insurance company domiciled in Mississippi.

6.02. Effect on Existing Policies.

(a) Any Policy In Force on the Plan Effective Date will remain In Force under the terms of such Policy, except that the following rights, to the extent they existed in the Company, shall be extinguished on the Plan Effective Date:

- (i) any voting rights of the policyholder provided under or as a result of the policy;
- (ii) any right to share in the surplus of the Company, except as provided in Section 6.02(b).

(b) Except as otherwise provided in Section 6.02(c), an Eligible Member who held a participating Policy In Force on the Plan Effective Date will continue to have a right to receive policyholder dividends as provided in the participating Policy, if any.

(c) Upon the renewal date of any Policy of any policyholder that occurs after the Plan Effective Date, the Company may issue the insured a nonparticipating Policy as a substitute for the participating Policy; *provided, however,* that if any dividend has been declared by the Company but not paid with respect to such Policy, the Company may not issue such insured a nonparticipating Policy until such policyholder's renewal date occurring after such dividend is paid by the Company.

6.03. Filing of Plan of Conversion and Amended and Restated Articles. As soon as practicable following (a) the receipt of the Preliminary Approval, (b) the Commissioner's determination that all conditions to such approval contained in the Preliminary Approval have been satisfied, except for those conditions required by the Preliminary Approval to be satisfied after the Plan Effective Date and with respect to which the Commissioner has received commitments from the Company and/or the Sponsor to satisfy after the Plan Effective Date acceptable to the Commissioner, (c) the adoption of this Plan of Conversion, the Amended and Restated Articles and Amended and Restated Bylaws by the Eligible Members as provided in this Plan of Conversion, and (d) the satisfaction or waiver of all of the conditions contained in Article 8 of the Stock Purchase Agreement, the Company shall file with the Commissioner (i) the minutes of the Special Meeting, (ii) a certificate of the Secretary of the Company setting forth the results of the vote on the Plan of Conversion, the Amended and Restated Articles and Amended and Restated Bylaws and certifying as to whether or not it was approved by not less than two-thirds of the Eligible Members voting in person or by proxy at the Special Meeting and (iii) the Amended and Restated Articles and the Amended and Restated Bylaws of the Company (the filing described in clauses (i), (ii) and (iii) above, the "Effective Date Filing").

6.04. Effectiveness of Plan of Conversion and Stock Purchase Agreement.

(a) The "Plan Effective Date" of the Plan of Conversion shall be the date and time as of which all of the following steps have been completed: (i) the Commissioner has provided Final Approval, (ii) the Commissioner has issued an amended certificate of authority to the Company, (iii) the Eligible Members have approved the Plan of Conversion by the requisite vote, (iv) the Amended and Restated Articles and the Amended and Restated Bylaws have been duly adopted and (v) the Effective Date Filing shall have been made by the Company. Subsequent to the Plan Effective Date, the bylaws of the Company shall be substantially in the form attached hereto as Exhibits D and E. This Plan of Conversion shall be deemed to have become effective at the Effective Time.

(b) At the Effective Time:

- (i) The Company shall by operation of Colo. Rev. Stat. § 10-12-411 become a stock insurance company;
 - (ii) the Amended and Restated Articles and the Amended and Restated Bylaws shall without further action become effective; and
 - (iii) all of the Membership Interests shall be extinguished and Eligible Members shall be entitled to receive, in exchange for their Membership Interests, cash, as provided in this Plan of Conversion and the Stock Purchase Agreement.
- (c) On the Plan Effective Date:
- (i) The Company shall issue all of the authorized Company Common Stock to the Sponsor, representing all of the issued and outstanding common stock of the Company;
 - (ii) the Sponsor shall deposit or shall have deposited, or cause to be deposited, via wire transfer of immediately available funds, the Purchase Price with the Payment Agent for distribution to the Eligible Members in accordance with Section 6.04(d) hereof and Section 3.2 of the Stock Purchase Agreement;
 - (iii) the Company shall make or shall have made, or cause to be made, all filings and requests for approval necessary with the Division and the Mississippi Department of Insurance to effect its redomestication to Mississippi; and
 - (iv) the Sponsor or the Payment Agent will be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Plan of Conversion and the Stock Purchase Agreement to any Eligible Member such amounts as the Sponsor or the Payment Agent is required to deduct and withhold with respect to the making of such payment under the Code, or any other applicable provision of U.S. federal, state, local or non-U.S. tax law. Such withheld amounts will be treated for all purposes of this Plan of Conversion as having been paid to the Eligible Member in respect of whom such deduction and withholding were made by the Sponsor or the Payment Agent.

(d) As promptly as practicable following the Plan Effective Date, but in any event no later than ten (10) business days following the Plan Effective Date, the Payment Agent shall distribute the Purchase Price, by check, to the Eligible Members pursuant to this Plan of Conversion and in accordance with the Stock Purchase Agreement. No interest shall be payable on the Purchase Price.

6.05. Fairness Opinion.

(a) Prior to approval by the Board, the Board received the opinion of Waller Helms that, based upon the assumptions made therein, the aggregate consideration to be received by Eligible Members, as a group, pursuant to the transactions contemplated by this Plan of Conversion, is fair from a financial point of view to such Eligible Members, as a group.

(b) Copies of the Fairness Opinion shall be delivered to the Commissioner as part of the Application. The Commissioner shall be entitled to rely upon such opinion as though such opinion were addressed to him in connection with his review of this Plan pursuant to Colo. Rev. Stat. § 10-12-411.

ARTICLE 7
POLICIES

7.01. Policies.

(a) For the purposes of this Plan of Conversion, the term “Policy” means each insurance policy that has been issued or will be issued or assumed through assumption reinsurance, if any, by the Company.

(b) The following policies and contracts shall be deemed not to be Policies for purposes of this Plan of Conversion:

- (i) any reinsurance assumed by the Company as a reinsurer on an indemnity basis (but assumption certificates may constitute Policies if they otherwise fall within the definition of Policies as provided in Section 7.01(a);
- (ii) all administrative services agreements; and
- (iii) any policy or contract issued by the Company and ceded to another insurance company through assumption reinsurance.

7.02. Determination of Membership.

(a) A Member is a person who, according to the Company Records and pursuant to its bylaws, is deemed to be an owner of a Policy, but shall not include a person named in a Policy as an additional insured. Unless otherwise stated herein, the Member holding any Policy as of any date shall be determined on the basis of the Company Records as of such date in accordance with the following provisions:

- (i) each person, firm, corporation or other entity which has executed an application for insurance and which has a Policy with Company in good standing is a Member of the Company;
- (ii) where two or more applicants execute an application, the applicant whose name appears first on the application shall be the Member;
- (iii) when the applicant is a firm, corporation or other entity, the person who signs the application shall be authorized to vote on behalf of the applicant unless a different person is designated by the applicant; and
- (iv) in any situation not expressly covered by the foregoing provisions of this Section 7.02, the Member, as reflected on the Company Records, and as determined in good faith by the Company, shall conclusively be presumed to be the Member holding such Policy for purposes of this Section 7.02, and except for administrative errors, the Company shall not be required to examine or consider any other facts or circumstances.

(b) The mailing address of a Member as of any date for purposes of this Plan of Conversion shall be such Member’s last known address as shown on the Company Records as of such date.

(c) Any dispute as to a Member’s qualification as an Eligible Member, including but not limited to, an Eligible Policy or the right to vote or receive compensation shall be resolved in accordance with the foregoing and such other procedures as the Company may determine. Any determinations made by the Company shall be conclusive as between the Company and any Member or any other Person with an interest therein but shall not preclude any actions among such Persons.

7.03. In Force.

(a) A Policy shall be deemed to be in force (“In Force”) as of any date if, as shown in the Company Records:

- (i) coverage has been bound or a policy has been issued as of such date; and

- (ii) such Policy has not expired, canceled, non-renewed or otherwise terminated, provided that a Policy shall be deemed to be In Force after lapse for nonpayment of premiums until expiration of any applicable grace period (or similar period however designated in such Policy) during which the Policy is in full force for its basic benefits.
- (b) The date of expiration, cancellation or termination of a Policy shall be as shown on the Company Records.
- (c) A Policy shall not be deemed to be In Force as of a given date if the Policy is returned to the Company and all premiums are refunded within thirty (30) days of such date.
- (d) Any dispute as to whether a Policy is In Force shall be resolved in accordance with the foregoing.

ARTICLE 8
ALLOCATION OF CONSIDERATION

8.01. Allocation of Consideration. The consideration to be paid to Eligible Members in exchange for their Membership Interests shall be cash. For purposes of calculating the amount of consideration payable to the Eligible Members pursuant to this Plan of Conversion and the Stock Purchase Agreement, each Eligible Member's allocation of the Purchase Price shall be determined in accordance with this Article 8. Each Eligible Member shall be paid consideration in cash in an amount equal to such Eligible Member's Conversion Payment. For any Eligible Member, the "Conversion Payment" is an amount equal to the product of (x) the Conversion Factor *multiplied by* (y) such Eligible Member's Eligible Premium. As used herein:

- (a) Any Eligible Member's "Eligible Premium" is the sum of all premiums paid by the Eligible Member to the Company on the Eligibility Date and in the previous thirty-six (36) consecutive months pursuant to such Eligible Member's Eligible Policies, on the Eligibility Date, as reflected in the Company's Records;
- (b) "Total Eligible Premium" means the sum of all premiums paid by the Eligible Members to the Company on the Eligibility Date and in the previous thirty-six (36) consecutive months pursuant to all Eligible Members' Eligible Policies on the Eligibility Date, as reflected in the Company Records; and
- (c) "Conversion Factor" means an amount equal to the Purchase Price *divided by* the Total Eligible Premium.

ARTICLE 9
SUBSEQUENT POLICYHOLDERS

9.01. Notice to Subsequent Policyholders. Upon the issuance of a Policy that becomes effective after the Eligibility Date and before the Plan Effective Date (excluding renewals of Policies In Force on the Eligibility Date), the Company shall send, within twenty (20) days of the Plan Effective Date, to the Member holding such Policy (a "Subsequent Policyholder") a written notice regarding this Plan of Conversion, substantially in the form attached as Exhibit G hereto. Such notice shall specify such Subsequent Policyholder's right to cancel such Policy in accordance with its terms and shall be accompanied by a copy or summary of this Plan of Conversion. The form of such notice shall be filed with and approved by the Commissioner.

9.02. Option to Cancel. Each Subsequent Policyholder is entitled, under his Policy, to cancel his Policy and receive a refund of the full amount of the unearned premiums paid for the Policy in accordance with its terms. If a Subsequent Policyholder cancels his Policy pursuant to its terms, such Subsequent Policyholder will have no insurance coverage under such Policy and may not make or file a claim under such Policy during the post-cancellation period. If a Subsequent Policyholder fails to provide written notice to the Company of his decision to cancel his Policy in accordance with its terms, the Policy will continue in force.

ARTICLE 10
OFFICERS AND BOARD OF DIRECTORS

10.01. Directors. Each of the members of the Board immediately prior to the Effective Time shall resign as of the Effective Time and the Sponsor, as the sole shareholder of the Company, shall elect the new directors set forth on Exhibit H to serve on the Board.

10.02. Officers. The officers of the Company immediately prior to the Effective Time shall serve as officers of the Company after the Effective Time until new officers are duly elected pursuant to the Amended and Restated Articles and the Amended and Restated Bylaws.

ARTICLE 11 ADDITIONAL PROVISIONS

11.01. Continuation of Corporate Existence. Upon the conversion of the Company to a stock insurance company in accordance with the terms of this Plan of Conversion and the provisions of Colo. Rev. Stat. § 10-12-411:

(a) the corporate existence of the Company as a mutual insurance company shall be continued in the Company's corporate existence as a stock insurance company;

(b) all the rights, franchises and interests of the Company as a mutual insurance company in and to every type of property, real, personal and mixed, and things in action thereunto belonging, shall, by operation of law, be transferred to and vested in the Company as a stock insurance company without any deed or transfer;

(c) the Company (as converted to a stock insurance company) shall, by operation of law, have assumed all the obligations and liabilities of the Company (as the former mutual insurance company); and

(d) all outstanding surplus notes, guaranty fund interests or other surplus debentures issued by the Company prior to the Effective Time shall remain in full force and effect following the Conversion and, in accordance with Section 11.01(c), all liabilities and obligations thereunder shall, by operation of law, have been assumed by the Company (as the converted stock company).

11.02. Amendment or Withdrawal of Plan of Conversion.

(a) At any time prior to the Plan Effective Date, the Company may, by a vote of not less than two-thirds of the Board, amend or withdraw this Plan of Conversion (including the Exhibits hereto). Any amendment shall require the written consent of the Commissioner. No amendment may change the Plan of Conversion after its approval by the Eligible Members in a manner that the Commissioner determines is material unless the Plan of Conversion, as amended, is submitted for reconsideration by the Eligible Members of the Company pursuant to the provisions of Sections 5.01 and 5.02. No amendment may change the Adoption Date of the Plan of Conversion.

(b) After the Plan Effective Date, the Amended and Restated Articles and the Amended and Restated Bylaws adopted pursuant to this Plan of Conversion may be amended pursuant to the provisions of such articles of incorporation and bylaws, Title 10 of the Colorado Revised Statutes and the statutory provisions generally applicable to the amendment of the articles of incorporation and bylaws of insurance companies, or such other statutory provisions as may be applicable at the time of the amendment.

11.03. Corrections. Prior to the Plan Effective Date, the Company, with the prior consent of the Commissioner, may make such modifications as are appropriate to correct errors, cure ambiguities, clarify existing items or make additions to correct manifest omissions in this Plan of Conversion or any exhibits hereto.

11.04. Notices. If the Company complies substantially and in good faith with the notice requirements of Colo. Rev. Stat. § 10-12-411 with respect to the giving of any required notice to Members, the failure of the Company to give any Member any required notice does not impair the validity of any action taken under Colo. Rev. Stat. § 10-12-411.

11.05. Limitation of Actions. No Person shall have any rights or claims against the Company or its Board based upon the withdrawal or termination of this Plan of Conversion.

11.06. Costs and Expenses. All the costs and expenses related to the Plan of Conversion, including the costs of outside advisors and consultants of the regulatory agencies, shall be borne by the Company.

11.07. Headings. Article and Section headings contained in this Plan of Conversion are for convenience only and shall not be considered in construing or interpreting any of the provisions hereof.

11.08. Governing Law. The Plan of Conversion shall be governed by and construed in accordance with the laws of the State of Colorado, without regard to such State's principles of conflicts of law.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the Company by authority of its Board, has caused this Plan of Conversion to be duly executed as of the day and year first above written.

Colorado Farm Bureau Mutual Insurance Co.

By: /s/ Donald Shawcroft
Name: Donald Shawcroft
Title President:

ATTEST:

By: /s/ Cheryl Radke
Name: Cheryl Radke
Title: Chief Executive Officer

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (this “**Agreement**”), dated as of January 16, 2019, is entered into by and between SOUTHERN FARM BUREAU CASUALTY INSURANCE COMPANY, a Mississippi corporation (the “**Sponsor**”) and COLORADO FARM BUREAU MUTUAL INSURANCE CO., a Colorado mutual insurance company (the “**Company**”). Capitalized terms used herein and not otherwise defined have the meanings set forth in Section 10.16.

RECITALS

WHEREAS, the Sponsor is a personal lines insurance company which provides primarily casualty insurance coverages with an emphasis on private passenger auto and farm general liability coverages;

WHEREAS, the Company is a mutual insurance company which provides primarily private passenger and commercial automobile, homeowners, farmowners, farmers comprehensive and commercial multiple peril insurance;

WHEREAS, the Board of Directors of the Company has agreed to adopt a Plan of Conversion in accordance with Section 1.1 of this Agreement (as amended or supplemented from time to time, the “**Plan of Conversion**”), pursuant to which the Company shall be converted (the “**Conversion**”) from a mutual insurance company to a stock insurance company pursuant to Colo. Rev. Stat. § 10-12-411;

WHEREAS, the Plan of Conversion shall provide for and be contingent on the sale (the “**Sale**”) of all of the shares of common stock of the Company (the “**Company Common Stock**”) as part of the Conversion to the Sponsor upon the terms and subject to the conditions set forth in this Agreement; and

WHEREAS, the Boards of Directors of each of the Sponsor and the Company have determined that it is in the best interests of their respective companies for the Sponsor to acquire the Company through the purchase of its newly authorized Company Common Stock as provided for in this Agreement.

NOW, THEREFORE, in consideration of the above Recitals, which are a substantive part of this Agreement, and the mutual covenants, representations, warranties and agreements contained in this Agreement, and intending to be legally bound by this Agreement, the parties to this Agreement agree as follows:

ARTICLE 1

PLAN OF CONVERSION

1.1 Company Plan of Conversion. The Company has adopted the Plan of Conversion, substantially in the form of Exhibit A attached hereto. The Company shall file the Plan of Conversion with the Commissioner of the Colorado Division of Insurance (the “**Commissioner**”) in accordance with Colo. Rev. Stat. § 10-12-411 (Conversion of domestic mutual insurer to domestic stock or other form of insurer). Following such filing, the Company shall take such additional actions, consistent with the terms set forth in the form of Plan of Conversion, as may be required under Colo. Rev. Stat. §10-12-411 or otherwise by the Commissioner to complete its demutualization pursuant to the provisions hereof and the Plan of Conversion. The Plan of Conversion may contain such additional terms not set forth in the form of Plan of Conversion included as Exhibit A or modifications to terms set forth in the form of the Plan of Conversion as the Company may determine; *provided, however*, that any such additional term or modification that modifies the (a) total cash consideration or the method for allocating such cash consideration among the Company’s Members, (b) the sale of the Company Common Stock to the Sponsor, (c) the Redomestication or (d) the Amended and Restated Articles or the Amended and Restated Bylaws shall require the prior written consent of the Sponsor, which consent shall not be unreasonably withheld or delayed.

1.2 Approval of the Plan of Conversion. Subject to Section 7.8 hereof, the Company, in accordance with the Plan of Conversion and Applicable Law, shall submit a proposal to Eligible Members to approve the Plan of Conversion (the “**Proposal**”) and shall give such notice to Eligible Members containing the date, time and place for voting on the Proposal as may be required under Applicable Law (including Colo. Rev. Stat. §10-12-411). Subject to Section 7.8 hereof, the Proposal shall include the determination of the Company’s Board of Directors that the Plan of Conversion has been adopted by a no less than two-thirds majority vote of the Board of Directors and does not prejudice the interests of the Company’s policyholders and shall include such Board of Directors’ recommendation that the Eligible Members approve the Plan of Conversion.

1.3 Information Statement. The Company, with the Sponsor’s assistance at the Company’s reasonable request, shall prepare and provide to Eligible Members, in connection with the solicitation of approval of the Plan of Conversion, an information statement relating to the Plan of Conversion and the Sale, including a copy of the Plan of Conversion (the “**Information Statement**”) and use commercially reasonable efforts to obtain and furnish the information required to be included by state and federal law, including Colo. Rev. Stat. §10-12-411, and to obtain the approval of the Commissioner for the Information Statement. Each of the Company and the Sponsor agrees that the information provided and to be provided by the Company or the Sponsor, as the case may be, specifically for use in the Information Statement shall not, with respect to the information supplied by such party (a) on the date upon which the Information Statement is mailed to Eligible Members, (b) on the date of the public hearing before the Commissioner in respect of the Plan of Conversion, if any or (c) on the last date on which Eligible Members are entitled to vote on the Proposal, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. No less than three days prior to the filing of the Information Statement with the Commissioner, the Company shall provide the Sponsor a draft of the Information Statement and an opportunity to comment on such draft; *provided, however*, that the Company shall have the right to accept or reject any such comments in its sole discretion. Each of the Sponsor and the Company agrees to correct as promptly as practicable any such information provided by it that shall have become false or misleading in any material respect and to take all steps necessary to furnish to the Commissioner and obtain the approval of the Commissioner for any amendment or supplement to the Information Statement so as to correct the same and to cause the Information Statement as so corrected to be disseminated to Eligible Members to the extent required by or advisable under Applicable Law.

1.4 Approval of the Change of Control. Following the execution of this Agreement, the Sponsor shall request the Commissioner to approve the change of control of the Company as contemplated by the Plan of Conversion and this Agreement in accordance with the requirements of Colo. Rev. Stat. §§ 10-3-803 and 10-3-803.5. The Sponsor shall prepare and file with the Colorado Division of Insurance (the “**Division**”) a Form A and shall take such commercially reasonable actions consistent with the terms of this Agreement as may be required under Colo. Rev. Stat. §§ 10-3-803 and 10-3-803.5 and the regulations promulgated thereunder to obtain the Commissioner’s approval of the change of control of the Company as contemplated in the Plan of Conversion and this Agreement.

1.5 Effective Time of the Plan of Conversion. The “**Effective Time**” of the Plan of Conversion shall be 12:01 a.m. Colorado time, on the date and time as of which all of the following steps have been completed: (a) the Plan of Conversion has been approved by the Commissioner; (b) the Eligible Members have approved the Plan of Conversion by the requisite vote in accordance with the Plan of Conversion; (c) the Amended and Restated Articles and the Amended and Restated Bylaws have been duly adopted; (d) the Effective Date Filing shall have been made by the Company; and (e) the Redomestication has been approved by the Insurance Regulators.

ARTICLE 2

SALE AND PURCHASE

2.1 Sale and Purchase of the Shares. Subject to the terms and conditions of this Agreement, at the Effective Time on the Closing Date without any action on the part of any Member, in accordance with the Plan of Conversion, in exchange for the agreement by the Sponsor to pay the Purchase Price pursuant to Section 2.2, the Company shall issue all of the newly authorized shares of Company Common Stock (the “**Shares**”) to the Sponsor, which shall constitute all of the issued and outstanding stock of the Company, and the Sponsor shall accept the Shares from the Company.

2.2 Purchase Price. The purchase price (the “**Purchase Price**”) to be paid to the Eligible Members by the Sponsor for the purchase of the Shares shall be equal to \$25,700,000. The Purchase Price shall be allocated among the Eligible Members in the manner set forth in the Plan of Conversion.

2.3 Articles of Incorporation. Subject to the terms and conditions of this Agreement, at the Effective Time, the Amended and Restated Articles shall be and continue in effect until amended in accordance with Applicable Law and the terms thereof.

2.4 Bylaws. Subject to the terms and conditions of this Agreement, at the Effective Time, the Amended and Restated Bylaws shall be and continue in effect until amended in accordance with Applicable Law and the terms thereof.

2.5 Management and Officers. At the Effective Time, each of the directors of the Company and each Company Subsidiary shall resign from their respective board of directors, and the Sponsor as the sole stockholder of the Company or the Company, as applicable, shall elect new directors indicated in the Amended and Restated Articles to serve on the board of directors of the Company and each Company Subsidiary. At the Effective Time, the officers of the Company and each Company Subsidiary shall continue as the officers of the Company and each Company Subsidiary, as applicable, until their successors are elected and qualified.

2.6 Redomestication. Immediately following the Closing, the Sponsor shall cause the Company to redomesticate to the State of Mississippi in accordance with the terms of the applicable Requisite Regulatory Approvals.

ARTICLE 3

PAYMENT PROCEDURES

3.1 Payment Agent. As soon as practicable after the execution and delivery of this Agreement and, in any event, not less than five days prior to the mailing of the Information Statement to Eligible Members, the Sponsor shall designate an agent acceptable to the Company to act as payment agent (the “**Payment Agent**”) to effect the distribution of the Purchase Price to Eligible Members pursuant to this Agreement and the Plan of Conversion. The Sponsor shall be solely responsible for and pay the charges and expenses of the Payment Agent.

3.2 Payment Procedures.

(a) Prior to the Effective Time, the Company shall deliver to the Payment Agent and the Sponsor a complete and correct copy of the Plan of Conversion as approved by the Commissioner and the Eligible Members, and the Company shall deliver to the Payment Agent the certificate(s) to be dated as of the date of the Effective Time for the Shares registered in the name of the Sponsor.

(b) Prior to the Effective Time, the Sponsor shall deposit in trust with the Payment Agent for the benefit of the Eligible Members receiving cash pursuant to the Plan of Conversion, cash in the amount of the Purchase Price (the “**Payment Fund**”), for distribution to such Eligible Members in accordance with this Agreement and the Plan of Conversion. The cash deposited with the Payment Agent pursuant to this Section 3.2(b) shall be held in cash and cash equivalents.

(c) No less than 15 calendar days prior to the Closing Date, the Company shall provide to the Payment Agent and the Sponsor (i) a list setting forth the (A) names and addresses of each of the Eligible Members and (B) amount of the cash payment that each of the Eligible Members is entitled to receive under the Plan of Conversion (the “**Distribution List**”) and (ii) forms of the Consideration Notices.

(d) On the Closing Date, the Payment Agent shall deliver to the Sponsor the certificates for the Shares. As promptly as practicable, but in no event more than 10 Business Days after the Closing Date, the Payment Agent shall distribute to each Eligible Member (i) the cash in the Payment Fund, in the form of a check for good funds, in the amount set forth on the Distribution List and required to be paid to such Eligible Member in

exchange for such Member's Membership Interest pursuant to the Plan of Conversion and (ii) a notice setting forth the method by which the amount of such cash was derived from such Eligible Member's allocation of the Purchase Price (the "**Consideration Notices**"). Each Eligible Member shall be a third party beneficiary of this Agreement for the sole and limited purposes of receiving amounts set forth in the Distribution List in accordance with this Section 3.2(d).

3.3 Payment Fund. All cash that remains in the Payment Fund undistributed to the Eligible Members for six months after the Effective Time shall be delivered to the Sponsor, on demand, and the Payment Agent's duties hereunder shall terminate. Thereafter and subject to applicable abandoned property, escheat and similar laws of the State of Colorado, each Eligible Member that has not yet received the Purchase Price to which it is entitled pursuant to the Plan of Conversion and Section 3.2(d) hereof may contact the Sponsor and the Sponsor shall pay to such Eligible Member the cash to which it is entitled. None of the Sponsor, the Company or the Payment Agent shall be liable to any Person in respect of any such cash delivered to a public official of the State of Colorado pursuant to any applicable abandoned property, escheat or similar law unless the failure to pay such cash to such Person is due to a violation by the Sponsor, the Company or the Payment Agent of the requirements of Applicable Law, the Plan of Conversion or any order of the Commissioner.

3.4 Withholding. The Sponsor or the Payment Agent shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement or the transactions contemplated hereby to any Eligible Member such amounts as the Sponsor (or any Affiliate thereof) or the Payment Agent is required to deduct and withhold with respect to the making of such payment under the Code, or any applicable provision of U.S. federal, state, local or non-U.S. tax law. Such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Eligible Member in respect of whom such deduction and withholding were made by the Sponsor or the Payment Agent. At least 10 Business Days prior to the Closing Date, the Sponsor shall notify the Company of any amounts that the Sponsor intends to deduct and withhold pursuant to this Section 3.4. The Sponsor agrees to consult with the Company in good faith to determine whether such deduction and withholding is required under Applicable Law.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Concurrently with the execution and delivery of this Agreement, the Company shall deliver to the Sponsor a disclosure schedule (the "**Company Disclosure Schedule**"). The Company Disclosure Schedule shall be arranged in paragraphs corresponding to the sections contained in this Article 4; *provided, however*, that (i) each exception set forth in the Company Disclosure Schedule shall be deemed disclosed for purposes of all representations and warranties if such exception is contained in a section of the Company Disclosure Schedule corresponding to a section in this Article 4, and (ii) the mere inclusion of an exception in the Company Disclosure Schedule shall not be deemed an admission by the Company that such exception represents a material fact, event or circumstance or would result in a material adverse change or Material Adverse Effect on the Company or any Company Subsidiary. All documents and instruments attached as exhibits or annexes to the Company Disclosure Schedule are incorporated by reference into the Company Disclosure Schedule. Except as set forth in the Company Disclosure Schedule and in any changes to the Company Disclosure Schedule that are disclosed by the Company to the Sponsor in accordance with Section 7.6 hereof, the Company hereby represents and warrants to the Sponsor, as of the date hereof and as of the Effective Time, or such other date as specified, as follows:

4.1 Corporate Organization; Permits.

(a) The Company is a mutual insurance company duly organized and validly existing under the laws of the State of Colorado. The Company has the corporate power and authority to own or lease all of its properties and assets and to carry on its business as it is now being conducted, and is duly licensed or qualified to do business in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary.

(b) The Company is (i) duly licensed or authorized as an insurance company in Colorado, (ii) duly licensed or authorized to carry on an insurance business in each other jurisdiction where it is required to be

so licensed or authorized and (iii) duly authorized in Colorado and each other applicable jurisdiction to write its lines of business as required by Applicable Law (collectively, all such licenses and authorizations, the “**Permits**”). Section 4.1(b) of the Company Disclosure Schedule identifies the type of insurance lines that the Company is authorized or licensed to write in each state. All of such licenses are in full force and effect, and there is no proceeding or investigation by any Governmental Authority pending or, to the Knowledge of the Company, threatened which would reasonably be expected to lead to the revocation, failure to renew, suspension, material limitation or material restriction of such license. To the Knowledge of the Company, the Company has conducted its business in all material respects in compliance with all terms and conditions of such licenses and Applicable Law.

4.2 Subsidiaries.

(a) Section 4.2(a) of the Company Disclosure Schedule sets forth a complete and correct list of each Subsidiary of the Company (the “**Company Subsidiaries**”), together with the state of incorporation or organization of each Company Subsidiary. Each Company Subsidiary (i) is duly organized and validly existing as a corporation under the laws of its jurisdiction of organization, (ii) is duly qualified to do business and in good standing in all jurisdictions (whether federal, state, local or foreign) where its ownership or leasing of property or the conduct of its business requires it to be so qualified and (iii) has all requisite corporate power and authority to own or lease its properties and assets and to carry on its business as now conducted.

(b) Except as set forth in Section 4.2(b) of the Company Disclosure Schedule, the Company is, directly or indirectly, the record and beneficial owner of all of the outstanding shares of capital stock of each of the Company Subsidiaries. There are no irrevocable proxies granted by the Company or any Company Subsidiary with respect to such shares. There are no equity securities of any of the Company Subsidiaries that are or may become required to be issued by reason of any options, warrants, scrips, rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights convertible into or exchangeable for, shares of any capital stock of any of the Company Subsidiaries except shares of the Company Subsidiaries issued to, or required to be issued to, other wholly owned Company Subsidiaries. There are no contracts, commitments, understandings or arrangements by which any of the Company Subsidiaries is bound to issue additional shares of its capital stock or options, warrants or rights to purchase or acquire any additional shares of its capital stock or securities convertible into or exchangeable for such shares. All of the shares of the Company Subsidiaries described in the first sentence of this Section 4.2(b) are validly issued, fully paid and nonassessable and free of preemptive rights, and are owned by the Company or a Company Subsidiary free and clear of any and all Liens.

(c) Other than the Company Subsidiaries, neither the Company nor any Company Subsidiary owns, directly or indirectly, any equity or similar interest in, or any interest convertible into or exchangeable or exercisable for, at any time, any equity or similar interest in, any Person except for investment assets held in the ordinary course of business.

4.3 Corporate Affairs.

(a) The Company has made available to the Sponsor correct and complete copies of the articles of incorporation and bylaws of the Company and each of the Company Subsidiaries (as amended to date). The Company has made available to the Sponsor all of the minute books containing the records of the meetings of the shareholders, the Board of Directors of the Company and any committee of the Board of Directors of the Company and each of the Company Subsidiaries for the past three years. To the Knowledge of the Company, the minute books of the Company and the Company Subsidiaries reflect all of the material actions taken at a meeting or by written consent of the Board of Directors of the Company.

(b) The Plan of Conversion and the Amended and Restated Articles and Amended and Restated Bylaws have been approved by the Board of Directors of the Company and, when the Plan of Conversion, the Amended and Restated Articles and the Amended and Restated Bylaws have been approved by the Commissioner and the Eligible Members of the Company as required under Section 1.2, the Company shall be converted from a mutual insurance company to a stock insurance company at the Effective Time in accordance with the Applicable Law of the state of Colorado, including §10-12-411. At the Effective Time, the Amended and Restated Articles and the Amended and Restated Bylaws shall be duly authorized and validly adopted and in full force and effect.

4.4 Capitalization.

(a) At the Effective Time, the authorized capital stock of the Company under the Amended and Restated Articles shall be issued and sold to the Sponsor pursuant to the Plan of Conversion and this Agreement. The shares of the Company Common Stock issued to the Sponsor pursuant to the Plan of Conversion will constitute all of the issued and outstanding shares of the Company Common Stock, all of which will be duly authorized and validly issued and fully paid, nonassessable and free of preemptive rights. As of the date of this Agreement and at the Effective Time, other than as provided in the Plan of Conversion or this Agreement, the Company does not have and is not bound by any outstanding subscriptions, options, warrants, calls, commitments or agreements of any character calling for the purchase or issuance of any shares of the Company Common Stock or any other equity securities of the Company or any securities representing the right to purchase or otherwise receive any shares of the Company Common Stock or any other equity securities of the Company. As of the date of this Agreement and at the Effective Time no shares of the Company Common Stock were or will be reserved for issuance except as provided in the Plan of Conversion.

(b) As of the date of this Agreement the Company does not have and is not bound by any outstanding subscriptions, warrants, commitments or agreements of any character calling for the purchase or issuance of any guaranty fund certificates, surplus notes or other subordinated indebtedness that would be considered as an equity equivalent under SAP.

4.5 Authority; No Violation; Consents and Approvals.

(a) Subject to the receipt of all Requisite Regulatory Approvals, the Company has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby and the Company has the authority, assuming all Requisite Regulatory Approvals are duly received, to adopt the Plan of Conversion and carry out its obligations thereunder. The execution and delivery of this Agreement by the Company and the consummation of the transactions contemplated hereby have been authorized by the Board of Directors of the Company. The Board of Directors of the Company has adopted the Plan of Conversion and directed that the Plan of Conversion and this Agreement and the transactions contemplated by the Plan of Conversion and this Agreement be submitted to the Eligible Members for approval at a meeting of such Eligible Members and, other than obtaining Eligible Member approval and adoption of the Plan of Conversion and this Agreement by the affirmative vote of at least two-thirds of the Eligible Members voting thereon in accordance with Section 1.2, and any actions required to obtain all Requisite Regulatory Approvals, no other corporate proceedings on the part of the Company are necessary to approve the Plan of Conversion and this Agreement and to consummate the transactions contemplated by this Agreement and the Plan of Conversion. Subject to the foregoing, this Agreement has been duly and validly executed and delivered by the Company and (assuming this Agreement constitutes a valid and binding obligation of the Sponsor) constitutes a valid and binding obligation of the Company, subject to applicable bankruptcy, fraudulent conveyance, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (the "**Enforceability Exceptions**"). On or prior to the date of this Agreement, the Board of Directors of the Company received the opinion of Waller Helms Advisors that the Purchase Price is fair, from a financial point of view, to the Eligible Members as a group.

(b) Neither the execution and delivery of this Agreement by the Company nor the consummation by the Company of the transactions contemplated by the Plan of Conversion and this Agreement, nor compliance by the Company with any of the terms or provisions of the Plan of Conversion and this Agreement, will (i) violate any material provision of the Articles of Incorporation or Bylaws of the Company or any Company Subsidiary or (ii) assuming that all Requisite Regulatory Approvals and all of the consents and approvals referred to in Section 4.5(c) of this Agreement are duly obtained, (A) violate any material statute, code, ordinance, rule, regulation, judgment, order, writ, decree or injunction applicable to the Company or any Company Subsidiary or any of its or their respective properties or assets in any material respect, or (B) except as set forth in Section 4.5(b) of the Company Disclosure Schedule, violate, conflict with, result in a breach of any material provision of or the loss of any benefit under, constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, result in the termination of or a right of termination or cancellation under, accelerate the performance required by, or result in the creation of any Lien upon any of the properties or assets of the Company or any Company Subsidiary under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, surplus debentures, deed of trust, license, lease, agreement, Permit or other instrument or obligation to which the Company or

any Company Subsidiary is a party, or by which it or any of its or their respective properties or assets may be bound or affected.

(c) Except for (i) the filing of applications, notices and forms with, and the obtaining of approvals from, the Insurance Regulators pursuant to the Insurance Laws, with respect to the transactions contemplated by this Agreement, including all Requisite Regulatory Approvals, (ii) the approval of the Plan of Conversion, the Amended and Restated Articles and the Amended and Restated Bylaws with the Commissioner pursuant to the Colorado Insurance Code as contemplated in Section 1.2 hereof, (iii) the approval of the Plan of Conversion and this Agreement by the requisite votes of the Eligible Members, (iv) the consents and approvals referred to in Section 4.5(b) of the Company Disclosure Schedule and (v) the approvals set forth in Section 4.5(c) of the Company Disclosure Schedule, no consents or approvals of or filings or registrations with any Governmental Authority, or with any other Person are necessary in connection with the execution and delivery by the Company of this Agreement or the consummation by the Company of the transactions contemplated by this Agreement and the Plan of Conversion.

4.6 Insurance Reports.

(a) The “**Company SAP Statements**” means (i) the annual statutory statements of the Company filed with the Division, as of and for each of the years ended December 31, 2017, 2016 and 2015, (ii) the quarterly unaudited statutory statements of the Company filed with the Division, as of and for the quarter ended September 30, 2018 and (iii) all exhibits, interrogatories, notes and schedules thereto.

(b) Each Company SAP Statement was prepared in accordance with statutory accounting principles (“**SAP**”) prescribed or permitted by the Division in conformity with practices consistently applied by the Company without modification of the accounting principles used in the preparation thereof, was based on the books and records of the Company and presents fairly the statutory financial position and results of operations of the Company as of the dates and for the periods indicated in accordance with SAP. The annual balance sheets and income statements included in the Company SAP Statements have been, where required by Insurance Laws, audited by an independent accounting firm. Since January 1, 2015 the Company has filed all Company SAP Statements and all other reports and statements, together with all amendments and supplements thereto, required to be filed with any Insurance Regulator under the Insurance Laws. Section 4.6(b) of the Company Disclosure Schedule sets forth a list of, and the Company has made available to the Sponsor, complete copies of, all Company SAP Statements and all audit opinions related thereto.

(c) Since January 1, 2015, the Company (i) has filed or submitted with all applicable Insurance Regulators all registration statements, notices and reports, together with all supplements and amendments thereto required by § 10-3-801 et. seq. of the Colorado Insurance Code or similar Applicable Laws governing insurance holding company systems in other states (the “**Company Holding Company Act Reports**”), and (ii) has paid all material fees and assessments due and payable by it under the Insurance Laws. Section 4.6(c) of the Company Disclosure Schedule (A) sets forth a list of, and the Company has made available to the Sponsor, complete copies of, all the Company Holding Company Act Reports filed with the Division, and (B) identifies each denial of a request for rate increases received by the Company from any Insurance Regulator since December 31, 2014. All such Company SAP Statements, Company Holding Company Act Reports and other reports and statements substantially complied with the Insurance Laws when filed and, as of their respective dates, contained substantially all information required under the Insurance Laws and did not contain any false statements or material misstatements of fact or omit to state any material facts necessary to make the statements set forth therein not materially misleading in light of the circumstances in which such statements were made. This Section 4.6(c) does not apply to Taxes, which are covered exclusively by Section 4.11.

(d) Except for normal examinations conducted by a Governmental Authority in the regular course of the business of the Company and the Company Subsidiaries, and except as set forth in Section 4.6(d) of the Company Disclosure Schedule, to the Knowledge of the Company, no Governmental Authority has initiated any proceeding or investigation into the business or operations of the Company, any Company Subsidiary, or any director or officer of the Company or any Company Subsidiary, since January 1, 2015 that remains open on the date hereof. There is no unresolved violation or exception that is not capable of being cured without an incurrence of a material

adverse penalty or monetary fine by any Governmental Authority with respect to any examinations of the Company or any Company Subsidiary.

(e) Section 4.6(e) of the Company Disclosure Schedule lists all financial examinations that any Insurance Regulator has conducted with respect to the Company since December 31, 2014. The Company has made available to the Sponsor complete copies of the reports issued by the applicable Insurance Regulator with respect to such financial examinations.

(f) Other than as contemplated herein and, except as set forth in Section 4.6(f) of the Company Disclosure Schedule, since January 1, 2015, the Company has not received from any Person any notice on Form A or such other form as may be prescribed under Applicable Law indicating that such Person intends to make or has made a tender offer for or a request or invitation for tenders of, or intends to enter into or has entered into any agreement to exchange securities for, or intends to acquire or has acquired (in the open market or otherwise), any voting security of the Company, if after the consummation thereof such Person would directly or indirectly be in control of the Company.

(g) The Company maintains internal controls designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements of the Company and the Company Subsidiaries. Neither the Board of Directors nor the audit committee of the Company or any Company Subsidiary have been advised by their accountants or consultants of: (i) any significant deficiencies or material weaknesses in the design or operation of the internal controls over financial reporting of the Company or any Company Subsidiary which could adversely affect its ability to record, process, summarize and report financial data; or (ii) any fraud, whether or not material, that involves management or other employees who have a role in the internal controls over financial reporting of the Company or any Company Subsidiary.

(h) As of the date hereof, neither the Company nor any of the Company Subsidiaries had any liabilities or obligations of any nature, whether accrued, absolute, contingent or otherwise, which would be required to be reflected, reserved for or disclosed in a consolidated balance sheet of the Company and the consolidated the Company Subsidiaries, including the notes thereto, prepared in accordance with SAP except (i) as reflected, reserved for or disclosed in the consolidated balance sheet of the Company and the consolidated the Company Subsidiaries as of September 30, 2018, including the notes thereto, (ii) as incurred since September 30, 2018 in the ordinary course of business consistent with past practice; (iii) as incurred or to be incurred by the Company or any Company Subsidiary pursuant to, in connection with, or as a result of, the Plan of Conversion and the other transactions contemplated by this Agreement; or (iv) other than liabilities pursuant to contractual obligations identified in this Agreement or the Company Disclosure Schedule.

(i) Section 4.6(i) of the Company Disclosure Schedule lists, and the Company has made available to the Sponsor, copies of the documentation creating or governing, all off-balance sheet arrangements effected by the Company or any of the Company Subsidiaries since December 31, 2015.

(j) The books and records of the Company and each of the Company Subsidiaries (i) are and have been properly prepared and maintained in form and substance adequate for preparing audited consolidated financial statements, in accordance with regulatory accounting principles required by SAP and any other applicable legal and accounting requirements and (ii) reflect only actual transactions.

4.7 Broker's Fees. None of the Company, the Company Subsidiaries and Persons acting on their respective behalf, has employed any broker or finder or incurred any liability for any broker's fees or commissions, or investment banker fees or commissions, or finder's fees in connection with the transactions contemplated by this Agreement.

4.8 Absence of Certain Changes or Events. Since December 31, 2017, and except as set forth in Section 4.8 of the Company Disclosure Schedule, there has not been: (a) any Material Adverse Effect on the Company and the Company Subsidiaries taken as a whole; (b) any material change in any method of accounting or accounting principles or practice by the Company or any Company Subsidiary, except as required by SAP and disclosed in the notes to the unaudited financial statements of the Company and the Company Subsidiaries; (c) any material change in the actuarial, investment, reserving, underwriting or claims administration policies, practices, procedures or methods of the Company; (d) any damage, destruction or loss, whether or not covered by insurance, materially and adversely

affecting the properties or business of the Company or any Company Subsidiary; (e) any discharge or cancellation, whether in part or in whole, of any material indebtedness owed by the Company or any Company Subsidiary to any Person; (f) any sale or transfer of any material asset or property of the Company or any Company Subsidiary, except in the ordinary course of business; (g) any sale, assignment or transfer of any trademarks, trade names or other intangible assets of the Company or any Company Subsidiary; (h) any material amendment to or termination of any Company Contract or Permit or (i) any material amendment to or termination of the Company's supplemental retirement income plan.

4.9 Legal Proceedings and Judgments.

(a) Except as set forth in Section 4.9(a)(i) of the Company Disclosure Schedule and excluding claims made with respect to insurance policies or insurance contracts issued by the Company for which a claims reserve has been established, there are no pending or, to the Knowledge of the Company, threatened, suits, actions, proceedings, claims or Governmental Authority investigations (whether at law or equity, before or by any Governmental Authority or before any arbitrator) against the Company, any Company Subsidiary, any of their respective businesses or assets, any directors or officers of the Company or any Company Subsidiary, in their respective capacities as directors and officers, or challenging the validity or propriety of the transactions contemplated by this Agreement or otherwise seeking to enjoin the transactions contemplated by this Agreement. Section 4.9(a)(ii) of the Company Disclosure Schedule further identifies any such suits, actions, proceedings, investigations or claims with pleadings, judgments or orders that are subject to confidentiality restrictions.

(b) Subject to any applicable confidentiality obligations of the Company or any Company Subsidiary as to each matter, if any, described in Section 4.9(a)(i) or (ii) of the Company Disclosure Schedule, accurate and complete copies of all relevant pleadings, judgments and orders have been made available to the Sponsor.

4.10 Insurance.

(a) Except as set forth in Section 4.10(a) of the Company Disclosure Schedule, the Company and the Company Subsidiaries maintain policies of general liability, fire and casualty, automobile, directors and officers, errors and omissions, fiduciary, and other forms of insurance (the "**Company Insurance Policies**") in such amounts, with such deductibles and against such risks and losses, which the Company's management has reasonably determined to be prudent in accordance with industry practices, for the business and assets of the Company and the Company Subsidiaries. All such policies are in full force and effect, all premiums due and payable thereon have been paid (other than retroactive or retrospective premium adjustments that are not yet, but may be, required to be paid with respect to any period ending prior to the Closing Date under comprehensive general liability and worker's compensation insurance policies), and no notice of cancellation or termination has been received with respect to any such policy which has not been replaced on substantially similar terms prior to the date of such cancellation. To the Knowledge of the Company, the activities and operations of the Company and the Company Subsidiaries have been conducted in a manner so as to conform in all material respects to all applicable provisions of such insurance policies.

(b) No issuer of the Company Insurance Policies has issued a reservation-of-rights letter, or entered into a nonwaiver agreement, or otherwise denied or limited coverage (in whole or in part), under any of the Company Insurance Policies, and to the Knowledge of the Company, no declaratory judgment has been sought by any Person or entered by any court of competent jurisdiction that denies or limits coverage (in whole or in part) under any of the Company Insurance Policies.

4.11 Taxes and Tax Returns.

(a) As used in this Agreement: "**Tax**" or "**Taxes**" means all federal, state, county, local, and foreign income, excise, gross receipts, gross income, profits, franchise, license, ad valorem, profits, gains, capital, sales, transfer, use, payroll, employment, severance, escheat, withholding, duties, intangibles, franchise, backup withholding, stamp, occupation, premium, social security (or similar), unemployment, disability, real property, personal property, sales, use, registration, alternative or add on minimum, estimated, and other taxes, charges, levies or like assessments (together with all penalties and additions to tax and interest thereon). "**Tax Return**" or "**Tax Returns**" means any and all returns, declarations, claims for refunds, reports, information returns and information statements (including Form 1099, Form W-2 and W-3, Form 5500, and Form 990) with respect to Taxes filed

(including any attached schedules), or required to be filed, by any Person or any Subsidiary of such Person with the Internal Revenue Service (“IRS”) or any other Governmental Authority or tax authority or agency, whether domestic or foreign (including consolidated, combined and unitary tax returns).

(b) The Company and the Company Subsidiaries have duly filed all material Tax Returns required to be filed by them on or prior to the date of this Agreement (all such Tax Returns being accurate and complete in all material respects) and have duly paid or made sufficient provisions for the payment of all Taxes shown thereon as owing on or prior to the date of this Agreement other than Taxes which are not yet delinquent or are being contested in good faith and have not been finally determined.

(c) There is no claim, audit, action, suit, proceeding or investigation now pending or, proposed or threatened in writing against or with respect to the Company or any Company Subsidiary in respect of any material Tax. The Company and each Company Subsidiary in connection with amounts paid or owed to any employee, independent contractor, creditor, shareholder or other third party have complied with applicable tax withholding in all material respects. The Company and each Company Subsidiary have reported such withheld amounts to the appropriate taxing authority and to each such employee, independent contractor, creditor, shareholder or other third party as required by Applicable Law.

(d) There are no Tax Liens upon any property or assets of the Company or its Subsidiaries except Liens for current Taxes not yet due. Neither the Company nor any Company Subsidiary has been required to include in income any adjustment pursuant to Section 481 of the Code by reason of a voluntary change in accounting method initiated by the Company or any Company Subsidiary, and the IRS has not initiated or proposed any such adjustment or change in accounting method. Neither the Company nor any Company Subsidiary has entered into a transaction which is being accounted for as an installment obligation under Section 453 of the Code. Neither the Company nor any Company Subsidiary is a party to or bound by any tax indemnity, tax sharing or tax allocation agreement (other than such agreements as exist by and among themselves). Except as set forth in Section 4.11(d)(i) of the Company Disclosure Schedule, neither the Company nor any Company Subsidiary has ever been a member of an affiliated group of corporations within the meaning of Section 1504 of the Code other than an affiliated group in which the Company has been the common parent corporation. Except with respect to membership in the affiliated groups disclosed in Section 4.11(d)(ii) of the Company Disclosure Schedule, neither the Company nor any Company Subsidiary is liable for the Taxes of any Person under Section 1.1502-6 of the Treasury Regulations (or any similar provision of state, local or foreign Tax law) or by contract, as a successor or otherwise. During the five year period ending on the date of this Agreement, neither the Company nor any Company Subsidiary was a distributing corporation or a controlled corporation in a transaction intended to be governed by Section 355 of the Code. The Company’s basis and excess loss account, if any, in each Company Subsidiary is set forth in Section 4.11(d)(iii) of the Company Disclosure Schedule.

(e) Except as set forth in Section 4.11(e) of the Company Disclosure Schedule, any amount that is reasonably likely to be received (whether in cash or property or the vesting of property) as a result of any of the transactions contemplated by this Agreement by any employee, officer or director of the Company or any of its affiliates who is a “Disqualified Individual” (as such term is defined in proposed Treasury Regulation Section 1.280G-1) under any employment, severance or termination agreement, other compensation arrangement shall not be characterized as an “excess parachute payment” (as such term is defined in Section 280G(b)(1) of the Code).

(f) There is no dispute or claim concerning any tax liability of the Company or any Company Subsidiary except as disclosed in Section 4.11(f) of the Company Disclosure Schedule. The Company has made available to the Sponsor correct and complete copies of all federal income Tax Returns (including amendments thereto) of, all examination reports of, and statements of deficiencies assessed against or agreed to by, the Company or any Company Subsidiary since December 31, 2015.

4.12 Employees; Employee Plans; Labor Matters.

(a) The Company does not have, and has not since January 1, 2015 had, any employees. Except as set forth on Section 4.12(a) of the Company Disclosure Schedule, the Company does not have, and has not since December 31, 2017 had, any independent contractors. The Company does not have any responsibilities or

liabilities in respect of any employees or independent contractors, including any liabilities to any Governmental Authority relating to employees or independent contractors.

(b) Since January 1, 2015, the Company has not been party to any labor or collective bargaining agreement or other agreement with any labor organization.

(c) Since January 1, 2015, there have been no unionization activities involving employees of the Company or any Company Subsidiary. There is no pending or, to the Knowledge of the Company, threatened labor dispute or grievance by any current or former employees of the Company or any Company Subsidiary. To the Knowledge of the Company, there is no pending or threatened labor dispute, grievance, strike or work stoppage by the employees of any supplier or customer of the Company or any Company Subsidiary.

(d) The Company and each Company Subsidiary is and has, since January 1, 2015, been in compliance with all Applicable Laws relating to the employment of labor, including all Applicable Laws relating to wages, hours, employee classification (both as to employee vs. independent contractor and exempt vs. non-exempt), discrimination, sexual harassment, civil rights, collective bargaining, immigration, safety and health, workers' compensation and the collection and payment of withholding taxes, Social Security taxes and similar taxes. There is no lawsuit, grievance, arbitration, administrative hearing, workers compensation or workplace safety and insurance claim, employment standards complaint, pay equity complaint, occupational health and safety charge, claim or investigation of wrongful (including constructive) discharge, employment discrimination or retaliation, sexual harassment, unfair labor practice charge or complaint or other employment dispute of any nature pending or, to the Knowledge of the Company, threatened, against the Company or any Company Subsidiary.

(e) The Company and each Company Subsidiary is in compliance with the Workers Adjustment and Retraining Notification Act and all similar state Laws ("WARN") and has no liabilities pursuant thereto. Neither the Company nor any Company Subsidiary has implemented or been involved in any "mass layoff" or "plant closing" (as defined in WARN) within the last 12 months.

(f) Except as set forth on Section 4.12(f) of the Company Disclosure Schedule, neither the Company nor any Company Subsidiary has any liabilities (and there is no existing condition, situation or set of circumstances which could result in such a liability) with respect to any Employee Plan (including but not limited to any excise, income or other Tax or any penalties, or any liability to the Pension Benefit Guaranty Corporation under Section 4001, et seq. of ERISA). None of the Company, the Company Subsidiaries nor any of their ERISA Affiliates has, and no condition exists that could result in the Company or any Company Subsidiary incurring, any liability, whether direct, indirect, contingent, through an ERISA Affiliate or otherwise, (i) under Title IV of ERISA (including with respect to any defined benefit plan (as defined in Section 3(35) of ERISA), a multiemployer plan (as defined in Section 3(37) of ERISA) or a multiple employer plan subject to Section 4063 or 4064 of ERISA)), (ii) under the minimum funding requirements of Section 302 of ERISA or Section 412 or Section 430 of the Code, (iii) under Sections 4971 or 4980B of the Code or (iv) with respect to a multiple employer welfare benefit arrangement (as defined in Section 3(40)(A) of ERISA).

(g) Except as set forth on Section 4.12(g) of the Company Disclosure Schedule, neither the Company nor any Company Subsidiary sponsors, maintains or contributes (or is required to contribute) to, or has made a plan or commitment, whether or not legally binding, to create any Employee Plan.

(h) With respect to current or former directors or officers of the Company and each Company Subsidiary or any other Person who provides or has provided services thereto (or any beneficiaries thereof), neither the Company nor any Company Subsidiary has any obligation to provide any welfare benefits (including medical and life insurance benefits) after such Person terminates employment or services due to retirement or any other reason.

(i) Neither the execution of this Agreement nor the consummation of the transactions contemplated hereby (either alone or in combination with another event) will or can be reasonably expected to entitle any current or former director, officer or consultant of the Company or any Company Subsidiary to any payment (including severance pay or similar compensation), any cancellation of indebtedness, any accelerated payment, funding, vesting or increase in the amount of compensation or benefits due to any such current or former director, officer or consultant of the Company or any Company Subsidiary.

4.13 Compliance with Applicable Law.

(a) Other than generally applicable requirements of Applicable Laws, neither the Company nor any Company Subsidiary is subject to any cease-and-desist or other order issued by, or is a party to any written agreement, consent agreement or memorandum of understanding with, or is a party to any commitment letter or similar written undertaking to, or is subject to any order or directive by, or has been a recipient of any supervisory letter from, or has adopted any board resolutions at the request of any Governmental Authority that is currently in effect and: (i) requires any investments of the Company or any Company Subsidiary to be treated as non-admitted assets; (ii) requires divestiture of any investments of the Company or any Company Subsidiary; (iii) in any manner imposes any requirements on the Company in respect of risk based capital requirements that add to or otherwise modify the risk based capital requirements imposed under the Insurance Laws; (iv) in any manner relate to the ability of the Company or any Company Subsidiary to pay or declare dividends, distributions or other payments to securityholders or policyholders of the Company or any Company Subsidiary, respectively; or (v) restricts in any material respect the conduct of the business, credit policies or the Company's management or any Company Subsidiary (each, whether or not set forth in the Company Disclosure Schedule, a "**Company Regulatory Agreement**"), nor has the Company or any of the Company Subsidiaries been advised by any Governmental Authority that it is considering issuing or requesting any such Company Regulatory Agreement.

(b) Except as set forth in Section 4.13(b) of the Company Disclosure Schedule, there are no material contracts, real estate leases, loans, guarantees or other arrangements or transactions of any nature between the Company or any Company Subsidiary, on the one hand, and any of their respective officers, directors or other Affiliates, on the other hand. The Company has not extended or maintained credit, arranged for the extension of credit or renewed an extension of credit, in the form of a personal loan to or for any director or executive officer (or equivalent thereof) of the Company or any Company Subsidiary that is now or shall be outstanding on the Closing, except for advancement of expenses incurred in the performance of business for the Company consistent with the expense policy of the Company.

(c) None of the Company, the Company Subsidiaries and, to the Knowledge of the Company, any of their respective current or former officers or directors or current or former employees, agents or representatives have: (i) used any corporate funds for any illegal contributions, gifts, entertainment or other unlawful expenses relating to political activity; (ii) used any corporate funds for any direct or indirect unlawful payments to any foreign or domestic governmental officials or employees; (iii) violated any provision of the Foreign Corrupt Practices Act of 1977; (iv) established or maintained any unlawful or unrecorded fund of corporate monies or other assets; (v) made any false or fictitious entries on the books and records of the Company or any Company Subsidiary; (vi) made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment of any nature; or (vi) made any material favor or gift which is not deductible for federal income tax purposes.

4.14 Certain Contracts.

(a) Section 4.14(a) of the Company Disclosure Schedule lists all contracts and agreements, other than insurance policies issued by the Company to which the Company or a Company Subsidiary is a party or bound by:

- (i) with respect to the employment of any directors, officers or employees;
- (ii) which, upon the consummation of the transactions contemplated by this Agreement, shall (either alone or upon the occurrence of any additional acts or events) result in any payment (whether of severance pay or otherwise) becoming due from the Company, the Sponsor or any of their respective Subsidiaries to any director, officer or employee thereof;
- (iii) which contains obligations for the Company or any Company Subsidiary to pay in excess of \$250,000 in any 12-month period or provides for the Company or any Company Subsidiary to receive in excess of \$250,000 in any 12-month period;

- (iv) that concerns a partnership or joint venture that is not consolidated with the Company for financial reporting purposes;
- (v) grants a right of first refusal or first offer or similar right or that contractually limits the Company or any Company Subsidiary or, after the Closing Date, its Affiliate's ability to compete with respect to any product, service or territory or solicit any employees or customers, provides for "exclusivity" or any similar requirement or includes a "preferred" or "most favored nation" provision in each case in favor of any person other than the Company or any Company Subsidiary;
- (vi) that is in the nature of a collective bargaining agreement, employment agreement, consulting agreement or severance agreement that is not cancelable by the Company or any Company Subsidiary without penalty or compensation on 30- days' notice or less;
- (vii) relates to the incurrence by the Company or any Company Subsidiary of any indebtedness;
- (viii) relates to the acquisition or disposition by the Company or any Company Subsidiary of any company, division or other enterprise, material asset or any material business to the extent any actual or contingent obligations of the Company or any Company Subsidiary remain in effect, other than transactions involving investment assets in the ordinary course of business;
- (ix) any of the benefits of which shall be increased, or the vesting of the benefits of which shall be accelerated, by the occurrence of any of the transactions contemplated by this Agreement, or the value of any of the benefits of which shall be calculated on the basis of any of the transactions contemplated by this Agreement;
- (x) contains any keep-wells or guarantees made or supported by the Company or any Company Subsidiary or is an indemnification agreement;
- (xi) pursuant to which a Lien, other than a Permitted Lien, is placed or imposed on any material asset of the Company or any Company Subsidiary;
- (xii) contains covenants restricting the ability of the Company or any Company Subsidiary to disclose any confidential information;
- (xiii) relates to any material functions of the Company or any Company Subsidiary;
- (xiv) is with a Governmental Authority;
- (xv) grants any power of attorney; or
- (xvi) is an obligation to enter into any of the foregoing.

(b) Each contract, agreement, arrangement, commitment or understanding (whether written or oral) of the type described in Section 4.14(a) of this Agreement, whether or not set forth in the Company Disclosure Schedule, is referred to in this Agreement as a "**Company Contract**," and neither the Company nor any Company Subsidiary has received notice of any, and to the Knowledge of the Company there has been no, violation of any the Company Contract by any of the other parties thereto. For the avoidance of doubt, the term "Company Contracts" does not include any insurance policy or contract issued by the Company.

(c) With respect to each Company Contract, such Company Contract is (assuming due power and authority of, and due execution and delivery by, the other parties thereto) in full force and effect (except for contracts that have expired pursuant to the terms thereof) and is legally valid, binding and enforceable against the Company or any of the Company Subsidiaries and to the Knowledge of the Company, the other party thereto in accordance with its terms (subject to the Enforceability Exceptions). There are no material defaults by the Company or any Company Subsidiary, or, to the Knowledge of the Company, any other party, under such Company Contract. Neither the Company nor any Company Subsidiary has received written or, to the Knowledge of the Company, oral notice of any default, offset, counterclaim or defense under such Company Contract. No condition or event has occurred which with the passage of time or the giving of notice or both would constitute a default or breach by the Company or any Company Subsidiary, or, to the Knowledge of the Company, any other party under the terms of such Company Contract.

4.15 Investments and Interest Rate Risk Management Instruments.

(a) Except as set forth in Section 4.15(a)(i) of the Company Disclosure Schedule, the Company and each Company Subsidiary are the record or beneficial owners of all of its investment securities (except securities sold under repurchase agreements or held in any fiduciary or agency capacity), free and clear of any Lien. Such securities are valued on the books of the Company in accordance with SAP. Section 4.15(a)(ii) of the Company Disclosure Schedule sets forth a list of the securities which are in default in the payment of principal, interest or dividends or which the Company has recorded as impaired to any material extent. The Company has provided to the Sponsor a copy of the investment policies of the Company and the Company Subsidiaries as of September 30, 2018. There has been no material change in investment policy of the Company and the Company Subsidiaries or in the composition of the investments of the Company and the Company Subsidiaries since September 30, 2018.

(b) All interest rate swaps, caps, floors and option agreements and other interest rate risk management arrangements entered into for the account of the Company or any of the Company Subsidiaries were entered into in the ordinary course of business and, to the Knowledge of the Company, in accordance with Applicable Laws and with counterparties reasonably determined by the Company's management to be financially responsible at the time. All of such interest rate swaps, caps, floors and option agreements and other interest rate risk management arrangements are (assuming due power and authority of, and due execution and delivery by, the other parties thereto) legal, valid and binding obligations of the Company or any of the Company Subsidiaries enforceable in accordance with their terms (subject to the Enforceability Exceptions), and are in full force and effect. The Company and each Company Subsidiary have duly performed in all material respects all of their material obligations thereunder to the extent that such obligations to perform have accrued; and, to the Knowledge of the Company, there are no material breaches, violations or defaults or allegations or assertions of such by any party thereunder.

4.16 Intellectual Property.

(a) The Company or a Company Subsidiary owns or has the right to use, pursuant to license, sublicense, agreement or permission, all Intellectual Property necessary for the operation of the businesses of the Company and the Company Subsidiaries as presently conducted except for such Intellectual Property, the absence of which is not reasonably likely to have a Material Adverse Effect. As used in this Agreement, "**Intellectual Property**" means all trademarks, service marks, logos, domains and domain names, trade names and corporate names and registrations and applications for registration thereof, copyrights and registrations and applications for registration thereof, computer software (including computer software used in insurance operations or for accounting operations), data and documentation, trade secrets and confidential business information (including financial, marketing and business data, pricing and cost information, business and marketing plans, and customer and supplier lists and information), other proprietary rights, and copies and tangible embodiments thereof (in whatever form or medium). Section 4.16(a) of the Company Disclosure Schedule lists all material registered Intellectual Property owned by the Company and each Company Subsidiary and used in their respective businesses.

(b) To the Knowledge of the Company, neither the businesses of the Company nor any Company Subsidiary infringes, violates or misappropriates any Intellectual Property of third parties. Since December 31, 2017, none of the Company, the Company Subsidiaries, or, to the knowledge of the Company, after due inquiry, any of the directors, officers or employees with responsibility for intellectual property matters of the Company or any Company Subsidiary in their respective capacities as directors, officers or employees has received

any written charge, complaint, claim or notice alleging any such infringement, misappropriation or violation. Except as set forth in Section 4.16(b) of the Company Disclosure Schedule, to the Knowledge of the Company, no third party has interfered with, infringed upon, misappropriated or otherwise come into conflict with any Intellectual Property rights of the Company or any Company Subsidiary.

(c) Section 4.16(c) of the Company Disclosure Schedule identifies each item of Intellectual Property that any third party owns and is material to the business of the Company or any Company Subsidiary and further identifies each item that is subject to confidentiality restrictions of the type set forth in the following sentence; provided that Section 4.16(c) of the Company Disclosure Schedule omits Intellectual Property that constitutes commercially available computer software (and associated documentation). Subject to any applicable confidentiality obligations of the Company or any Company Subsidiary, the Company has made complete copies of all such licenses, sublicenses, agreements and permissions (as amended to date) available to the Sponsor. With respect to each such item of such Intellectual Property: (i) the license, sublicense, agreement or permission covering the item is legal, valid, binding and enforceable against the Company or the applicable Company Subsidiary and, to the Knowledge of the Company, against the third party thereto, and in full force and effect; (ii) except as set forth in Section 4.5(b) of the Company Disclosure Schedule, the license, sublicense, agreement or permission shall continue to be legal, valid, binding and enforceable against the Company or the applicable Company Subsidiary and, to the Knowledge of the Company, the third party thereto, and in full force and effect on identical terms on and after the Closing Date; (iii) to the Knowledge of the Company, no party to the license, sublicense, agreement or permission is in breach or default, and no event of default has occurred which with notice or lapse of time, or both, would constitute a breach or default or permit termination, modification or acceleration thereunder; (iv) to the Knowledge of the Company, no party to the license, sublicense, agreement or permission has repudiated any provision thereof; and (v) neither the Company nor any Company Subsidiary has granted any sublicense or similar right with respect to the license, sublicense, agreement or permission.

4.17 Real Property: Environmental Liability.

(a) Section 4.17(a) of the Disclosure Schedule sets forth a complete and accurate list and general description of all real property and interests in real property owned in fee by the Company (the “**Owned Real Property**”). The Company has good, valid and marketable fee title to the Owned Real Property, free and clear of all Liens except for (i) Permitted Liens; (ii) current taxes or other charges or assessments of any Governmental Authority, in each case, not yet due and payable; and (iii) such imperfections of title and encumbrances, if any, as do not materially detract from the value of or materially interfere with the present use of the subject property. With respect to the Owned Real Property, except as set forth in Section 4.17(a) of the Disclosure Schedule: (i) the Company has not leased or otherwise granted to any person the right to use or occupy the Owned Real Property or any portion thereof, (ii) there are no outstanding options, rights of first offer, rights of reverter or rights of first refusal to purchase such Owned Real Property or any portion thereof or interest therein and (iii) except for Permitted Liens, the Company has not collaterally assigned or granted any other security interest in the Owned Real Property.

(b) Section 4.17(b) of the Company Disclosure Schedule sets forth a complete and accurate list and general description of all material leases for real property (“**Company Real Property Leases**”) to which the Company or any Company Subsidiary is a party or by which any of them are bound. The Company or any Company Subsidiary has a valid leasehold interest in each Company Real Property Lease, in each case free and clear of all Liens except for (i) rights of lessors, co-lessees or sublessees that are reflected in each Company Real Property Lease; (ii) current taxes or other charges or assessments of any Governmental Authority, in each case, not yet due and payable; and (iii) such imperfections of title and encumbrances, if any, as do not materially detract from the value of or materially interfere with the present use of the subject property. To the Knowledge of the Company, the activities of the Company and the Company Subsidiaries with respect to Company Real Property Leases used in connection with their operations are in all material respects permitted and authorized by applicable zoning laws, ordinances and regulations.

(c) Except as set forth in Section 4.17(c) of the Company Disclosure Schedule, to the Knowledge of the Company, all material buildings, structures, fixtures, building systems and equipment included in the Owned Real Property are in reasonably good condition and repair in all material respects and sufficient for the operation of the businesses of the Company and the Company Subsidiaries, subject to reasonable wear and tear.

(d) The use and operation of the Owned Real Property in the conduct of the businesses of the Company and the Company Subsidiaries does not violate any instrument of record or agreement affecting the Owned Real Property or violate any applicable laws, rules, regulations and ordinances, except for violations that, individually or in the aggregate, would not reasonably be expected to materially interfere with the present use of the relevant Owned Real Property. The Company has made available to the Sponsor complete and correct copies of all deeds, mortgages, surveys, licenses, title insurance policies, permanent certificates of occupancy, or equivalent documentation relating to the Owned Real Property.

(e) The Company and the Company Subsidiaries enjoy peaceful and undisturbed possession under all Company Real Property Leases. The Company has made available to the Sponsor complete and correct copies of all Company Real Property Leases. Each Company Real Property Lease is (assuming due power and authority of, and due execution by, the other party thereto) in full force and effect and is legally valid, binding and enforceable against the Company or the applicable Company Subsidiary and, to the Knowledge of the Company, the third party thereto in accordance with its terms (subject to the Enforceability Exceptions). There are no monetary defaults and no material nonmonetary defaults by the Company or any Company Subsidiary, or, to the Knowledge of the Company, any other party, under any Company Real Property Lease. Neither the Company nor any Company Subsidiary has received written or, to the Knowledge of the Company, oral notice of any default, offset, counterclaim or defense under any Company Real Property Lease. Except as set forth in Section 4.5(b) of the Company Disclosure Schedule, no condition or event has occurred which with the passage of time or the giving of notice or both would constitute a default or breach by the Company or any Company Subsidiary, or, to the Knowledge of the Company, any other party, under of the terms of any Company Real Property Lease. To the Knowledge of the Company, there are no purchase contracts, options or other agreements of any kind whereby any Person has acquired or shall have any basis to assert any right, title or interest in, or right to the possession, use, enjoyment or proceeds of, any part or all of the interests in the real property subject to Company Real Property Leases.

(f) The Company and the Company Subsidiaries are and have been in compliance with all applicable material Environmental Laws and all material Environmental Permits. There are no legal, administrative, arbitral or other proceedings pending, no claims, actions, or causes of action filed or asserted in writing, or, to the Knowledge of the Company, private environmental investigations or remediation activities or governmental investigations of any nature ongoing or threatened seeking to impose on the Company or any Company Subsidiary, or that could reasonably be expected to result in the imposition on the Company or any Company Subsidiary of, any liability or obligation arising under any Environmental Law. To the Knowledge of the Company, there is no reasonable basis for any such proceeding, claim, action, investigation or remediation activity. Neither the Company nor any Company Subsidiary is subject to any agreement, order, judgment, decree, or binding agreement by or with any Governmental Authority or private Person imposing any liability or obligation under any Environmental Law that would have a Material Adverse Effect on the Company. For purposes of this Section 4.17, the terms “the Company” and “the Company Subsidiaries” include any Person that is, in whole or in part, a predecessor of the Company or any of its Subsidiaries.

4.18 Personal Property.

(a) None of the personal property owned by the Company or any Company Subsidiary is subject to any Lien except Permitted Liens.

(b) Section 4.18(b) of the Company Disclosure Schedule lists each personal property lease to which the Company or any Company Subsidiary is a party that is not cancelable upon 90-days’ notice without penalty and has monthly rent that exceeds \$1,500 (collectively, the “**Company Personal Property Leases**”). The Company has made available to the Sponsor complete and correct copies of all of the Company Personal Property Leases. Each Company Personal Property Lease (assuming due power and authority of, and due execution by, the other party) is in full force and effect and is legally valid, binding and enforceable against the Company or the applicable Company Subsidiary and, to the Knowledge of the Company, against the third party thereto, in accordance with its terms (subject to the Enforceability Exceptions). There are no material defaults by the Company or any Company Subsidiary, or, to the Knowledge of the Company, any other party, under any Company Personal Property Lease. Neither the Company nor any Company Subsidiary has received written or, to the Knowledge of the Company, oral notice of any material default, offset, counterclaim or defense under any Company Personal Property Lease. No condition or event has occurred which with the passage of time or the giving of notice or both would constitute a material default or breach

by the Company or any Company Subsidiary, or, to the Knowledge of the Company, any other party under of the terms of any Company Personal Property Lease. To the Knowledge of the Company, there are no purchase contracts, options or other agreements of any kind whereby any Person has acquired or will have any basis to assert any right, title or interest in, or right to the possession, use, enjoyment or proceeds of, any part or all of the interests in the personal property subject to the Company Personal Property Leases and material to the business of the Company.

4.19 Insurance Matters.

(a) Except as set forth in Section 4.19(a)(i) of the Company Disclosure Schedule, all policies, binders, slips, certificates and other agreements of insurance in effect as of the date hereof (including all applications, endorsements, supplements, riders and ancillary agreements in connection therewith) issued by the Company, and any and all marketing materials, agents agreements, brokers agreements, service contracts, and managing general agents agreements to which the Company or any Company Subsidiary is a party, are, to the extent required under Applicable Law, on forms approved by the Insurance Regulators or have been filed with and not objected to by such Insurance Regulators within the period provided for objection, and all of such forms comply with the Insurance Laws in all material respects. As to premium rates established by the Company which are required to be filed with or approved by any Insurance Regulators, such rates have been so filed or approved and the premiums charged conform thereto. Section 4.19(a)(ii) of the Company Disclosure Schedule sets forth all increases in premium rates submitted by the Company which have been disapproved by any Insurance Regulators since December 31, 2014. Section 4.19(a)(iii) of the Company Disclosure Schedule lists all written correspondence or written communications from any Insurance Regulator received by the Company after December 31, 2014 that requests or states that its premium rates, if applicable, for casualty insurance should be reduced below the current approved premium levels.

(b) Except as set forth in Section 4.19(b) of the Company Disclosure Schedule, the Company has not issued any participating policies or any retrospectively rated policies of insurance or declared any policyholder dividend which has not been paid prior to the date of this Agreement.

(c) All reinsurance treaties or agreements, including retrocessional agreements, to which the Company is a party and under which the Company has any existing rights, obligations or liabilities are listed in Section 4.19(c) of the Disclosure Schedule (the “**Company Reinsurance Treaties**”). Except as disclosed in Section 4.19(c)(i) of the Company Disclosure Schedule, (i) the Company has made available to the Sponsor complete copies of all of such Company Reinsurance Treaties and all such Company Reinsurance Treaties are in full force and effect, and the consummation of the transactions contemplated by this Agreement shall not result in any party having the right to terminate a Company Reinsurance Treaty solely as a result of the consummation of the transactions contemplated hereby and (ii) the Company has received credit for reinsurance on its most recent Company SAP Statement, with respect to the reinsurance provided under each Company Reinsurance Treaty to which the Company is the ceding company. The Company SAP Statements accurately reflect as of and for the dates indicated therein the extent to which, pursuant to Insurance Laws, the Company is entitled to take credit for reinsurance under the Company Reinsurance Treaties. To the Knowledge of the Company, all reinsurance recoverable amounts reflected in the Company SAP Statements are collectible, and the Company is unaware of any material adverse change in the financial condition of its reinsurers that might raise concern regarding their ability to honor their reinsurance commitments, except as set forth in Section 4.19(c)(ii) of the Company Disclosure Schedule. No party to any of the Company Reinsurance Treaties has given written notice to the Company that such party intends to terminate or cancel any Company Reinsurance Treaties as a result of or following consummation of the Plan of Conversion. Assuming due power and authority of, and due execution by, the other party, each Company Reinsurance Treaty is valid and binding on the Company and, to the Knowledge of the Company, the other parties thereto, and none of the Company and, to the Knowledge of the Company, any other party thereto, is in default in any material respect with respect to any such Company Reinsurance Treaty. Except as disclosed on Section 4.19(c)(iii) of the Company Disclosure Schedule, no Company Reinsurance Treaty contains any provision providing that the other party thereto may terminate the same solely by reason of the transactions contemplated by this Agreement, and no party to a Company Reinsurance Treaty has issued a reservation of rights notice or otherwise denied or limited coverage (in whole or in part) under any Company Reinsurance Treaty. Except as disclosed on Section 4.19(c)(iv) of the Company Disclosure Schedule, since December 31, 2017 no Company Reinsurance Treaty has been canceled and there has not been any change in the retention level under any such Company Reinsurance Treaties.

(d) The reserves for the losses and loss adjustment expenses of the Company (the “**Company Reserves**”) reflected in the Company SAP Statements as of and for the quarter ended September 30, 2018 (the “**September 30, 2018 Statements**”) were determined in accordance with generally accepted actuarial methods and standards, consistently applied except as set forth therein. The insurance reserving practices and policies of the Company have not changed, in any material respect, since September 30, 2018 and the results of the application of such practices and policies are reflected in the September 30, 2018 Statements. All reserves of the Company set forth in the September 30, 2018 Statements were fairly stated in accordance with sound actuarial principles consistently applied and met the requirements of the Insurance Laws of the applicable Insurance Regulator as of the dates indicated therein. To the Knowledge of the Company, since September 30, 2018, there has not been any event or occurrence materially affecting the reserves of the Company. Subject to confidentiality objections of the Company, the Company has made available to the Sponsor copies of all internally prepared work papers used as the basis for establishing the Company Reserves. Except for regular periodic or special assessments based on developments that are publicly known within the insurance industry generally, to the Knowledge of the Company, no claim or assessment is pending or threatened against the Company which is peculiar or unique to the Company by any state insurance guaranty association in connection with such association’s fund relating to insolvent insurers.

(e) Section 4.19(e)(i) of the Company Disclosure Schedule lists each actuary, independent or otherwise, that has reviewed, on behalf of the Company the reserves for losses and loss adjustment expenses of the Company and its premium rates for liability insurance in each of the years commencing after December 31, 2015 (collectively the “**Company Actuaries**” and each a “**Company Actuary**”). Section 4.19(e)(ii) of the Company Disclosure Schedule lists each and every actuarial report, and all attachments, supplements, addenda and modifications thereto prepared for or on behalf of the Company by the Company Actuaries, or delivered by the Company Actuaries to the Company since December 31, 2015, in which a Company Actuary has (i) either expressed an opinion on the adequacy of reserves for losses and loss adjustment expenses or made recommendations as to either the amount of reserves for losses and loss adjustment expenses that should be maintained by the Company, or (ii) expressed an opinion as to the adequacy of such premiums or made a recommendation as to the premiums that should be charged by the Company for liability insurance (collectively, the “**Company Actuarial Analyses**”). To the Knowledge of the Company, the information and data furnished by the Company to the Company Actuaries in connection with the Company Actuarial Analyses were accurate in all material respects. To the Knowledge of the Company, each Company Actuarial Analysis was based upon an accurate inventory of policies in force for the Company at the relevant time of preparation, was prepared using appropriate modeling procedures accurately applied and in conformity with generally accepted actuarial principles consistently applied and the projections contained therein were properly prepared in accordance with the assumptions stated therein. The Company has made available to the Sponsor complete copies of each of the Company Actuarial Analyses.

4.20 No Investment Company. Neither the Company nor any Company Subsidiary is an “investment company,” or a company “controlled” by an “investment company,” within the meaning of the Investment Company Act of 1940, as amended.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES OF THE SPONSOR

Except as disclosed by the Sponsor to the Company in accordance with Section 7.6 of this Agreement, the Sponsor hereby represents and warrants to the Company, as of the date hereof and as of the Effective Time or such other date as specified, as follows:

5.1 Corporate Organization. The Sponsor is a corporation duly organized, validly existing and in good standing under the laws of the State of Mississippi, and has the corporate power and authority to own or lease all of its properties and assets and to carry on its business as now being conducted.

5.2 Authority; No Violation; Consents and Approvals.

(a) The Sponsor has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated by this Agreement. The execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement have been duly and validly approved by

the Board of Directors of the Sponsor, and no other corporate proceedings on the part of the Sponsor (including any approval of the stockholders of the Sponsor) are necessary to approve this Agreement and to consummate the transactions contemplated by this Agreement. This Agreement has been duly and validly executed and delivered by the Sponsor and (assuming due authorization, execution and delivery by the Company and the receipt of all Requisite Regulatory Approvals) constitutes a valid and binding obligation of the Sponsor, subject to the Enforceability Exceptions.

(b) Neither the execution and delivery of this Agreement by the Sponsor nor the consummation by the Sponsor of the transactions contemplated by this Agreement, nor compliance by the Sponsor with any of the terms or provisions of this Agreement, will (i) violate any material provision of the certificate of incorporation or bylaws of the Sponsor or (ii) assuming that all Requisite Regulatory Approvals and all of the consents and approvals referred to in Section 5.2(c) of this Agreement are duly obtained, (A) violate any material statute, code, ordinance, rule, regulation, judgment, order, writ, decree or injunction applicable to the Sponsor or any of its properties or assets, or (B) violate, conflict with, result in a breach of any material provision of or the loss of any benefit under, constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, result in the termination of or a right of termination or cancellation under, accelerate the performance required by or result in the creation of any Lien upon any of the properties or assets of the Sponsor under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which the Sponsor is a party, or by which it or any of its properties or assets may be bound or affected.

(c) Except for (i) the filing of applications, notices and forms with, and the obtaining of approvals from, the Insurance Regulators pursuant to the Insurance Laws, with respect to the transactions contemplated by this Agreement, (ii) the approval of the Plan of Conversion, the Amended and Restated Articles, the Amended and Restated Bylaws and the change of control of, and the Redomestication of, the Company contemplated by this Agreement by the Commissioner pursuant to the Colorado Insurance Code and (iii) the approval of the Plan of Conversion and this Agreement by the requisite votes of the Eligible Members of the Company, no consents or approvals of, or filings or registrations with any Governmental Authority or with any other Person are necessary in connection with the execution and delivery by the Sponsor of this Agreement or the consummation by the Sponsor or any Subsidiary of the Sponsor of the transactions contemplated by this Agreement.

5.3 Broker's Fees. None of the Sponsor, the Subsidiaries of the Sponsor or their respective officers and directors has employed any broker or finder or incurred any liability for any broker's fees or commissions, or investment banker fees or commissions, or finder's fees in connection with the transactions contemplated by this Agreement.

5.4 Absence of Certain Changes or Events. Since September 30, 2018, there has not been: (a) any change in the financial condition, assets, liabilities, prospects (financial and otherwise) or business of the Sponsor or any of its subsidiaries which, either individually or in the aggregate, has had or would have a Material Adverse Effect on the Sponsor; or (b) any material change in any method of accounting or accounting principles or practices by the Sponsor, except as required by GAAP or statutory accounting principles and disclosed in the notes to the consolidated financial statements of the Sponsor and its Subsidiaries.

5.5 Securities Laws Considerations. The Sponsor understands and agrees that the Company Common Stock will not be registered under the Securities Act of 1933, as amended, or under any state securities laws. The Sponsor shall receive the shares of the Company Common Stock solely for the Sponsor's own account and not with a view toward the transfer, sale, fractional subdivision or other disposition of the Company Common Stock.

5.6 Financial Ability. The Sponsor has the financial ability to consummate the transactions contemplated by this Agreement.

ARTICLE 6

COVENANTS

6.1 Conduct of Businesses of the Company Prior to the Effective Time.

(a) During the period between the date of this Agreement and the Effective Time, except as expressly contemplated or permitted by this Agreement, the Company shall, and shall cause each Company Subsidiary to: (a) conduct its business in the usual, regular and ordinary course consistent with past practice and its current business plan, and (b) use commercially reasonable efforts to maintain and preserve intact its business organization, employees, agents and advantageous business relationships and retain the services of its key employees and agents.

(b) Subject to applicable confidentiality obligations of the Company, the Company agrees to inform and have discussions with the Sponsor with respect to reserve policies and practices with respect to (i) losses and loss adjustment expenses of the Company and (ii) litigation against the Company and the Company Subsidiaries; *provided, however*, that this Section 6.1(b) shall not require the Company to discuss or disclose any information, where such discussion or disclosure would jeopardize the attorney-client and work privileges of the entity in possession or control of such information or contravene any Applicable Law, fiduciary duty or binding agreement entered into prior to the date of this Agreement. The Sponsor and the Company shall also inform and have discussions with each other with respect to the character, amount and timing of restructuring charges to be taken by each of them in connection with the transactions contemplated hereby.

6.2 Company Forbearances. During the period from the date of this Agreement to the Effective Time, except as expressly contemplated or permitted by the Plan of Conversion or this Agreement, the Company shall not, and the Company shall not permit any Company Subsidiary to, without the prior written consent of the Sponsor (which consent shall not be unreasonably withheld):

(a) incur any indebtedness for borrowed money (other than short-term indebtedness incurred on commercially reasonable terms to refinance indebtedness of the Company or any Company Subsidiary, on the one hand, to the Company or any Company Subsidiary, on the other hand), or assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligations of any other individual, corporation or other entity, or make any loan or advance (other than, in each case, in the ordinary course of business consistent with past practice, including with regard to any premium finance activities of the Company and its Subsidiaries, it being understood and agreed that incurrence of indebtedness in the ordinary course of business shall include entering into repurchase agreements and reverse repurchase agreements);

(b) redeem, repay, discharge or defease any guaranty fund certificate, surplus note, unless such redemption, repayment, discharge or defeasance is an express condition of any Requisite Regulatory Approval;

(c) grant any stock options or stock awards or stock appreciation rights or right with respect to the Company Common Stock to be authorized under the Plan of Conversion;

(d) other than paying dividends that have been declared prior to the date hereof, make, declare or pay any dividend or make any other distribution on or with respect to insurance policies written by the Company;

(e) sell, transfer, mortgage, encumber or otherwise dispose of any of its material properties or material assets to any Person other than a Company Subsidiary, or cancel, release or assign any material indebtedness of any such Person or any material claims held by any such Person, except in the ordinary course of business consistent with past practice;

(f) except pursuant to contracts or agreements in force at the date of this Agreement, make any material investment (by purchase of stock or securities, contributions to capital, property transfers, or purchase of any property or assets) in any Person other than a Company Subsidiary for which the aggregate consideration paid or payable in any individual transaction is in excess of \$200,000 or in the aggregate in excess of \$500,000 and that results in a non-admitted asset;

(g) enter into, change or terminate any Company Contract, except in the ordinary course of business consistent with past practice and other than renewals of contracts, leases and agreements without material adverse changes of terms;

(h) hire any employees;

(i) recognize any labor union or enter into or modify any collective bargaining agreement, except as required by Applicable Law;

(j) adopt, establish, contribute to or agree to adopt, establish or contribute to any Employee Plan;

(k) settle any claim, action or proceeding involving money damages against the Company or a Company Subsidiary, except in the ordinary course of business consistent with past practice;

(l) take any action that would cause the Plan of Conversion to result in the recognition of gain by the Company under the Code;

(m) amend its articles of incorporation or bylaws, except as provided for in the Plan of Conversion and this Agreement;

(n) other than in accordance with its current investment guidelines, restructure or materially change its investment securities portfolio through purchases, sales or otherwise, or the manner in which such portfolio is classified or reported;

(o) prepare or file any Tax Return inconsistent with past practice or, on any such Tax Return, take any position, make any election, or adopt any method that is inconsistent with positions taken, elections made or methods used in preparing or filing similar Tax Returns in prior periods (including positions, elections or methods that would have the effect of deferring income to periods ending after the Closing Date or accelerating deductions to periods ending on or before the Closing Date), file any amended Tax Return, settle or otherwise compromise any claim relating to Taxes, enter into any closing agreement or similar agreement relating to Taxes, otherwise settle any dispute relating to Taxes, surrender any right to claim a Tax refund, offset or other reduction in Tax liability, or request any ruling or similar guidance with respect to Taxes;

(p) offer or sell insurance or reinsurance of any type other than such lines of insurance and reinsurance that it offers and sells on the date of this Agreement or lines that are substantially similar to such lines;

(q) take any action that is intended or may reasonably be expected to result in any of its representations and warranties set forth in this Agreement being or becoming untrue at any time prior to the Effective Time, or in any of the conditions set forth in Article 8 of this Agreement not being satisfied, or in a violation of any provision of this Agreement, except, in every case, as may be required by Applicable Law; or

(r) agree to, or make any commitment to, take any of the actions prohibited by this Section 6.2; *provided* that except for and subject to Section 6.2(p), nothing in this Section 6.2 shall prohibit the Company from issuing any insurance policy or contract, including any certificates of insurance, riders and endorsements thereto.

ARTICLE 7

ADDITIONAL AGREEMENTS

7.1 Regulatory Matters.

(a) The parties shall use commercially reasonable efforts to (i) promptly make all filings and notifications with, and obtain all authorizations, consents, orders and approvals of, all Governmental Authorities that may be or become necessary for their respective execution and delivery of, and the performance of their respective

obligations pursuant to, and the consummation of the transactions contemplated by, this Agreement, including as set forth in Sections 7.1(b), (c) and (d), and (ii) take all actions as may be requested by any such Governmental Authorities to obtain such authorizations, consents, orders and approvals; *provided, however*, that in no event shall the Sponsor or the Company or any of their respective Subsidiaries be required to agree to (A) the divestiture of any business or entity of the Sponsor or the Company or any of their Subsidiaries or (B) any requirement imposed by a Governmental Authority that would reasonably be expected to have a (1) Material Adverse Effect on the Company and the Company Subsidiaries, taken as a whole, or (2) material and adverse effect on the aggregate economic value and business benefits that would reasonably be expected to be obtained by the Sponsor and its Subsidiaries from the transactions contemplated by this Agreement (each requirement or limitation specified in clauses (A) or (B) of this paragraph, a “**Burdensome Condition**”).

(b) Promptly after the execution of this Agreement, the Company shall use commercially reasonable efforts to prepare and file with the Division in accordance with the requirements of the Colorado Insurance Code: (i) the Plan of Conversion; (ii) the notice of the Plan of Conversion proposed to be given to the Eligible Members in accordance with the requirements of Colo. Rev. Stat. § 10-12-411(4)(a); (iii) the form of proxies to be solicited from the Eligible Members; and (iv) copies of the Amended and Restated Articles and Amended and Restated Bylaws. Upon approval of the Plan of Conversion by the Commissioner, the Company shall call a meeting of the Eligible Members to be held for the purpose of voting on the approval of the Plan of Conversion and mail the notice of the meeting to the Eligible Members in accordance with the requirements of Colo. Rev. Stat. § 10-12-411(4)(a). As soon as practicable following (i) the receipt of the Preliminary Approval, (ii) the Commissioner’s determination that all conditions to such approval contained in the Preliminary Approval have been satisfied, except for those conditions required by the Preliminary Approval to be satisfied after the Closing Date and with respect to which the Commissioner has received the Company’s and the Sponsor’s written commitment to satisfy after the Closing Date, (iii) the adoption of the Plan of Conversion, the Amended and Restated Articles and the Amended and Restated Bylaws by the Eligible Members as provided in the Plan of Conversion and (iv) the satisfaction or waiver of all of the conditions contained in Article 8 hereof, the Company shall file with the Commissioner (A) the minutes of the special meeting, (B) a certificate of the Secretary of the Company setting forth the results of the vote on the Plan of Conversion, the Amended and Restated Articles and the Amended and Restated Bylaws and certifying as to whether or not it was approved by not less than two-thirds of the Eligible Members voting in person or by proxy at the special meeting and (C) the Amended and Restated Articles and the Amended and Restated Bylaws.

(c) To the extent applicable, the Sponsor shall use commercially reasonable efforts to prepare and file with all necessary Governmental Authorities: (i) a request for approval of the transactions contemplated by this Agreement by all applicable Insurance Regulators on Form A or on such other form as may be required by such Insurance Regulators and Applicable Law; and (ii) the pre-acquisition notification and report forms and related material on Form E or any other forms required by a necessary Governmental Authority in connection with the transactions contemplated by this Agreement.

(d) Promptly after the execution of this Agreement, the Company shall use commercially reasonable efforts to take any and all actions necessary in order to complete a redomestication of the Company to the State of Mississippi immediately following the Closing (the “**Redomestication**”), including making all necessary filings with, and providing any information requested by, the Mississippi Insurance Department.

(e) Each party shall provide to the other, (i) promptly after filing thereof, copies of all statements, applications, correspondence or forms filed by such party prior to the Closing Date with the Insurance Regulators and any other Governmental Authority in connection with the transactions contemplated by this Agreement and (ii) promptly after delivery to, or receipt from, such regulatory authorities, all written communications, letters, reports or other documents relating to the transactions contemplated by this Agreement; *provided*, that the party sharing such filing or materials may redact from such filing and communications any confidential competitive information of such party and its Affiliates.

(f) The parties hereto shall cooperate with each other and use their commercially reasonable efforts to promptly prepare and file all necessary documentation, to effect all applications, notices, petitions and filings, to obtain as promptly as practicable all permits, consents, approvals and authorizations of all third parties and Governmental Authorities which are necessary or advisable to consummate the transactions contemplated by this Agreement (including the Plan of Conversion and the Redomestication), and to comply with the terms and conditions

of all such permits, consents, approvals and authorizations of all such Governmental Authorities. The Sponsor and the Company shall have the right to review in advance, and, to the extent practicable, each shall consult the other on, in each case subject to Applicable Laws relating to the exchange of information, all the information relating to the Sponsor or the Company, as the case may be, and any of their respective Subsidiaries, which appear in any filing made with, or written materials submitted to, any third party or any Governmental Authority in connection with the transactions contemplated by this Agreement; *provided*, that the party sharing such filing or materials may redact from such filing and communications any confidential competitive information of such party and its Affiliates. The cooperation and coordination of each party required under this Section 7.1 shall include giving timely public notice of any public hearings regarding the transactions contemplated by this Agreement, and having its representatives attend and testify at such public hearings. In addition, each of the parties hereto shall act reasonably and as promptly as practicable. The parties hereto agree that they shall consult with each other with respect to the obtaining of all permits, consents, approvals and authorizations of all third parties and Governmental Authorities necessary or advisable to consummate the transactions contemplated by this Agreement and each party shall keep the other apprised of the status of matters relating to completion of the transactions contemplated by this Agreement.

(g) The Sponsor and the Company shall, upon request, furnish each other with all information concerning themselves, their Subsidiaries, directors, officers and shareholders or stockholders, as applicable, and such other matters as may be reasonably necessary or advisable in connection with any statement, filing, notice or application made by or on behalf of the Sponsor, the Company or any of their respective Subsidiaries to any Governmental Authority in connection with the Plan of Conversion and the other transactions contemplated by this Agreement, including the Redomestication.

(h) The Sponsor and the Company shall promptly advise each other upon receiving any communication from any Governmental Authority relating to the consent or approval from such Governmental Authority that is required for consummation of the transactions contemplated by this Agreement.

(i) The Company and the Sponsor shall use their commercially reasonable efforts to obtain any other consents and approvals and make any other notifications that may be required in connection with the transactions contemplated by this Agreement; *provided, however*, that none of the Company, the Company Subsidiaries or the Sponsor shall be required to compensate any third party, commence or participate in litigation or offer or grant any accommodation (financial or otherwise) to any third party to obtain any such consent or approval.

(j) Notwithstanding anything contained herein to the contrary, neither party shall be required to disclose to the other any of its or its Affiliates, confidential competitive information and neither party shall be required to comply with any provision of this Section 7.1 to the extent that such compliance would be prohibited by Applicable Law.

7.2 Access to Information; Confidentiality.

(a) Upon reasonable prior notice and subject to Applicable Laws relating to the exchange of information and to the Confidentiality Agreement dated January 16, 2019, respectively (the “**Confidentiality Agreement**”), which is hereby incorporated into this Agreement by reference and shall continue in full force and effect until Closing, the Company shall, and shall cause each of the Company Subsidiaries to, afford to the officers, employees, accountants, counsel and other representatives of the Sponsor, access, during normal business hours during the period prior to the Closing Date, to all of its properties, books, contracts, commitments and records. During such period, each of the Sponsor and the Company shall, and shall cause their respective Subsidiaries to, make available to the other party a copy of each report, schedule, registration statement and other document filed or received by it during such period pursuant to the requirements of federal securities laws or Insurance Laws (other than reports or documents which the Sponsor or the Company, as the case may be, is not permitted to disclose under Applicable Law or by agreement); *provided, however*, that all such access shall be on a basis and follow procedures that the parties shall mutually agree, and shall not unreasonably interfere with any of the businesses or operations of the Company or any Company Subsidiary; *provided, further*, that the accountants of the Company shall not be obligated to make any work papers available to the Sponsor unless and until the Sponsor has signed a customary confidentiality agreement relating to such access to work papers in form and substance reasonably acceptable to such accountants. Neither the Sponsor nor the Company nor any of their respective Subsidiaries shall be required to provide access to or to disclose information where such access or disclosure would violate or prejudice the rights of the Sponsor’s, the Company’s,

or any Company Subsidiary's, as the case may be, customers, jeopardize the attorney-client and work product privileges of the entity in possession or control of such information or contravene any law, rule, regulation, order, judgment, decree, fiduciary duty or binding agreement entered into prior to the date of this Agreement. The parties hereto shall make appropriate substitute disclosure arrangements under circumstances in which the restrictions of the preceding sentence apply.

(b) No investigation by either of the parties or their respective representatives shall affect the representations, warranties, covenants or conditions of the other set forth in this Agreement.

7.3 Recommendation of Eligible Members. The Company shall, through its Board of Directors, subject to its fiduciary obligations as determined by its Board of Directors, recommend that its Eligible Members vote in favor of the approval and adoption of the Plan of Conversion.

7.4 Compliance with Securities Laws. The Company and the Sponsor understand and agree that the Shares to be issued pursuant to the Plan of Conversion will not be registered under the Securities Act or applicable state securities laws in reliance on exemptions from such registration and the certificates representing such Shares shall bear appropriate legends to such effect. The Company and the Sponsor shall cooperate with each other and use commercially reasonable efforts to cause the Shares to be issued pursuant to available exemptions from registration under the Securities Act of 1933, as amended, and state securities laws.

7.5 Directors' and Officers' Indemnification and Insurance.

(a) The Company shall use its commercially reasonable efforts, prior to the Effective Time, to purchase a single payment, run-off or "tail" insurance policy or policies of directors' and officers' liability insurance covering current and former officers and directors of the Company and the Company Subsidiaries on terms and conditions, including limits, no less favorable than their respective directors and officers liability insurance policy in effect on the date of this Agreement, such policy or policies to become effective at the Effective Time and remain in effect for a period of six years after the Effective Time (the "**Tail Policy**") with respect to directors' and officers' liability for claims arising from facts or events that occurred on or prior to the Effective Time. If the Company is unable to obtain the Tail Policy prior to Closing, the Sponsor shall use commercially reasonable efforts to cause the individuals serving as officers and directors of the Company and the Company Subsidiaries, immediately prior to the Effective Time to be covered for a period of six years from the Effective Time (or the period of the applicable statute of limitations, if longer) by the directors' and officers' liability insurance policy maintained by the Company or the Company Subsidiary (*provided*, that the Sponsor may substitute therefor policies of the same or substantially similar coverage and amounts containing terms and conditions which are not less advantageous in any material respect than such policy) with respect to acts or omissions occurring prior to the Effective Time that were committed by such officers and directors in their capacity as such; *provided, however*, that in no event shall the premium for any such insurance be more than 300% of the current amount expended by the Company or the Company Subsidiary (the "**Insurance Premium Amount**"); and *provided further*, that if the Sponsor is unable to maintain or obtain the insurance called for by this Section 7.5, the Sponsor shall use commercially reasonable efforts to obtain as much comparable insurance as available for the Insurance Premium Amount.

(b) For a period of six years after the Effective Time (unless otherwise required by Applicable Law), the charter and bylaws of the Company and the Company Subsidiaries shall contain provisions no less favorable with respect to the exculpation of, indemnification of and advancement of expenses to directors, officers, employees and agents than those set forth in the articles of incorporation or bylaws (or equivalent organizational documents) of the Company (or the relevant Subsidiary) as in effect on the date hereof; *provided, however*, that if any claim or claims are asserted against any individual entitled to the protections of such provisions within such six-year period, such provisions shall not be modified until the final disposition of any such claims. In addition to the obligations set forth in Section 7.5(a), the Sponsor shall, and shall cause the Company to, exculpate, indemnify, defend and hold harmless each person who is now, or who has been at any time before the date hereof or who becomes before the Effective Time, an officer, director, employee or agent of the Company or a Company Subsidiary (the "**Indemnified Parties**") against all losses, claims, damages, costs, expenses (including attorney's fees), liabilities fines, obligations or judgments or amounts (collectively "**Losses**") that are paid in settlement of or in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative (formal or informal) (each a "**Claim**"), in which an Indemnified Party is, or is threatened to be made, a party or witness in whole or in part on or

arising in whole or in part out of the fact that such person is or was a director, officer, employee or agent of the Company or a Company Subsidiary if such Claim pertains to any matter of fact arising, existing or occurring at or before the Effective Time (including the Plan of Conversion and this Agreement and the transactions contemplated thereby), regardless of whether such Claim is asserted or claimed on, before or after, the Effective Time, to the fullest extent provided under, the Amended and Restated Articles and Amended and Restated Bylaws or in the organizational documents of any Company Subsidiary or the Sponsor, as applicable, any indemnification agreement or under Applicable Law. The Sponsor shall pay expenses in advance of the final disposition of any such action or proceeding to each Indemnified Party to the full extent provided in the Amended and Restated Articles and Applicable Law. The Indemnified Parties may retain counsel reasonably satisfactory to them after consultation with the Sponsor; *provided, however*, that (i) the Sponsor shall have the right to assume the defense thereof and upon such assumption the Sponsor shall not be liable to any Indemnified Party for any legal expenses of other counsel or any other expenses subsequently incurred by any Indemnified Party in connection with the defense thereof, except that if the Sponsor fails to promptly assume such defense the Indemnified Party may retain counsel reasonably satisfactory to him after consultation with the Sponsor, and the Sponsor shall pay the reasonable fees and expenses of such counsel for the Indemnified Party, (ii) the Sponsor shall be obligated pursuant to this paragraph to pay for only one firm of counsel for all Indemnified Parties except to the extent representation by a single firm or attorney is, in the absence of an informed consent by the Indemnified Party, prohibited by ethical rules relating to lawyers' conflicts of interest, (iii) the Sponsor shall not be liable for any settlement effected without its prior written consent (which consent shall not be unreasonably withheld), (iv) the Sponsor shall have no obligation hereunder to any Indemnified Party when and if a court of competent jurisdiction shall ultimately determine, and such determination shall have become final and nonappealable, that indemnification of such Indemnified Party in the manner contemplated by this Agreement is prohibited by Applicable Law and (v) the Sponsor shall have no obligation hereunder to any Indemnified Party for which and to the extent payment is actually and unqualifiedly made in the full amount of all such Losses for which indemnification has been sought to such Indemnified Party under any insurance policy, any other agreement for indemnification or otherwise. Any Indemnified Party wishing to claim indemnification under this Section 7.5, upon learning of any such Claim, shall notify the Sponsor thereof, provided that the failure to so notify shall not affect the obligations of the Sponsor under this Section 7.5 except to the extent such failure to notify prejudices the Sponsor by depriving the Sponsor of the reasonable opportunity to investigate and assume the defense of the claim. The Sponsor's obligations under this Section 7.5 continue in full force and effect for a period of six years from the Effective Time (or the period of the applicable statute of limitations, if longer); *provided, however*, that all rights to indemnification in respect of any Claim asserted or made within such period shall continue until the final disposition of such Claim.

7.6 Advice of Changes.

(a) Each party shall have the right, but not the obligation, to deliver to the other party a written disclosure schedule as to any matter of which it becomes aware following execution of this Agreement which would constitute a breach of any representation, warranty or covenant of this Agreement by such party, identifying on such disclosure schedule the representation, warranty or covenant which would be so breached. If disclosure of a matter which would constitute a breach of any representation, warranty or covenant of this Agreement is made by either party, the non-disclosing party shall have the right, in its discretion, to terminate this Agreement to the extent such termination is permitted under Section 9.1 of this Agreement.

(b) The Company shall update the Company Disclosure Schedule (the "**Closing Date Company Disclosure Schedule**") to a date that is no earlier than 10 Business Days prior to the Closing Date and no later than seven Business Days prior to the Closing Date and shall deliver the Closing Date Company Disclosure Schedule to the Sponsor not less than three Business Days prior to the Closing Date; *provided, however*, that any such disclosures included in the Closing Date Company Disclosure Schedule shall not, for purposes of Section 9.1, be deemed to modify the Company Disclosure Schedule as delivered on the date hereof and if disclosure of any matter in the Closing Date Company Disclosure Schedule would constitute a breach of any representation, warranty or covenant of this Agreement the Sponsor shall have the right, in its discretion, to terminate this Agreement to the extent such termination is permitted under Section 9.1 of this Agreement. The obligation of the Company to deliver to the Sponsor the Closing Date the Company Disclosure Schedule shall be a material obligation for purposes of Section 8.2(a) hereof.

(c) For the avoidance of doubt, the provisions of this Section 7.6 and any notices by the Sponsor on the one hand, and the Company on the other, shall not be deemed in any way to constitute a waiver by the

counterparty of the conditions set forth in Article 8 hereof or any of its remedies under Article 9 hereof, nor shall any such notices cure any breach of any representation or warranty which is inaccurate.

7.7 Additional Agreements.

(a) Prior to the Effective Time, the Company shall provide to the Sponsor (i) within 45 days after the end of each calendar quarter, a copy of the quarterly unaudited statutory statements of the Company filed with the Division, as of and for such quarter end and all exhibits, schedules and notes attached thereto or provided therewith and (ii) within 60 days after the end of each fiscal year, a copy of the statutory annual statements of the Company filed with the Insurance Regulator of the Division, as of and for such year end and all exhibits, schedules and notes attached thereto and provided therewith.

(b) Prior to the Effective Time, the Company shall deliver to the Sponsor (i) dated not earlier than 20 days prior to the Closing Date, a statement in accordance with Treasury Regulation §§ 1.1445-2(c)(3) and 1.897-2(h) certifying that the Company is not, and has not been, a “United States real property holding corporation” for purposes of Sections 897 and 1445 of the Code, with respect to which the Sponsor shall have no actual knowledge that such statement is false or receive a notice that the statement is false pursuant to Treasury Regulation § 1.1445-4 and (ii) the notification to the Internal Revenue Service described in Treasury Regulation § 1.897-2(h)(2) regarding delivery of the statement referred to in the preceding clause (i), signed by a responsible corporate officer of the Company. The Company acknowledges that the Sponsor may cause the Company to file such notification with the Internal Revenue Service on or after the Closing Date.

(c) For the avoidance of doubt, the Sponsor acknowledges and agrees that the obligations of the Company under the SRIP shall remain in effect from and after the Effective Time.

7.8 Negotiations with Other Parties.

(a) Subject to Section 7.8(b), so long as this Agreement remains in effect and no notice of termination has been given under this Agreement, the Company shall not authorize or knowingly permit any of its representatives, directly or indirectly, to initiate, entertain, solicit, encourage, engage in or participate in, negotiations with any Person or any group of Persons other than the Sponsor or any of its Affiliates concerning any Acquisition Proposal (as defined in this Section 7.8) other than as expressly provided in this Agreement. The Company shall promptly inform the Sponsor of any bona fide inquiry it receives with respect to any Acquisition Proposal and shall furnish the information required in Section 7.8(b).

(b) Nothing contained in this Agreement shall prohibit the Board of Directors of the Company from either furnishing information to, or entering into discussions or negotiations with, any Person or group of Persons regarding any Acquisition Proposal, or approving and recommending to the Eligible Members of the Company an Acquisition Proposal from any Person or group of Persons, if the Board of Directors of the Company determines in good faith that such action is appropriate in furtherance of the best interests of the Members. In connection with any such determination, (i) the Company shall direct its representatives, officers and other appropriate personnel to cooperate with and be reasonably available to consult with any such Person, or group of Persons, (ii) the Company shall disclose to the Sponsor that it is furnishing information to, or entering into discussions or negotiations with, such Person or group of Persons, which disclosure shall describe the terms thereof (but need not identify the Person, or group of Persons making the offer), (iii) prior to furnishing such information to such Person or group of Persons, the Company shall enter into a written agreement with such Person or group of Persons which provides for, among other things, (A) the furnishing to the Company of information regarding such Person or group of Persons that is relevant to its ability to finance and otherwise perform its obligations under its Acquisition Proposal, (B) the confidentiality of all non-public information furnished to such Person or group of Persons by the Company and (C) procedures reasonably satisfactory to the Company that are designed to restrict or limit the provision of information regarding the Company that could be used to the competitive disadvantage of the Company or the Sponsor, (iv) the Company shall not furnish any non-public information regarding the Sponsor or the transactions contemplated hereby and (v) the Company shall keep the Sponsor informed of the status of any such discussions or negotiations (*provided*, that the Company shall not be required to disclose to the Sponsor confidential information concerning the business or operations of such Person or group of Persons).

(c) As used in this Agreement, “**Acquisition Proposal**” means (i) any proposal pursuant to which any Person or group of Persons, other than the Sponsor or the Company, would acquire or participate in a merger, consolidation or other business combination involving the Company or any of the Company Subsidiaries, directly or indirectly, (ii) any proposal by which any Person or group of Persons, other than the Sponsor or the Company, would acquire a substantial equity interest in the Company or any of the Company Subsidiaries, including the right to vote 10% or more of the capital stock (following a reorganization or conversion) of the Company or any of the Company Subsidiaries entitled to vote thereon for the election of directors, (iii) any acquisition of 10% or more of the assets of the Company or any of the Company Subsidiaries, other than in the ordinary course of business, (iv) any acquisition in excess of 10% of the outstanding capital stock (following a reorganization or conversion) of the Company or any of the Company Subsidiaries, other than as contemplated by this Agreement, (v) any acquisition of control (as defined under the Insurance Laws) of the Company or any Company Subsidiary or (vi) any transaction similar to the foregoing.

ARTICLE 8

CONDITIONS PRECEDENT

8.1 Conditions to Each Party’s Obligation. The respective obligation of each party to consummate the transactions contemplated by the Plan of Conversion and this Agreement shall be subject to the satisfaction at or prior to the Effective Time of the following conditions:

(a) the Plan of Conversion and this Agreement and the transactions contemplated by this Agreement shall have been approved and adopted by the requisite affirmative vote of the Eligible Members of the Company entitled to vote thereon;

(b) the Plan of Conversion, the Amended and Restated Articles and the Amended and Restated Bylaws shall have been approved by the Commissioner prior to or on the Closing Date; and

(c) no order, injunction or decree issued by any Governmental Authority of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Plan of Conversion or any of the transactions contemplated by this Agreement shall be in effect. No statute, rule, regulation, order, injunction or decree shall have been enacted, entered, promulgated or enforced by any Governmental Authority which prohibits, materially restricts or makes illegal consummation of the Plan of Conversion, including the transactions contemplated by this Agreement.

8.2 Conditions to Obligation of the Sponsor. The obligation of the Sponsor to consummate the transactions contemplated by the Plan of Conversion and this Agreement is also subject to the satisfaction or waiver by the Sponsor at or prior to the Effective Time of the following conditions:

(a) the Company shall have performed all material obligations required to be performed by it under this Agreement at or prior to the Closing Date, and the Sponsor shall have received a certificate signed on behalf of the Company by the Chief Executive Officer of the Company to such effect;

(b) the representations and warranties of the Company contained in Article 4 of this Agreement shall be true and correct in all material respects on and as of the Closing Date (except to the extent that any such representation or warranty has by its terms been made as of a specific date in which case such representation and warranty shall have been true and correct as of such specific date), and the Sponsor shall have received a certificate signed on behalf of the Company by the Chief Executive Officer of the Company to such effect;

(c) the Company or the Company Subsidiaries, taken as a whole, shall not have suffered a Material Adverse Effect and there shall have been no occurrence, circumstance or combination thereof (whether arising on, prior to, or after the date hereof), including litigation pending or threatened, which, as of the Closing Date, is reasonably likely to result in a Material Adverse Effect on the Company and the Company Subsidiaries, taken as a whole, and the Sponsor shall have received a certificate signed on behalf of the Company by the Chief Executive Officer of the Company to such effect; and

(d) all approvals of Governmental Authorities required to consummate the transactions contemplated by this Agreement (including the Redomestication) shall have been obtained and shall remain in full force and effect, in each case, without the imposition of a Burdensome Condition, and all statutory waiting periods in respect thereof shall have expired (all such approvals and the expiration of all such waiting periods being referred to in this Agreement as the “**Requisite Regulatory Approvals**”). Without limiting the generality of the foregoing: the Plan of Conversion, the Amended and Restated Articles, the Amended and Restated Bylaws, the transfer of ownership of the Company to the Sponsor and the Redomestication shall have been approved by the Insurance Regulators, to the extent such approvals are required.

8.3 Conditions to Obligation of the Company. The obligation of the Company to consummate the transactions contemplated by the Plan of Conversion and this Agreement is also subject to the satisfaction or waiver by the Company at or prior to the Effective Time of the following conditions:

(a) the Sponsor shall have performed all material obligations required to be performed by it under this Agreement at or prior to the Closing Date, and the Company shall have received a certificate signed on behalf of the Sponsor by the Chief Executive Officer of the Sponsor to such effect;

(b) the Sponsor shall have deposited in trust with the Payment Agent for the benefit of the Eligible Members, cash in the amount of the Purchase Price in accordance with Section 3.2(b) of this Agreement; and

(c) the representations and warranties of the Sponsor contained in Article 5 of this Agreement shall be true and correct in all material respects on and as of the Closing Date (except to the extent that any such representation or warranty has by its terms been made as of a specific date in which case such representation and warranty shall have been true and correct as of such specific date), and the Company shall have received a certificate signed on behalf of the Sponsor by the Chief Executive Officer of the Sponsor to such effect.

ARTICLE 9

TERMINATION AND AMENDMENT

9.1 Termination. This Agreement may be terminated at any time prior to the Effective Time, whether before or after approval of the matters presented in connection with the Plan of Conversion by the Eligible Members of the Company:

(a) by mutual consent of the Sponsor and the Company in a written instrument, if the Board of Directors of the Sponsor and the Board of Directors of the Company so determine to terminate this Agreement;

(b) by either the Sponsor or the Company if (i) any Governmental Authority which must grant a Requisite Regulatory Approval has denied approval of the Plan of Conversion (including the transactions contemplated by this Agreement), the Redomestication or approval of the change of control of the Company as herein contemplated, and such denial has become final and nonappealable or any Governmental Authority of competent jurisdiction shall have issued a final nonappealable order permanently enjoining or otherwise prohibiting the consummation of the transactions contemplated by this Agreement, and (ii) the Board of Directors of the Sponsor or the Board of Directors of the Company, as the case may be, determines to terminate this Agreement by an affirmative vote of a majority of the members of its entire Board of Directors;

(c) by either the Sponsor or the Company (*provided*, that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained in this Agreement) if there shall have been a breach of any of the representations and warranties set forth in this Agreement on the part of the other party, which breach, either individually or in the aggregate, would result in, if occurring or continuing as of the Closing, the failure of a condition set forth in Section 8.1 or 8.2 (if the Sponsor is seeking to terminate) or Section 8.1 or 8.3 (if the Company is seeking to terminate), as the case may be, to be satisfied, and which breach is not cured within 45 days following written notice to the party committing such breach, or which breach, by its nature or timing, cannot be cured prior to the Closing Date;

(d) by the Sponsor upon written notice to the Company if (i) the Board of Directors of the Company shall indicate in writing to the Sponsor that the Board of Directors of the Company is unwilling or unable to recommend to its Eligible Members that they approve and adopt the Plan of Conversion, (ii) in the Information Statement distributed by the Company to the Eligible Members in accordance with the Plan of Conversion the Board of Directors of the Company does not recommend to the Eligible Members that they approve and adopt the Plan of Conversion or (iii) after recommending that its Eligible Members approve and adopt the Plan of Conversion and this Agreement, the Board of Directors of the Company shall have withdrawn, modified or amended such recommendation in any respect materially adverse to the Sponsor, without the Sponsor's prior written consent (each a "**Company Recommendation Event**"), provided that any such notice of termination must be provided to the Company not later than 15 Business Days after the later of the date the Sponsor shall have been advised by the Company in writing of a Company Recommendation Event, or such later date as may be agreed upon by the Sponsor and the Company in writing;

(e) by the Sponsor upon written notice to the Company, if a Company Acquisition Event (as defined in Section 9.5 hereof) has occurred;

(f) by either the Sponsor or the Company if (i) a meeting of the Eligible Members has been duly held for purposes of voting on the Plan of Conversion and the transactions contemplated by this Agreement, and (ii) approval of the Eligible Members of the Company required for the consummation of the Plan of Conversion shall not have been obtained by reason of the failure to obtain the required vote at such duly held meeting of Eligible Members or at any adjournment or postponement thereof;

(g) by written notice from the Company to the Sponsor, or from the Sponsor to the Company, if the Closing does not occur on or before July 1, 2019, for any reason other than breach of this Agreement by the party giving such notice; *provided*, that in the event that the failure of the Closing to occur by such date results solely from the failure of the conditions set forth in Section 8.1(a), (b) and (c) to be satisfied or waived, and all other conditions to Closing set forth in Article 8 shall have otherwise been satisfied (other than conditions that by their terms are to be satisfied at the Closing), such date shall automatically be extended by an additional six months;

(h) by the Sponsor by giving written notice of such termination to the Company, if there shall have occurred any change, event or condition, which individually or in the aggregate, results in, or would reasonably be expected to result in, a Material Adverse Effect of the Company; or

(i) by the Company upon the occurrence of a Company Acquisition Event or Company Recommendation Event.

9.2 Effect of Termination. In the event of termination of this Agreement by either the Sponsor or the Company as provided in Section 9.1 of this Agreement, (a) this Agreement shall forthwith become void and have no effect, except that Sections 9.2, 10.2, 10.3, 10.4, 10.6, 10.12, 10.13, 10.15 and 10.16 of this Agreement shall survive any termination of this Agreement, and (b) neither the Sponsor nor the Company, nor any of their respective Subsidiaries or any of the officers or directors of any of them shall have any liability of any nature whatsoever under this Agreement, or in connection with the transactions contemplated by this Agreement; *provided, however*, that notwithstanding anything to the contrary contained in this Agreement, neither the Sponsor nor the Company shall be relieved or released from any liabilities or damages arising out of fraud or its willful breach of any provision of this Agreement.

9.3 Amendment. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto. Subject to the previous sentence and in compliance with Applicable Law, this Agreement may be amended by the parties hereto, by action taken or authorized by the Board of Directors of the Sponsor and the Board of Directors of the Company, at any time before or after approval of the matters presented in connection with the Plan of Conversion and this Agreement by the Eligible Members of the Company; *provided, however*, that after any approval of the Plan of Conversion and transactions contemplated by this Agreement by the Eligible Members of the Company, there may not be, without further approval of such Eligible Members, any amendment of this Agreement which changes or otherwise modifies or amends the (a) amount of the Purchase Price, (b) the form of the consideration to be delivered to the Eligible Members of the Company under this Agreement or (c) any other term contained in the Plan of Conversion.

9.4 Extension; Waiver. At any time prior to the Effective Time, the parties to this Agreement may, to the extent permitted by Applicable Law, (a) extend the time for the performance of any of the obligations or other acts of the other parties to this Agreement, (b) waive any inaccuracies in the representations and warranties contained in this Agreement or in any document delivered pursuant hereto or (c) waive compliance with any of the agreements or conditions contained in this Agreement; *provided, however*, that after any approval of the Plan of Conversion and the transactions contemplated by this Agreement by the Eligible Members of the Company, there may not be, without further approval of such Eligible Members, any extension or waiver of this Agreement or any portion thereof which changes or otherwise modifies or amends the (i) amount of the Purchase Price, (ii) the form of the consideration to be delivered to the Eligible Members of the Company under this Agreement or (iii) any other term contained in the Plan of Conversion. Any agreement on the part of a party to this Agreement to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such party, but such extension or waiver or failure to insist on strict compliance with an obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

9.5 Liquidated Damages; Termination Fee. Notwithstanding anything to the contrary contained in this Agreement, in the event that any of the following events or circumstances shall occur, the Company shall, within 10 Business Days after notice of the occurrence thereof by the Sponsor, pay to the Sponsor an amount equal to four percent (4%) of the Purchase Price (which the parties agree and stipulate as reasonable and full liquidated damages and reasonable compensation for the involvement of the Sponsor in the transactions contemplated in this Agreement and is not a penalty or forfeiture): (a) the Sponsor shall terminate this Agreement pursuant to Section 9.1(d) or (e); (b) the Company shall terminate this Agreement pursuant to Section 9.1(i) or (c) if the Eligible Members of the Company fail to hold the meeting of the Eligible Members of the Company as required by Section 1.2 of this Agreement within 120 days after the Commissioner issues his Preliminary Approval of the Plan of Conversion and the Information Statement. For purposes of this Agreement a “**Company Acquisition Event**” shall mean that the Company shall have authorized, recommended, approved or entered into an agreement with any Person (other than any of the parties to this Agreement) to effect an Acquisition Proposal. Upon the making and receipt of such payment under this Section 9.5, the Company shall have no further obligation of any kind under this Agreement and the Sponsor shall not have any further obligation of any kind under this Agreement, except in each case under Section 9.2 of this Agreement, and no party shall have any liability for any breach or alleged breach by such party of any provision of this Agreement.

ARTICLE 10

GENERAL PROVISIONS

10.1 Closing. Subject to the terms and conditions of this Agreement, the closing of the Plan of Conversion and the transactions contemplated by this Agreement (the “**Closing**”) shall take place via electronic exchange, via email, of PDFs of the execution versions of the transaction documents and the executed signature pages thereto on the first Business Day of the month immediately following the month in which each of the conditions set forth in Article 8 of this Agreement have been satisfied or, if permitted, waived by the party entitled to the benefits of such condition (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction of such conditions at the Closing or waiver by the party entitled to the benefit of those conditions), or at such other time and place as the parties may agree (such date the “**Closing Date**”).

10.2 Nonsurvival of Representations, Warranties and Agreements. None of the representations, warranties, covenants and agreements of the Company and the Sponsor in this Agreement or in any instrument delivered by the Company or the Sponsor pursuant to this Agreement shall survive the Effective Time, except as otherwise provided in Section 9.2 of this Agreement.

10.3 Expenses. Except as otherwise expressly provided in this Agreement, all costs and expenses incurred in connection with this Agreement and the transactions contemplated by this Agreement shall be paid by the party incurring such expense; *provided, however*, that (a) the Company shall pay all expenses relating to the approval of the Plan of Conversion by the Commissioner, and (b) the Sponsor shall pay all expenses in connection with the approval of the change of control of the Company contemplated by this Agreement by the Commissioner, and any other required filings with any Insurance Regulator, including the Redomestication.

10.4 Notices. All notices required or permitted to be given hereunder shall be in writing and may be delivered by hand, by email in PDF format or similar format, by nationally recognized private courier, or by United States mail. Notices delivered by mail shall be deemed given three Business Days after being deposited in the United States mail, postage prepaid, certified, return receipt requested. Notices delivered by hand shall be deemed given when actually delivered. Notices given by nationally recognized private courier shall be deemed given on the date delivery is promised by the courier. Notices delivered by email shall be deemed given on the date sent (if that email is subsequently confirmed or otherwise acknowledged). All notices shall be addressed as follows:

(a) if to the Sponsor to:

Southern Farm Bureau Casualty Insurance Company
1800 East County Line Road
Ridgeland, MS 39157
Attention: Lydia C. Warren, Senior Vice President, Legal & Secretary
Email: LWarren@sfbic.com

with copies to (which copies shall not constitute notice):

Sidley Austin LLP
One South Dearborn
Chicago, IL 60603
Attention: Brian J. Fahrney, Esq.; Sean M. Carney, Esq.
Email: bfahrney@sidley.com; scarney@sidley.com

(b) if to the Company, to:

Colorado Farm Bureau Mutual Insurance Co.
9177 East Mineral Circle
Centennial, CO 80112
Attention: Cheryl Radke, CEO-GM
Email: Cheryl.radke@cfbmic.com

with copies to (which copies shall not constitute notice):

Kutak Rock LLP
1801 California St. Suite 3000
Denver, CO 80202
Attention: Robert C. Roth, Jr., Esq.; Matthew S. McElhiney, Esq.
Email: robert.roth@kutakrock.com; matthew.mcelhiney@kutakrock.com

10.5 Further Assurances. Prior to the Closing, at the reasonable request of any party to this Agreement, the other parties shall execute, acknowledge and deliver such other documents and/or instruments as may be reasonably required by the requesting party to carry out the purposes of this Agreement. In the event any party to this Agreement shall be involved in litigation, threatened litigation or governmental inquiries with respect to a matter covered by this Agreement, every other party to this Agreement shall also make available to such party, at reasonable times and subject to the reasonable requirements of its own businesses, such of its personnel as may have information relevant to such matters, provided that such party shall reimburse the providing party for its reasonable costs for employee time incurred in connection therewith if more than one business day is required.

10.6 Specific Performance; Remedies Cumulative. Each party acknowledges and agrees that the breach of this Agreement would cause irreparable damage to the other party hereto and that neither party will have an adequate remedy at law. Therefore, the obligations of the Company and the Sponsor under this Agreement shall be enforceable by a decree of specific performance issued by any court of competent jurisdiction, and appropriate injunctive relief may be applied for and granted in connection therewith. Such remedies shall, however, be cumulative and not exclusive and shall be in addition to any other remedies which any party may have under this Agreement or otherwise.

10.7 Presumptions. It is expressly acknowledged and agreed that all parties have been represented by counsel and have participated in the negotiation and drafting of this Agreement, and that there shall be no presumption against any party on the ground that such party was responsible for preparing this Agreement or any part of it.

10.8 Exhibits and Schedules. Each of the Exhibits and Schedules referred to in, and/or attached to, this Agreement is an integral part of this Agreement and is incorporated in this Agreement by this reference.

10.9 Interpretation; Conflict. When a reference is made in this Agreement to Sections, Exhibits or Schedules, such reference shall be to a Section of or Exhibit or Schedule to this Agreement unless otherwise indicated. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation”. No provision of this Agreement shall be construed to require the Sponsor, the Company or any of their respective Subsidiaries or Affiliates to take any action which would violate any Applicable Law, rule or regulation. In the event of any conflict between the terms of this Agreement and the Plan of Conversion, the terms of the Plan of Conversion shall control.

10.10 Counterparts. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

10.11 Entire Agreement. This Agreement (including the documents and the instruments referred to in this Agreement) and the Confidentiality Agreement constitute the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter of this Agreement.

10.12 Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of Delaware, without regard to any applicable conflicts of law principles, except that the Plan of Conversion shall be effected in accordance with and governed by the laws of the State of Colorado, and the insurance laws of the State of Colorado as they relate to the Company shall govern to the extent the application of such laws would be inconsistent with or in contravention of the laws of the State of Delaware.

10.13 Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

10.14 Publicity. The Sponsor and the Company shall develop a joint communications plan and each party shall (a) ensure that all press releases and other public statements and communications with respect to this Agreement and the transactions contemplated hereby shall be consistent with such joint communications plan and (b) unless otherwise required by Applicable Law, consult with each other for a reasonable time before issuing any press release or otherwise making any public statement or communication, and mutually agree upon any such press release or any such public statement or communication, with respect to this Agreement or the transactions contemplated hereby. In addition to the foregoing, unless otherwise required by Applicable Law, neither the Sponsor nor the Company shall issue any press release or otherwise make any public statement or disclosure concerning the other party or the other party's business, financial conditions or results of operations without the consent of the other party.

10.15 Assignment; Third Party Beneficiaries. Neither this Agreement nor any of the rights, interests or obligations shall be assigned by any of the parties to this Agreement (whether by operation of law or otherwise) without the prior written consent of the other parties to this Agreement. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns. Except as otherwise specifically provided in Sections 3.2(b), 3.2(d) and 7.5, this Agreement (including the documents and instruments referred to in this Agreement) is not intended to confer upon any person other than the parties to this Agreement any rights or remedies under this Agreement.

10.16 Disclaimer. As an essential inducement to the Company to enter into this Agreement, Sponsor acknowledges, understands and agrees, as of the Closing Date, as follows:

(a) Sponsor is a sophisticated insurance company familiar with the ownership and operation of a business similar to the Company's business, and Sponsor has had adequate opportunity to complete all physical, legal and financial examinations and investigations relating to the Company, its assets and its business as Sponsor deems necessary.

(b) The Company disclaims any representations, warranties or guarantees of any kind regarding the value or financial condition of the Company or the suitability of the Company's assets for Sponsor's intended uses.

(c) This Section 10.16 will survive the Closing or the termination of this Agreement.

10.17 Definitions.

(a) The following terms, as used in this Agreement, have the meanings that follow:

"Affiliate" means with respect to any specified Person, any other Person that at the time of determination directly, or indirectly through one or more intermediaries, Controls or is Controlled by, or is under common Control with, such specified Person.

"Amended and Restated Articles" means (i) as of the Effective Time, the articles of incorporation of the Company amended and restated at the Effective Time and in substantially the form attached as Exhibit B to this Agreement and (ii) upon the completion of the Redomestication, the articles of incorporation of the Company as amended and restated at such time and in substantially the form attached as Exhibit C to this Agreement.

"Amended and Restated Bylaws" means (i) as of the Effective Time, the bylaws of the Company as amended and restated at the Effective Time and in substantially the form attached as Exhibit D to this Agreement and (ii) upon the completion of the Redomestication, the bylaws of the Company as amended and restated at such time and in substantially the form attached as Exhibit E to this Agreement.

"Applicable Law" means all laws, published rules, statutes, regulations, policies and codes and judgments, injunctions, orders, decrees, licenses, permits and all other requirements of Governmental Authorities applicable to the Person, place and situation in question.

"Board of Directors" means the board of directors (or similar governing body) of the Company or the Sponsor, as applicable.

"Business Day" means any day that is not a Saturday, or Sunday or other day on which commercial banks in the States of Colorado or Mississippi are required or authorized to be closed.

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Control" means, as to any Person, the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise. The terms "Controlled by", "under common Control with" and "Controlling" shall have correlative meanings.

"Effective Date Filing" has the meaning specified in the Plan of Conversion.

"Eligible Member" has the meaning specified in the Plan of Conversion.

"Employee Plan" means any "employee benefit plan," as defined in Section 3(3) of ERISA, whether or not subject to ERISA; any employment, severance or similar service agreement, plan, arrangement or policy; any other plan or arrangement providing for compensation, bonuses, profit-sharing, stock option or other

equity-related rights or other forms of incentive or deferred compensation, vacation benefits, insurance (including any self-insured arrangements), medical, dental or vision benefits, disability or sick leave benefits, life insurance, employee assistance program, workers' compensation, supplemental unemployment benefits, severance benefits and post-employment or retirement benefits (including compensation, pension, insurance or medical benefits); or any loan; in each case including plans, agreements, arrangements or policies, both written and oral, covering or extended to any current or former director, employee or independent contractor.

“Environmental Laws” means any federal, state, local or foreign law (including common law) treaty, judicial decision, regulation, rule, judgment, order, decree, injunction, permit or governmental restriction or requirement in effect on the date hereof relating to protection of the environment or to pollutants, contaminants, wastes or chemicals or any toxic, radioactive, ignitable, corrosive, reactive or otherwise hazardous substances, wastes or materials.

“Environmental Permits” means, with respect to any Person, all permits, licenses, franchises, certificates, approvals and other similar authorizations of Governmental Authorities required by Environmental Laws and affecting, or relating in any way to, the business of such Person or any of such Person's Subsidiaries, as currently conducted.

“ERISA” means the Employee Retirement Income Security Act of 1974.

“ERISA Affiliate” means, with respect to any Person, each trade or business (whether or not incorporated) under common control with, or otherwise treated as a single employer with, such Person, within the meaning of Section 414 of the Code or Section 4001 of ERISA.

“GAAP” means generally accepted accounting principles in the United States.

“Governmental Authority” means any United States federal, state or local or any supra-national or non-U.S. governmental, political subdivision, governmental, regulatory or administrative authority, instrumentality, agency, body or commission, self-regulatory organization or any court, tribunal, or judicial or arbitral body.

“Insurance Laws” means all Applicable Laws applicable to the business of insurance and the regulation of insurance holding companies, whether domestic or foreign, and all applicable orders and directives of Governmental Authorities and market conduct recommendations resulting from market conduct examinations of Insurance Regulators.

“Insurance Regulators” means all Governmental Authorities regulating the business of insurance under the Insurance Laws.

“Knowledge of the Company” means the actual knowledge of any person listed on Exhibit F.

“Lien” means, with respect to any property or asset (real or personal, tangible or intangible), any mortgage, lien, pledge, charge, security interest, encumbrance or other adverse claim of any kind in respect of such property or asset. For purposes of this Agreement, a Person shall be deemed to own subject to a Lien any property or asset that it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such property or asset.

“Material Adverse Effect” means, (i) with respect to the Company: (A) a change, event or effect that has had, or would reasonably be expected to have, a material adverse effect upon the assets, liabilities, condition (financial or otherwise), business or results of operations of the Companies and the Company Subsidiaries (individually or taken as a whole); *provided, however*, that any adverse change, event or effect arising from or related to any of the following shall not be taken into account in determining whether a “Material Adverse Effect” has occurred (except, with respect to any matter described in clauses (1), (2) or (3), to the extent such adverse change, event or effect has a materially disproportionate effect on the Company or the Company Subsidiaries relative to other comparable businesses operating in the private passenger and commercial automobile, homeowners, farmowners, farmers comprehensive and commercial multiple peril insurance businesses): (1) any circumstance, change or effect

(including international events such as acts of terrorism or war) affecting generally companies operating in the private passenger and commercial automobile, homeowners, farmowners, farmers comprehensive and commercial multiple peril insurance businesses; (2) any circumstance, change or effect affecting generally the United States or world economy or capital markets generally, including changes in interest rates; (3) changes in Applicable Laws or SAP or in the interpretation or enforcement thereof; (4) the effect of any fact or circumstance arising solely out of the identity of the Sponsor; or (5) the effects of any breach, violation or non-performance of any provision of this Agreement by the Sponsor or any of its Affiliates; or (B) any event, condition or change that, individually or in the aggregate, materially impairs or delays or could reasonably be expected to materially impair or delay the ability of the Company and the Company Subsidiaries to perform their respective obligations under this Agreement and the Plan of Conversion, including to consummate the transactions contemplated by this Agreement and the Plan of Conversion, and (ii) with respect to the Sponsor, any event, condition or change that, individually or in the aggregate, materially impairs or delays or could reasonably be expected to materially impair or delay the ability of the Sponsor to perform its obligations under this Agreement and the Plan of Conversion, including to consummate the transactions contemplated by this Agreement and the Plan of Conversion.

“**Member**” has the meaning specified in the Plan of Conversion.

“**Membership Interest**” has the meaning specified in the Plan of Conversion.

“**Permitted Lien**” means any Liens included in Section 10.17(b) of the Company Disclosure Schedule.

“**Person**” means an individual, corporation, partnership (general or limited), limited liability company, association, trust or other entity or organization, including any Governmental Authority.

“**Preliminary Approval**” has the meaning specified in the Plan of Conversion.

“**SRIP**” means the Supplemental Retirement Income Plan of the Company, as amended and restated effective January 1, 2012, as further amended on January 1, 2017.

“**Subsidiary**” of any Person means any corporation, general or limited partnership, joint venture, limited liability company, limited liability partnership or other Person that is a legal entity, trust or estate (i) where such Person has the right to elect a majority of the board of directors (or a majority of another body performing similar functions) of such corporation or other Person, whether through ownership of voting securities or interests, by exercising of contractual rights or otherwise, or (ii) of which (or in which) more than 50% of the (A) voting capital stock of such corporation or other Person, (B) interest in the capital or profits of such partnership, joint venture or limited liability company or (C) the beneficial interest in such trust or estate, is at the time of determination directly or indirectly owned or controlled by such Person.

(b) Set forth below is an index to the definitions of all other capitalized terms used in this Agreement.

<u>Term</u>	<u>Section</u>
Acquisition Proposal	7.8(c)
Agreement	Preamble
Burdensome Condition	7.1(a)
Claim	7.5(b)
Closing	10.1
Closing Date	10.1
Closing Date Company Disclosure Schedule	7.6(b)
Commissioner	1.1
Company	Preamble
Company Acquisition Event	9.5
Company Actuarial Analyses	4.19(e)

Company Actuary(ies)	4.19(e)
Company Common Stock	Recitals
Company Contract	4.14(a)
Company Disclosure Schedule	4
Company Holding Company Act Reports	4.6(c)
Company Insurance Policies	4.10(a)
Company Personal Property Leases	4.18(b)
Company Real Property Leases	4.17(b)
Company Recommendation Event	9.1(d)
Company Regulatory Agreement	4.13(a)
Company Reinsurance Treaties	4.19(c)
Company Reserves	4.19(d)
Company SAP Statements	4.6(a)
Company Subsidiaries	4.2(a)
Confidentiality Agreement	7.2(a)
Consideration Notices	3.2(d)
Conversion	Recitals
Distribution List	3.2(c)
Division	1.1
Effective Time	1.5
Enforceability Exceptions	4.5(a)
Indemnified Parties	7.5(b)
Information Statement	1.3
Insurance Premium Amount	7.5(a)
Intellectual Property	4.16(a)
IRS	4.11(a)
Losses	7.5(b)
Owned Real Property	4.17(a)
Payment Agent	3.1
Payment Fund	3.2(b)
Permits	4.1(b)
Plan of Conversion	Recitals
Proposal	1.2
Purchase Price	2.2
Redomestication	7.1(d)
Requisite Regulatory Approvals	8.1(b)
Sale	Recitals
SAP	4.6(b)
September 30, 2018 Statements	4.19(d)
Shares	2.1
Sponsor	Preamble
Tail Policy	7.5(a)
Tax or Taxes	4.11(a)
Tax Return or Tax Returns	4.11(a)
WARN	4.12(e)

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the Sponsor and the Company have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date first above written.

SOUTHERN FARM BUREAU CASUALTY INSURANCE
COMPANY,
a Mississippi corporation

By: /s/ Lydia C. Warren
Name: Lydia C. Warren
Title: Senior Vice President, Legal & Secretary

COLORADO FARM BUREAU MUTUAL INSURANCE
CO.,
a Colorado mutual insurance company

By: /s/ Don Shawcroft
Name: Don Shawcroft
Title: President

EXHIBIT A
TO THE STOCK PURCHASE AGREEMENT

FORM OF PLAN OF CONVERSION

SEE APPENDIX A TO THIS INFORMATION STATEMENT

EXHIBIT B
TO THE STOCK PURCHASE AGREEMENT

AMENDED AND RESTATED ARTICLES (COLORADO)

SEE EXHIBIT B TO APPENDIX A TO THIS INFORMATION STATEMENT

EXHIBIT C
TO THE STOCK PURCHASE AGREEMENT

AMENDED AND RESTATED ARTICLES (MISSISSIPPI)

SEE EXHIBIT C TO APPENDIX A TO THIS INFORMATION STATEMENT

EXHIBIT D
TO THE STOCK PURCHASE AGREEMENT

AMENDED AND RESTATED BYLAWS (COLORADO)

SEE EXHIBIT D TO APPENDIX A TO THIS INFORMATION STATEMENT

EXHIBIT E
TO THE STOCK PURCHASE AGREEMENT

AMENDED AND RESTATED BYLAWS (MISSISSIPPI)

SEE EXHIBIT E TO APPENDIX A TO THIS INFORMATION STATEMENT

KNOWLEDGE OF THE COMPANY

Cheryl Radke

Don Shawcroft

**AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
COLORADO FARM BUREAU INSURANCE COMPANY**

Pursuant to applicable provisions of the Colorado Insurance Code and of the Colorado Business Corporation Act the undersigned corporation adopts the following Amended and Restated Articles of Incorporation of Colorado Farm Bureau Insurance Company (the "Corporation"):

I.

NAME OF CORPORATION

The name of the Corporation shall be **Colorado Farm Bureau Insurance Company**.

II.

PURPOSES OF CORPORATION

The purpose of the Corporation shall be the transaction of all lawful business for which corporations may be incorporated under the Colorado Business Corporation Act and as a Colorado stock insurance company including the writing of multiple lines of insurance coverages in accordance with Colorado Revised Statutes, 1998, Section 10-3-102 as the same may be amended from time to time.

III.

AUTHORIZED SHARES

The total number of shares of all classes of stock which the Company shall have authority to issue is One Hundred Thousand (100,000) shares of common voting stock (one class) with a par value of One Hundred Dollars (\$100) per share. No share of the Corporation's stock shall be subject to assessment.

IV.

PERPETUAL EXISTENCE

The period of existence of the Corporation shall be perpetual.

V.

OFFICES

The registered office and principal office of the Corporation shall be located at 9177 E. Mineral Circle, Centennial, Colorado 80112, and the name of the registered agent is Cheryl Radke. The Corporation may also have, maintain and operate such other offices, either within or without the State of Colorado, as shall be deemed proper and advisable at the discretion of the board of directors of the Corporation or the officers of the Corporation.

VI.

CUMULATIVE VOTING

Cumulative Voting shall not be allowed.

VII.

BOARD OF DIRECTORS

The governance of the Corporation shall be vested in a Board of Directors consisting of six (6) members. The number of directors may be increased or decreased at any annual meeting of the shareholders, such increases or decreases shall be limited to the number provided in the Bylaws. The Board of Directors may from within or without the membership of the Board, appoint an executive committee to conduct such business of the Corporation between regular meetings of the Board of Directors as such Board may determine and delegate. The Chairman of the Board of the Corporation shall be ex-officio a member of the executive committee.

VIII.

LIMITATION ON DIRECTOR LIABILITY

No director of this Corporation shall have any personal liability for monetary damages to the Corporation or its stockholders for breach of his or her fiduciary duty as a director, except that this provision shall not eliminate or limit the personal liability of a director to the Corporation or its stockholders for monetary damages for: (i) any breach of the director's duty of loyalty to the Corporation or its stockholders; (ii) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) voting for or assenting to a distribution in violation of § 7-106-401, Colorado Revised Statutes, as amended, or the Articles of Incorporation if it is established that the director did not perform his or her duties in compliance with § 7-108-401, Colorado Revised Statutes, as amended, provided that the personal liability of a director in this circumstance shall be limited to the amount of the distribution which exceeds what could have been distributed without violation of § 7-106-401, Colorado Revised Statutes, as amended, or the Articles of Incorporation; or (iv) any transaction from which the director directly or indirectly derives an improper personal benefit. Nothing contained herein will be construed to deprive any director of his or her right to all defenses ordinarily available to a director nor will anything herein be construed to deprive any director of any right he or she may have for contribution from any other director or other person.

IX.

AMENDMENT OF THE ARTICLES OF INCORPORATION AND BYLAWS

Neither the Articles of Incorporation nor the Bylaws of the Corporation shall be amended except upon approval of the holders of sixty percent (60%) or more of all issued and outstanding capital stock of the Corporation.

IN WITNESS WHEREOF, the undersigned Secretary of the Corporation has executed these Amended and Restated Articles of Incorporation on this the ___day of _____, 2019.

Secretary

STATE OF COLORADO

COUNTY OF ARAPAHOE

This day personally appeared before me, the undersigned authority in and for the aforesaid jurisdiction, _____, Secretary of the corporation known as Colorado Farm Bureau Insurance Company who, first being duly sworn by me, acknowledged that she signed and executed the above and foregoing Amended and Restated Articles of Incorporation as her act and deed on this ___ day of _____, 2019.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year above written.

Notary Public

My Commission Expires:

**AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
COLORADO FARM BUREAU INSURANCE COMPANY**

Pursuant to applicable provisions of Title 83 of the Mississippi Code of 1972, as amended, the undersigned corporation adopts the following Amended and Restated Articles of Incorporation (“Articles”) of Colorado Farm Bureau Insurance Company (the “Corporation”). These Articles are being adopted for the purpose of causing the redomestication of the Corporation as a Mississippi stock insurance company pursuant to §10-3-125 of the Colorado Revised Statutes and §83-20-1 *et seq.*, Mississippi Code of 1972, as amended. These Articles constitute the Articles of Association of the Corporation required by §83-19-11 of the Mississippi Code of 1972, as amended, and shall be effective from and after the date of approval by the Mississippi Department of Insurance. The Corporation commenced its existence as a Colorado domestic mutual insurance company upon adoption of Articles of Incorporation for the Corporation on May 13, 1950 and filed with the Colorado Secretary of State on June 15, 1950 and was first licensed to engage in the business of insurance in the State of Colorado on October 20, 1950. The Corporation subsequently demutualized and converted to a stock insurance company on [July 1, 2019]:

I.

NAME OF CORPORATION

The name of the Corporation shall be **Colorado Farm Bureau Insurance Company**. The Corporation is a Mississippi stock insurance company.

II.

PURPOSES OF CORPORATION

1. The purpose of the Corporation is to make and enter into all forms of insurance contracts that an insurer may lawfully enter into as a Class 1 insurer or as an insurer that writes accident and health insurance pursuant to §83-19-1 of the Mississippi Code of 1972, as amended, and to carry on all other business activities and financial services that an insurance company may lawfully conduct under the laws of the State of Mississippi.
2. The Corporation is organized under the insurance and corporations laws of the State of Mississippi.

III.

AUTHORIZED SHARES

The total number of shares of all classes of stock which the Corporation shall have authority to issue is One Hundred Thousand (100,000) shares of common voting stock (one class) with a par value of One Hundred Dollars (\$100) per share. No share of the Corporation’s stock shall be subject to assessment.

IV.

PERPETUAL EXISTENCE

The period of existence of the Corporation shall be perpetual.

V.

OFFICES

1. The statutory home office of the Corporation shall be in the City of Ridgeland, Madison County, State of Mississippi. The principal office of the Corporation shall be in the City of Centennial, Arapahoe County, State of Colorado. The Corporation may also have, maintain and operate such other offices, either within or without the State of Mississippi, as shall be deemed proper and advisable at the discretion of the board of directors of the Corporation or the officers of the Corporation.

2. The name, street and post office address of the Corporation's initial registered agent for service of process is:

Name: Lydia C. Warren

Street Address: Southern Farm Bureau Casualty Insurance Company
1800 East County Line Rd., Ridgeland, Mississippi 39157

Post Office Address: Southern Farm Bureau Casualty Insurance Company
P.O. Box 1800, Ridgeland, Mississippi 39158-1800

VI.

CUMULATIVE VOTING

Cumulative Voting shall not be allowed.

VII.

BOARD OF DIRECTORS

The governance of the Corporation shall be vested in a Board of Directors consisting of six (6) members. The number of directors may be increased or decreased at any annual meeting of the shareholders, such increases or decreases shall be limited to the number provided in the Bylaws. The Board of Directors may from within or without the membership of the Board, appoint an executive committee to conduct such business of the Corporation between regular meetings of the Board of Directors as such Board may determine and delegate. The Chairman of the Board of the Corporation shall be ex-officio a member of the executive committee.

VIII.

LIMITATION ON DIRECTOR LIABILITY

A director of this Corporation shall not be personally liable to this Corporation or its shareholders for monetary damages for any action taken, or any failure to take any action, as a director, except liability for: (i) receipt of financial benefit to which the director is not entitled, (ii) an intentional infliction of harm on this Corporation or its shareholders, (iii) a violation of Section 79-4-8.33 of the Mississippi Business Corporation Act; or (iv) an intentional violation of criminal law. If Section 79-4-2.02 of the Mississippi Business Corporation Act is amended after approval by the shareholders of this Article VIII to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of this Corporation shall be eliminated or limited to the fullest extent permitted by Section 79-4-2.02 of the Mississippi Business Corporation Act as so amended.

Any repeal or modification of the foregoing provisions of this Article VIII by the shareholders of this Corporation shall not adversely affect any right or protection of a director of this Corporation existing at the

time of, or increase the liability of any director of this Corporation with respect to any acts or omissions of such director occurring prior to, such repeal or modification.

IX.

AMENDMENT OR RESTATEMENT OF THE ARTICLES OF INCORPORATION AND BYLAWS

1. Neither the Articles of Incorporation nor the Bylaws of the Corporation shall be amended except upon approval of the holders of sixty percent (60%) or more of all issued and outstanding capital stock of the Corporation.

2. Neither the Articles of Incorporation nor the Bylaws of the Corporation shall be amended, restated, modified or repealed, in whole or in part, without the prior approval of the Mississippi Department of Insurance.

IN WITNESS WHEREOF, the undersigned Secretary of the Corporation has executed these Amended and Restated Articles of Incorporation on this the ___ day of _____, 2019.

Secretary

STATE OF MISSISSIPPI

COUNTY OF MADISON

This day personally appeared before me, the undersigned authority in and for the aforesaid jurisdiction, _____, Secretary of the corporation known as Colorado Farm Bureau Insurance Company who, first being duly sworn by me, acknowledged that she signed and executed the above and foregoing Amended and Restated Articles of Incorporation as her act and deed on this ___ day of _____, 2019.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year above written.

Notary Public

My Commission Expires:

**AMENDED AND RESTATED BYLAWS
OF
COLORADO FARM BUREAU INSURANCE COMPANY**

ARTICLE I.
Name and Location

Section 1. The name of this corporation shall be Colorado Farm Bureau Insurance Company.

Section 2. The principal office and statutory home office shall be in the City of Centennial, County of Arapahoe, State of Colorado.

Section 3. Other offices for the transaction of business shall be located at such places as the Board of Directors shall from time to time determine.

ARTICLE II.
Stockholders Meeting

Section 1. Annual Meetings. Regular annual meetings of the stockholders shall be held each year on the date and at the place fixed by the stockholders or the directors.

Section 2. Special Meetings. Special Meetings of the stockholders may be called at any time by the Chairman of the Board (or in the event of death or disability of the Chairman of the Board, by the Vice Chairman), by the President and Chief Executive Officer, by the Board of Directors, or by written request of stockholders holding ten percent (10%) or more of the issued and outstanding shares of stock of the Company, having voting rights in the corporate affairs thereof. Special Meetings of the stockholders may be held at any place within or without the State of Colorado.

Section 3. Notice of Meetings. Written Notice of all annual meetings of stockholders shall be given by the Secretary to each stockholder holding shares of stock, having voting rights in the corporate affairs of the Company, by mailing same to his last known address at least fifteen (15) days before such meeting. Written Notice of all special meetings of stockholders shall be given by the Secretary to each stockholder holding shares of stock having voting rights in the corporate affairs of the Company, by mailing same to his or her last known address at least ten (10) days before such meeting.

All notices of special meetings shall state the objects of such meetings and the business to be considered, and the place, date, and time of such meetings.

Section 4. Quorum. A majority of the issued and outstanding shares of stock having voting rights in the corporate affairs of the Company represented by the holders in person or by proxy shall constitute a quorum for the transaction of business, but a smaller number may adjourn sine die, or from day to day.

Section 5. Proxies. Any stockholder of record holding stock having voting rights in the corporate affairs of the Company may, in writing, authorize any member of the Board of Directors of the Company to vote in his behalf in all stockholders' meetings, but written proxies must be filed with the Secretary of the Company before the convening of the stockholders' meeting, at which time the same are to be used.

ARTICLE III.
Board of Directors

Section 1. Powers - Number. The corporate powers, business and corporate property of the Company shall be exercised, conducted and controlled by the Board of Directors. The Board of Directors shall consist of six (6) members: one (1) member each from the States of Arkansas, Colorado, Florida, Louisiana, Mississippi and South Carolina who shall be the President of the state Farm Bureau from that state; No salaried staff employee of any Farm Bureau entity, except a state Farm Bureau President shall be elected to hold the office of director.

Section 2. Qualifications of Directors. No person may serve as a director of the Company if such person has previously been convicted, pleaded guilty or nolo contendere to a felony criminal offense or is otherwise found unsuitable to serve in such capacity by the Colorado Division of Insurance.

Section 3. Election of Chairman and Vice Chairman. The Board of Directors shall annually elect, from its own number, a Chairman of the Board and a Vice Chairman.

ARTICLE IV
Officers

Section 1. Election. The Board of Directors may elect or appoint, from outside the Board of Directors, a President and Chief Executive Officer, Chief Financial Officer, one or more Senior Vice Presidents, a Treasurer, a Secretary, one or more Vice Presidents and such other officers as the Board may determine that the interests of the Company may require.

The Board of Directors shall have power to prescribe the powers and duties for the officers and employees herein provided for and to change such duties whenever the Board may deem it necessary or advisable.

The President and Chief Executive Officer, Chief Financial Officer, Senior Vice Presidents, Treasurer, Secretary, Vice Presidents and other officers shall each serve for the term fixed by the Board of Directors and until their successor shall have been elected or appointed and have qualified.

Section 2. Compensation. Officers of the Company shall serve upon a full time or part time basis, as the Board of Directors determines. The President and Chief Executive Officer shall receive such salary or compensation as the Compensation Committee recommends and the Board of Directors approves.

Section 3. Holding of Dual Offices. The offices of President and Treasurer shall not be held by the same individual.

ARTICLE V.
Standing Committees

Investment Committee - Appointment - Powers. The Board of Directors may set up an Investment Committee, which may be composed of both Board and non-Board members, charged with the duty of supervising loans and investments and such committee when so constituted shall organize and operate in accordance with the next succeeding paragraph of this Article.

The Investment Committee shall organize with a Chairman and a Secretary from among its members. The Chairman of the Board shall be a member of the Investment Committee. It shall be the duty of the Investment Committee and it shall have power, subject to such limitations as the Board of Directors may provide, to direct the mode, manner and time of making and calling in investments and the sale, purchase, and transfer of stocks, bonds, securities, and other investments, both real and personal, and reinvestment of the proceeds thereof; to examine all funds and securities as often as they may deem necessary or when required by the Board; and to report to each stated meeting, and as often as

requested by the Board, the condition of the funds, securities and investments of the Company. The Investment Committee may delegate the authority to transact the routine day to day investment duties including, but not limited to, the sale, purchase, and transfer of stocks, bonds, securities, and other investments, both real and personal. By special vote of the Investment Committee from time to time and whenever necessary, the Investment Committee shall have the power to authorize the establishment of bank, custodial, and safekeeping accounts and depositories, and to adopt resolutions and designate authorized signatories therefor. The Secretary of the Investment Committee shall keep a complete record of the proceedings thereof. Notice of any special meeting of the Investment Committee shall be given to each member of the Committee at least three days in advance of the meeting by delivering the same to him personally, or mailing, or sending by electronic mail, or facsimile transmitting the same to him at his residence or usual business address. Meetings of the Investment Committee may be held at any time and at any place without notice if consented to in writing or by facsimile transmission, by all members of the Committee.

Meetings of the Investment Committee may be held by means of video or telephone conference or similar communications equipment so long as all persons participating in the meeting can hear and speak to each other. Attendance at, or participation by video/telephonic means in, any special meeting of the Investment Committee shall constitute waiver of notice.

The Board of Directors shall have power, however, to modify, add to, take from, or otherwise change the duties and functions of such committee as it may from time to time see fit.

ARTICLE VI. **Duties of Officers**

Section 1. Officers of the Company shall have such authority and perform such duties in the management of the Company as generally pertain to their respective offices and shall have such other powers as delegated by the Board of Directors from time to time.

Section 2. Notwithstanding Section 1 of this Article, the Secretary of the Company shall cause the minutes of all meetings of the directors and stockholders to be recorded in books provided for that purpose and shall have charge of the corporate seal and corporate records.

ARTICLE VII. **Bonds**

Section 1. The officers of the Company, or such of them as may be required by the Board of Directors, shall give bond for the faithful performance of their duties and for the payment of all monies and the delivery of all property of the Company received by them, to the extent and in such amounts, in such form and with such sureties as the Board of Directors may prescribe. To the extent any such bond is required, any costs associated with the procurement of the bond shall be borne by the Company.

Section 2. After each annual election of officers and if required by the Board of Directors, their bonds shall be submitted anew for the approval of the Board of Directors. Adequate bonds shall be maintained in accordance with the instructions of the Board of Directors.

ARTICLE VIII. **Delegation of** **Duties of Officers**

In the absence or disability of any officer of the Company, or for any reason satisfactory to the Board of Directors, the Board of Directors may from time to time delegate the powers and duties of any such officer to any other officer.

ARTICLE IX.
Operating Policies

Section 1. Farm Bureau Membership. The Company shall sell or issue direct policies of insurance only to persons who are members of a county Farm Bureau agricultural organization (which organization is cooperating with the State Farm Bureau agricultural organization/federation). Membership in the Farm Bureau organization will not automatically entitle that person to the right to purchase an insurance contract from this Company. The Company expressly reserves the right to accept or reject any insurance application submitted to it, based on standards established by the Company.

Section 2. Public Offices. Except as hereinafter provided, no officer or director or candidate for officer or director of this Company shall be a candidate for nomination, election or appointment to or the holder of any remunerative, elective or appointive Federal or State public office or position where the compensation is payable on other than a per diem basis. In the event any officer or director of the Company is elected or appointed to any such public office or position, his office or directorship in the Company automatically shall become vacant. In the event any candidate for office or directorship in this Company shall be elected or appointed to any such public office or position, his candidacy for office or directorship in the Company shall be deemed to be automatically withdrawn and abandoned.

In the event any officer or director in this Company shall be nominated or become a candidate for such public office or position, said officer or director shall have the option to either resign as officer or director, or take a leave of absence from his position as officer or director, during the campaign. If a leave of absence is chosen by said officer or director, the position with the Company shall remain vacant until the election is completed.

Section 3. Employment of Members of Families. No member of the immediate family of an officer or director of the Company shall be eligible for employment or be employed by the Company or by any subsidiary of the Company. "Member of the immediate family" shall mean and include the spouse and the children, sisters, brothers and parents of the officer or director whether the relationship is of the whole or half blood, foster, or arises by marriage and also shall mean and include any blood, marital or foster relative residing in the same household with such officer or director.

ARTICLE X.
Stock Certificates

Section 1. Certificates Issued. Certificates of stock shall be issued to the holders of paid-up stock in this Company. Such certificates shall be signed by the Chairman of the Board and countersigned by the Secretary.

Section 2. Transfer. Stock shall be transferred by endorsement of the certificate by the owner thereof and by proper entry upon the books of the Company and upon the surrender of the stock certificate for cancellation. Such stock shall be transferred on the books of the Company and a new certificate shall be issued to the transferee. Any transfer of stock shall be subject to prior notice to and approval by the Colorado Division of Insurance in accordance with applicable laws and regulations.

ARTICLE XI.
Indemnification

The Company shall indemnify each director, officer, employee or agent of the Company who is or is threatened to be made a party to any action, proceeding or suit, whether administrative, civil, criminal, or investigative (other than any action, proceeding or suit by or in behalf of the Company) by reason of the fact that he or she is or was a director, officer, employee or agent of the Company, or is or was serving at the request of the Company in such a capacity of the Company or of another Company or organization, against expenses (including attorneys' fees), fines, judgments, and amounts paid in settlement actually and reasonably incurred by him or her in connection with any such action, proceeding or suit if he or she reasonably acted in good faith and in a manner he or she reasonably believed to be in or not opposed

to the best interests of the Company and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, proceeding or suit by judgment, order, settlement, conviction, or upon a plea of nolo contendere, or its equivalent, in and of itself, shall not create a presumption that he or she did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful. In the discretion of the board of directors of the Company, the Company may make advances before final disposition of any such action, proceeding or suit, in respect of indemnification under this Section. The Company may purchase and maintain insurance on behalf of itself and its directors, officers, employees and agents against any liability that may be asserted against it or against any individual in such a capacity arising out of their status as such.

ARTICLE XII.

Seal

The seal of the Company shall be circular in form and shall have engraved thereon "COLORADO FARM BUREAU INSURANCE COMPANY" surrounding the word "Seal". The seal impressed on the margin hereof is hereby adopted as the seal of this Company.

ARTICLE XIII.

Signatory Authority

The Board of Directors, or the Investment Committee in accordance with these Bylaws, shall by resolution entered on its minutes determine and fix the authority and duties of officers and employees with respect to the signing on behalf of the Company all checks, drafts, deeds, leases, contracts, assignments, and other instruments, documents and papers of every kind and character whatsoever.

ARTICLE XIV.

Amendments

These By-Laws may be amended at any regular or special meeting of the stockholders by the affirmative vote of sixty percent (60%) of all the issued and outstanding stock of the Company, having voting rights in the corporate affairs thereof.

ARTICLE XV.

Fiscal Year

The fiscal year of the Company shall begin on January 1 and end on December 31.

ARTICLE XVI.

Conflicting Provisions

In the event of any conflict between these Bylaws and the Articles of Incorporation of the Company, as from time to time amended, the provisions of the Articles of Incorporation shall control.

ARTICLE XVII.

Controlling Law

Nothing herein shall be contrary to the Colorado insurance laws and regulations.

**AMENDED AND RESTATED BYLAWS
OF
COLORADO FARM BUREAU INSURANCE COMPANY**

**ARTICLE I.
Name and Location**

Section 1. The name of this corporation shall be Colorado Farm Bureau Insurance Company.

Section 2. The principal office and statutory home office shall be in the City of Ridgeland, County of Madison, State of Mississippi.

Section 3. Other offices for the transaction of business shall be located at such places as the Board of Directors shall from time to time determine.

**ARTICLE II.
Stockholders Meeting**

Section 1. Annual Meetings. Regular annual meetings of the stockholders shall be held each year on the date and at the place fixed by the stockholders or the directors.

Section 2. Special Meetings. Special Meetings of the stockholders may be called at any time by the Chairman of the Board (or in the event of death or disability of the Chairman of the Board, by the Vice Chairman), by the President and Chief Executive Officer, by the Board of Directors, or by written request of stockholders holding ten percent (10%) or more of the issued and outstanding shares of stock of the Company, having voting rights in the corporate affairs thereof. Special Meetings of the stockholders may be held at any place within or without the State of Mississippi.

Section 3. Notice of Meetings. Written Notice of all annual meetings of stockholders shall be given by the Secretary to each stockholder holding shares of stock, having voting rights in the corporate affairs of the Company, by mailing same to his last known address at least fifteen (15) days before such meeting. Written Notice of all special meetings of stockholders shall be given by the Secretary to each stockholder holding shares of stock having voting rights in the corporate affairs of the Company, by mailing same to his or her last known address at least ten (10) days before such meeting.

All notices of special meetings shall state the objects of such meetings and the business to be considered, and the place, date, and time of such meetings.

Section 4. Quorum. A majority of the issued and outstanding shares of stock having voting rights in the corporate affairs of the Company represented by the holders in person or by proxy shall constitute a quorum for the transaction of business, but a smaller number may adjourn sine die, or from day to day.

Section 5. Proxies. Any stockholder of record holding stock having voting rights in the corporate affairs of the Company may, in writing, authorize any member of the Board of Directors of the Company to vote in his behalf in all stockholders' meetings, but written proxies must be filed with the Secretary of the Company before the convening of the stockholders' meeting, at which time the same are to be used.

ARTICLE III.
Board of Directors

Section 1. Powers - Number. The corporate powers, business and corporate property of the Company shall be exercised, conducted and controlled by the Board of Directors. The Board of Directors shall consist of six (6) members: one (1) member each from the States of Arkansas, Colorado, Florida, Louisiana, Mississippi and South Carolina who shall be the President of the state Farm Bureau from that state; No salaried staff employee of any Farm Bureau entity, except a state Farm Bureau President shall be elected to hold the office of director.

Section 2. Qualifications of Directors. No person may serve as a director of the Company if such person has previously been convicted, pleaded guilty or nolo contendere to a felony criminal offense or is otherwise found unsuitable to serve in such capacity by the Mississippi Insurance Department.

Section 3. Election of Chairman and Vice Chairman. The Board of Directors shall annually elect, from its own number, a Chairman of the Board and a Vice Chairman.

ARTICLE IV
Officers

Section 1. Election. The Board of Directors may elect or appoint, from outside the Board of Directors, a President and Chief Executive Officer, Chief Financial Officer, one or more Senior Vice Presidents, a Treasurer, a Secretary, one or more Vice Presidents and such other officers as the Board may determine that the interests of the Company may require.

The Board of Directors shall have power to prescribe the powers and duties for the officers and employees herein provided for and to change such duties whenever the Board may deem it necessary or advisable.

The President and Chief Executive Officer, Chief Financial Officer, Senior Vice Presidents, Treasurer, Secretary, Vice Presidents and other officers shall each serve for the term fixed by the Board of Directors and until their successor shall have been elected or appointed and have qualified.

Section 2. Compensation. Officers of the Company shall serve upon a full time or part time basis, as the Board of Directors determines. The President and Chief Executive Officer shall receive such salary or compensation as the Compensation Committee recommends and the Board of Directors approves.

Section 3. Holding of Dual Offices. The offices of President and Treasurer shall not be held by the same individual.

ARTICLE V.
Standing Committees

Investment Committee - Appointment - Powers. The Board of Directors may set up an Investment Committee, which may be composed of both Board and non-Board members, charged with the duty of supervising loans and investments and such committee when so constituted shall organize and operate in accordance with the next succeeding paragraph of this Article.

The Investment Committee shall organize with a Chairman and a Secretary from among its members. The Chairman of the Board shall be a member of the Investment Committee. It shall be the duty of the Investment Committee and it shall have power, subject to such limitations as the Board of Directors may provide, to direct the mode, manner and time of making and calling in investments and the sale, purchase, and transfer of stocks, bonds, securities, and other investments, both real and personal, and reinvestment of the proceeds thereof; to examine all funds and securities as often as they may deem necessary or when required by the Board; and to report to each stated meeting, and as often as requested by the Board, the condition of the funds, securities and investments of the Company.

The Investment Committee may delegate the authority to transact the routine day to day investment duties including, but not limited to, the sale, purchase, and transfer of stocks, bonds, securities, and other investments, both real and personal. By special vote of the Investment Committee from time to time and whenever necessary, the Investment Committee shall have the power to authorize the establishment of bank, custodial, and safekeeping accounts and depositories, and to adopt resolutions and designate authorized signatories therefor. The Secretary of the Investment Committee shall keep a complete record of the proceedings thereof. Notice of any special meeting of the Investment Committee shall be given to each member of the Committee at least three days in advance of the meeting by delivering the same to him personally, or mailing, or sending by electronic mail, or facsimile transmitting the same to him at his residence or usual business address. Meetings of the Investment Committee may be held at any time and at any place without notice if consented to in writing or by facsimile transmission, by all members of the Committee.

Meetings of the Investment Committee may be held by means of video or telephone conference or similar communications equipment so long as all persons participating in the meeting can hear and speak to each other. Attendance at, or participation by video/telephonic means in, any special meeting of the Investment Committee shall constitute waiver of notice.

The Board of Directors shall have power, however, to modify, add to, take from, or otherwise change the duties and functions of such committee as it may from time to time see fit.

ARTICLE VI.
Duties of Officers

Section 1. Officers of the Company shall have such authority and perform such duties in the management of the Company as generally pertain to their respective offices and shall have such other powers as delegated by the Board of Directors from time to time.

Section 2. Notwithstanding Section 1 of this Article, the Secretary of the Company shall cause the minutes of all meetings of the directors and stockholders to be recorded in books provided for that purpose and shall have charge of the corporate seal and corporate records.

ARTICLE VII.
Bonds

Section 1. The officers of the Company, or such of them as may be required by the Board of Directors, shall give bond for the faithful performance of their duties and for the payment of all monies and the delivery of all property of the Company received by them, to the extent and in such amounts, in such form and with such sureties as the Board of Directors may prescribe. To the extent any such bond is required, any costs associated with the procurement of the bond shall be borne by the Company.

Section 2. After each annual election of officers and if required by the Board of Directors, their bonds shall be submitted anew for the approval of the Board of Directors. Adequate bonds shall be maintained in accordance with the instructions of the Board of Directors.

ARTICLE VIII.
Delegation of
Duties of Officers

In the absence or disability of any officer of the Company, or for any reason satisfactory to the Board of Directors, the Board of Directors may from time to time delegate the powers and duties of any such officer to any other officer.

ARTICLE IX.
Operating Policies

Section 1. Farm Bureau Membership. The Company shall sell or issue direct policies of insurance only to persons who are members of a county Farm Bureau agricultural organization (which organization is cooperating with the State Farm Bureau agricultural organization/federation). Membership in the Farm Bureau organization will not automatically entitle that person to the right to purchase an insurance contract from this Company. The Company expressly reserves the right to accept or reject any insurance application submitted to it, based on standards established by the Company.

Section 2. Public Offices. Except as hereinafter provided, no officer or director or candidate for officer or director of this Company shall be a candidate for nomination, election or appointment to or the holder of any remunerative, elective or appointive Federal or State public office or position where the compensation is payable on other than a per diem basis. In the event any officer or director of the Company is elected or appointed to any such public office or position, his office or directorship in the Company automatically shall become vacant. In the event any candidate for office or directorship in this Company shall be elected or appointed to any such public office or position, his candidacy for office or directorship in the Company shall be deemed to be automatically withdrawn and abandoned.

In the event any officer or director in this Company shall be nominated or become a candidate for such public office or position, said officer or director shall have the option to either resign as officer or director, or take a leave of absence from his position as officer or director, during the campaign. If a leave of absence is chosen by said officer or director, the position with the Company shall remain vacant until the election is completed.

Section 3. Employment of Members of Families. No member of the immediate family of an officer or director of the Company shall be eligible for employment or be employed by the Company or by any subsidiary of the Company. "Member of the immediate family" shall mean and include the spouse and the children, sisters, brothers and parents of the officer or director whether the relationship is of the whole or half blood, foster, or arises by marriage and also shall mean and include any blood, marital or foster relative residing in the same household with such officer or director.

ARTICLE X.
Stock Certificates

Section 1. Certificates Issued. Certificates of stock shall be issued to the holders of paid-up stock in this Company. Such certificates shall be signed by the Chairman of the Board and countersigned by the Secretary.

Section 2. Transfer. Stock shall be transferred by endorsement of the certificate by the owner thereof and by proper entry upon the books of the Company and upon the surrender of the stock certificate for cancellation. Such stock shall be transferred on the books of the Company and a new certificate shall be issued to the transferee. Any transfer of stock shall be subject to prior notice to and approval by the Mississippi Insurance Department in accordance with applicable laws and regulations.

ARTICLE XI.
Indemnification

The Company shall indemnify each director, officer, employee or agent of the Company who is or is threatened to be made a party to any action, proceeding or suit, whether administrative, civil, criminal, or investigative (other than any action, proceeding or suit by or in behalf of the Company) by reason of the fact that he or she is or was a director, officer, employee or agent of the Company, or is or was serving at the request of the Company in such a capacity of the Company or of another Company or organization, against expenses (including attorneys' fees), fines, judgments, and amounts paid in settlement actually and reasonably incurred by him or her in connection with any such

action, proceeding or suit if he or she reasonably acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, proceeding or suit by judgment, order, settlement, conviction, or upon a plea of nolo contendere, or its equivalent, in and of itself, shall not create a presumption that he or she did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful. In the discretion of the board of directors of the Company, the Company may make advances before final disposition of any such action, proceeding or suit, in respect of indemnification under this Section. The Company may purchase and maintain insurance on behalf of itself and its directors, officers, employees and agents against any liability that may be asserted against it or against any individual in such a capacity arising out of their status as such.

ARTICLE XII.

Seal

The seal of the Company shall be circular in form and shall have engraved thereon "COLORADO FARM BUREAU INSURANCE COMPANY" surrounding the word "Seal". The seal impressed on the margin hereof is hereby adopted as the seal of this Company.

ARTICLE XIII.

Signatory Authority

The Board of Directors, or the Investment Committee in accordance with these Bylaws, shall by resolution entered on its minutes determine and fix the authority and duties of officers and employees with respect to the signing on behalf of the Company all checks, drafts, deeds, leases, contracts, assignments, and other instruments, documents and papers of every kind and character whatsoever.

ARTICLE XIV.

Amendments

These By-Laws may be amended at any regular or special meeting of the stockholders by the affirmative vote of sixty percent (60%) of all the issued and outstanding stock of the Company, having voting rights in the corporate affairs thereof.

ARTICLE XV.

Fiscal Year

The fiscal year of the Company shall begin on January 1 and end on December 31.

ARTICLE XVI.

Conflicting Provisions

In the event of any conflict between these Bylaws and the Articles of Incorporation of the Company, as from time to time amended, the provisions of the Articles of Incorporation shall control.

ARTICLE XVII.

Controlling Law

Nothing herein shall be contrary to the Mississippi Insurance laws and regulations.

COLORADO FARM BUREAU MUTUAL INSURANCE CO.

9177 East Mineral Circle

Centennial, Colorado 80112

[insert date]

NOTICE OF SPECIAL MEETING OF MEMBERS

To be held on [insert date], 2019

To the Members of Colorado Farm Bureau Mutual Insurance Co.:

NOTICE IS HEREBY GIVEN that a special meeting of the members of Colorado Farm Bureau Mutual Insurance Co., a Colorado mutual insurance company (the “**Company**”), will be held on **[insert date]**, 2019, at [5:00 p.m.], Mountain time, at the Company’s offices at 9177 East Mineral Circle, Centennial, Colorado 80112, and any adjournment or postponement thereof (the “**Special Meeting**”), for the following purposes:

To consider and vote upon a proposal to approve and adopt the Plan of Conversion dated [●], 2019 (the “**Plan of Conversion**”) and the transactions contemplated thereby, including, without limitation, the redomestication of the Company to Mississippi, the Stock Purchase Agreement dated [●], 2019 (the “**Stock Purchase Agreement**”) by and among the Company and Southern Farm Bureau Casualty Insurance Company, a Mississippi corporation, a proposal to amend and restate the articles of incorporation of the Company and a proposal to amend and restate the bylaws of the Company (collectively referred to as the “**Proposal**”); and

To transact such other business, if any, as may properly come before the Special Meeting or any adjournments, postponements, reschedulings or continuations thereof.

In accordance with the Plan of Conversion, only members of the Company with policies in force on [●], 2019 are entitled to notice of, and to vote at, the Special Meeting (such members are referred to herein as “**Eligible Members**”). Each Eligible Member is entitled to cast one vote at the Special Meeting regardless of the number of policies held by such Eligible Member. The Company’s bylaws provide that the presence, in person or by proxy, of at least 500 Eligible Members shall constitute a quorum for purposes of considering the matters presented at the Special Meeting. Approval and adoption of the Proposal requires the affirmative vote of at least two-thirds of the votes cast by the Eligible Members voting, in person or by proxy, at the Special Meeting.

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING IN PERSON, PLEASE MARK, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD PROMPTLY TO THE COMPANY IN THE ENCLOSED POSTAGE PAID REPLY ENVELOPE.

FOR INFORMATION REGARDING THE PROPOSAL, CONTACT:

[•]
Colorado Farm Bureau Mutual Insurance Co.
9177 East Mineral Circle
Centennial, Colorado 80112
[(303) 749-7500]

Proxies are valid only if the proxy card is properly executed and received by the Company prior to [5:00 p.m.] Mountain time on **[insert date]**, 2019, which is five days prior to the Special Meeting or any adjournment thereof. If you attend the Special Meeting, you may vote personally whether or not you have previously submitted a proxy card and such vote shall be in lieu of your previously submitted proxy card.

By Order of the Board of Directors

[•]
Secretary

[•], 2019
Centennial, Colorado

[CO Mutual Letterhead]

NOTICE TO HOLDERS OF INSURANCE POLICIES
ISSUED AFTER [●], 20[19]

Effective as of [●], 20[19] (the “Effective Date”), Colorado Farm Bureau Mutual Insurance Co., a Colorado mutual insurance company (the “Company”) consummated its plan of conversion, pursuant to which the Company converted from a mutual insurance company to a stock insurance company (the “Conversion”). In addition, the Company also entered into a stock purchase agreement, pursuant to which the newly converted stock insurance company has issued 100% of the shares of its common stock to, and was acquired by, Southern Farm Bureau Casualty Insurance Company, a Mississippi corporation (the “Sponsor,” and such acquisition, the “Purchase”). In connection with the Conversion and the Purchase, the Company has redomesticated to Mississippi, the state of domicile of the Sponsor (the “Redomestication”). The Conversion along with the Purchase and Redomestication are collectively referred to as the “Plan”. The Company has filed the Plan and other required documentation and has received final approval of the Commissioner of the Colorado Division of Insurance (the “Commissioner”). The Plan was adopted by two-thirds of the votes cast at a special meeting of eligible members of the Company who owned insurance policies that were in force on [●], 20[19] (the “Eligibility Date”). On the Effective Date, the Company’s eligible members became entitled to receive cash compensation in exchange for the extinguishment of their membership interests in the Company, including, but not limited to, their right to vote in the elections of Directors.

Following the completion of the transactions contemplated by the Plan, the Company will continue to have its home office and headquarters in Centennial, Colorado, and the Company will continue to be a Colorado-licensed insurance company focused on the Company’s Colorado policyholders. There will be no interruption of services to the Company’s policyholders as a result of the Plan.

The Plan will not cause any change to your insurance coverage under the terms of your policy. However, because your policy was issued subsequent to the Eligibility Date, (a) you were not eligible to vote on the Plan; (b) all of your membership rights in the Company including, but not limited to, your right to vote in the elections of Directors, were extinguished on the Effective Date of the Plan; and (c) you were not entitled to receive any consideration upon the Conversion or Purchase.

Accordingly, the Company hereby notifies you of your right under your insurance policy to cancel your insurance policy and receive a refund of the full amount of the unearned premiums you have paid to the Company for such cancelled insurance policy in accordance with its terms. If you choose to cancel your policy as of any date, we will return the full amount of your unearned premium.

If you elect to cancel your policy you will have no insurance under such policy from the effective date of the cancellation.

THIS NOTICE APPLIES ONLY TO NEWLY ISSUED POLICIES AND NOT RENEWAL POLICIES THAT WERE IN FORCE ON OR AFTER [●], 20[19].

Should you have any questions regarding this notice, please feel free to contact the Company at the following number [1-800-315-5998].

COLORADO FARM BUREAU MUTUAL INSURANCE
CO.

By: Cheryl Radke
Title: Chief Executive Officer

DIRECTORS

Ronald Anderson

John Hoblick

Mike McCormick

Harry Ott

Randy Veach

Don Shawcroft

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Waller Helms Advisors LLC
205 W. Wacker Dr. Ste. 2000
Chicago, IL 60606

December 21, 2018

STRICTLY CONFIDENTIAL

Board of Directors
Colorado Farm Bureau Mutual Insurance Co.
9177 E. Mineral Circle
Centennial, CO 80112

Members of the Board of Directors:

We understand that Colorado Farm Bureau Mutual Insurance Co., a Colorado-domiciled mutual insurance company, (the “Company”), proposes: (a) to convert from a mutual insurance company (the “Conversion”) to a stock insurance company via a Plan of Conversion (the “Plan of Conversion”), (b) to enter into a Stock Purchase Agreement (the “Stock Purchase Agreement”) with Southern Farm Bureau Casualty Insurance Company, a Mississippi-domiciled stock insurance company (the “Sponsor”), whereby the Sponsor will acquire all of the newly issued shares of common stock of the Company (the “Purchase”) and (c) to redomesticate the Company from Colorado to Mississippi. We understand that the Plan of Conversion shall provide for and be contingent on the Purchase by the Sponsor as part of the Conversion (together, the Conversion and Purchase, the “Sponsored Demutualization”). We further understand that the Plan of Conversion will be approved and adopted by the Company’s Board of Directors and distributed to Eligible Members for approval, with such approval being subject at least two-thirds of the votes cast by Eligible Members in person or by proxy at the Special Meeting. Capitalized terms used but not defined in or as stated in this letter are used herein as defined in the Stock Purchase Agreement, the Plan of Conversion or the respective schedules to each.

We further understand that, in accordance with the Stock Purchase Agreement, the consideration to be paid to Eligible Members in exchange for the extinguishment of their Membership Interests shall be cash in an aggregate amount equal to \$25,700,000 (the “Purchase Price”). The Stock Purchase Agreement does not include any earnouts, escrows, holdbacks or other mechanisms that would lower the cash consideration received by the Eligible Members at close. We also recognize that the Sponsor is a well-capitalized insurance company with over \$2.7 billion in assets and has the financial resources on hand to pay the Purchase Price in cash at the Closing.

We further understand that the allocation methodology for the Purchase Price to be paid to each Eligible Member (the “Conversion Payment”) in the Sponsored Demutualization is outlined in the Plan of Conversion and has been, or will be, adopted and approved by the Board of Directors of the Company. We understand that the Company is using a premiums paid-based methodology to determine the cash payment to each

Eligible Member, whereby: (a) Total Eligible Premium is the sum of all premiums paid by Eligible Members on the Eligibility Date and in the previous thirty-six consecutive months on Eligible Policies (the “Total Eligible Premium”); (b) each Eligible Member’s Eligible Premium is the sum of all premiums paid by the Eligible Member on its Eligible Policies as of the Eligibility Date in the previous thirty-six consecutive months (the “Eligible Premium”); (c) the Conversion Factor is equal to the Purchase Price divided by the Total Eligible Premium (the “Conversion Factor”); and (d) the Conversion Payment is equal to the Conversion Factor multiplied by each Eligible Member’s Eligible Premium.

You have asked us whether, in our opinion, as of the date hereof, the aggregate consideration to be received by Eligible Members, as a group, pursuant to the transactions contemplated by the Plan of Conversion, is fair from a financial point of view to such Eligible Members. You have not asked us to express, and we are not expressing, any opinion with respect to any of the other terms, conditions, determinations or actions with respect to the Sponsored Demutualization, including the fairness of the allocation of consideration to each Eligible Member. As part of our business, we are engaged in the evaluation of businesses and their securities in connection with mergers and acquisitions, private placements and valuations for estate, corporate and other purposes.

In connection with rendering our opinion, we have, among other things:

- i. Reviewed the terms and conditions in the draft Stock Purchase Agreement dated December 7, 2018;
- ii. Reviewed the terms and conditions in the draft Plan of Conversion dated December 5, 2018;
- iii. Reviewed the historical statutory financial statements of the Company that were made available to us by the Company in the online data room;
- iv. Reviewed the operating data relating to the Company’s performance that were provided in via the online data room;
- v. Reviewed financial projections provided by the Company;
- vi. Reviewed the reinsurance information provided by the Company;
- vii. Reviewed key material contracts provided by the Company;
- viii. Reviewed certain information regarding strategic, financial and operational benefits anticipated to result from the Sponsored Demutualization that were provided to or discussed with us by the management and the Board of Directors of the Company;
- ix. Held telephonic meetings with the Company’s senior leadership to discuss the business and operations of the Company;

- x. Held telephonic meetings with the Company's legal counsel to discuss the Sponsored Demutualization mechanics and structure;
- xi. Considered the implications to the Company of the Sponsored Demutualization, including the limitations of its current structure as a mutual company, its current reliance on third-party reinsurance, the Company's relative market position in the State of Colorado, and the historical and potential future impact of catastrophes on the Company's surplus;
- xii. Considered financial and other publicly available information concerning companies engaged in providing personal lines insurance (on a national basis and a single/limited geographic basis) and considered the financial characteristics and valuations of those companies whose equity securities trade in the public markets;
- xiii. Reviewed and analyzed certain publicly available and proprietary information concerning the financial and operating characteristics and valuations of transactions involving (a) the sale of personal lines insurance companies and (b) the sale of general property and casualty insurance companies;
- xiv. Considered and applied three conventional valuation methodologies to determine the valuation of the Company with reference to the Purchase Price: (a) discounted cash flow analysis, (b) public market valuation analysis and (c) precedent transaction valuation analysis; and
- xv. Performed such other analyses and examinations and considered such additional financial, economic, business, market and other criteria and factors as we deemed appropriate.

For purposes of our analysis and opinion, we have assumed the accuracy and completeness of all information provided to us, discussed with us or otherwise reviewed by us. We have also assumed that neither the Sponsor nor the Company is aware of any facts or circumstances that would make any such information inaccurate or misleading or is aware of any other information prepared by it or its advisors that might be material to our opinion and has not been provided to us. We have assumed that the final Stock Purchase Agreement and Plan of Conversion will be in all respects relevant to our analysis materially the same as the Stock Purchase Agreement and Plan of Conversion that we reviewed, and the Sponsored Demutualization will be consummated on materially the same terms described in the Stock Purchase Agreement and Plan of Conversion, without any waiver of any material terms or conditions by the Company.

With respect to the financial projections of the Company that were provided to or discussed with us, we have assumed that such financial projections have been reasonably

prepared on bases reflecting the best currently available estimates and good faith judgments of the Company's management as to the future financial performance and conditions of the Company. We express no view as to any such financial projections relating to the Company or the Sponsor or as to the assumptions on which they are based. We express no view as to the impact of the Sponsored Demutualization on the Sponsor regarding strategic, financial, and operational benefits.

We have further assumed that all assets and liabilities (contingent or otherwise, known or unknown) of the Company are, in each case, as set forth on its financial statements provided to us and that, in each case, its financial statements present fairly its results of operations, cash flows and financial condition for the periods and as of the dates indicated and were prepared in conformity with U.S. statutory accounting principles consistently applied.

In this letter, wherever we state an assumption, you understand and accept that we have no responsibility for verifying that assumption, we have not verified it, and we have relied upon it in determining our opinion.

We have not evaluated the solvency of the Company under any state or federal laws relating to bankruptcy, insolvency or similar matters. We did not conduct a liquidation analysis of the value of the Company and we express no opinion on the liquidation value of any entity or as to tax or other consequences of the Sponsored Demutualization.

For purposes of rendering our opinion, we have assumed that the representations and warranties of each party to the Stock Purchase Agreement contained therein are materially true and correct, that each party to the Stock Purchase Agreement will perform all of the covenants and agreements required to be performed by it thereunder and that the Sponsored Demutualization will be consummated materially in accordance with the respective terms of the Plan of Conversion and the Stock Purchase Agreement, without material waiver or modification thereof and in compliance with all applicable laws. We further have assumed that all governmental, regulatory, third party and other consents, approvals, releases and waivers necessary for consummation of the Sponsored Demutualization will be obtained without any delay, limitation, restriction or condition that would have an adverse effect on the Company or on the contemplated benefits of the Sponsored Demutualization.

We are not actuarial, legal, regulatory, accounting or tax experts and have assumed that the Company and its other advisors have assessed and acted upon all actuarial, legal, regulatory, accounting and tax matters. Our services did not include any actuarial determination or evaluation by us or any attempt to evaluate actuarial assumptions, and we do not express any view on, and our opinion does not address, matters relating to reserves of the Company, including, without limitation, the adequacy of such reserves. In rendering our opinion, we have not independently taken into consideration any differences that may exist in the insurance regulatory environment to which the Company will be subject upon its redomestication.

Our opinion addresses only the aggregate consideration to be received by Eligible Members, as a group, pursuant to the transactions contemplated by the Plan of Conversion, and whether that consideration is fair from a financial point of view to such Eligible Members, as a group. We do not express any view on any other financial or non-financial term, condition, determination or action of or relating to the Sponsored Demutualization, including, without limitation, each Eligible Member's Conversion Payment, the Company's redomestication to Mississippi and any other items contemplated in the Stock Purchase Agreement and Plan of Conversion.

We have been engaged by the Company pursuant to an engagement letter dated September 18, 2018 (the "Engagement Letter") to provide (a) advisory services in connection with the Sponsored Demutualization and (b) render a fairness opinion to you in connection with the Sponsored Demutualization. Pursuant to the Engagement Letter, we received an advisory fee upon execution of the Engagement Letter and will receive a fee for rendering this opinion, which fee is not contingent upon the conclusion of our opinion or the occurrence of the Closing.

We have not previously provided investment banking services to the Company. Certain principals of Waller Helms Advisors, while at a prior firm, were previously engaged by the Company to advise on a previously contemplated transaction involving the Company and the Sponsor. We may provide future financial advisory services to the Company, for which we may be expected to receive compensation. We have never provided investment banking services to the Sponsor. In the ordinary course of our business, we or our affiliates may from time to time provide investment banking, advisory, brokerage or other services to clients that may be competitors or suppliers to, or customers or security holders of, the Company of the Sponsor or that may otherwise participate or be involved in the same or a similar business or industry as the Company or the Sponsor.

Our opinion necessarily is based upon economic, financial and market conditions as they exist and can be evaluated on the date hereof and does not take into account any changes that may occur, or information that may become available, after the date hereof. You understand and accept that, although subsequent developments may affect this opinion, we have no obligation to update, revise or reaffirm this opinion.

It is understood that this letter and our opinion are being rendered to you confidentially solely for your information and benefit in connection with and for the purposes of your evaluation of the Sponsored Demutualization and that neither this letter nor our opinion may be disclosed to or relied upon by anyone other than you or used for any other purpose without our prior written consent (which may be granted or withheld in our sole discretion). With the exception of the Company submitting this letter to the Colorado Division of Insurance, the Mississippi Insurance Department and the Sponsor as a part of its Plan of Conversion, neither this letter nor our opinion may be provided or referred to, or filed with, in whole or in part, any regulatory authority or other party, or quoted or referred to, or filed with, in whole or in part, in any proxy or information statement or other document used in connection with the solicitation of any member without our prior written consent.

Our opinion does not address the relative risks or merits of: (a) the Sponsored Demutualization, the Stock Purchase Agreement, or the Plan of Conversion; (b) any other transaction that may be or might have been available as an alternative to the Sponsored Demutualization; or (c) the Sponsored Demutualization compared to any other potential alternative transactions or business strategies considered by you. Our opinion does not constitute a recommendation to you as to how any Director or Eligible Member of the Company should vote in connection with the Sponsored Demutualization or any matter relating thereto.

Our opinion has been approved by our internal fairness committee, which includes members who had no material involvement in the Sponsored Demutualization other than their participation in the work of such committee.

Based upon and subject to the foregoing, including the various assumptions, qualifications and limitations set forth herein, it is our opinion that, as of the date hereof, the aggregate consideration to be received by Eligible Members, as a group, pursuant to the transactions contemplated by the Plan of Conversion, is fair from a financial point of view to such Eligible Members.

Very truly yours,

Waller Helms Advisors, LLC

By: 

Timothy J. Hall
Managing Director



COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Statutory Financial Statements
and
Independent Auditors' Report
December 31, 2017 and 2016**

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Policyholders
Colorado Farm Bureau Mutual Insurance Company
Centennial, Colorado

We have audited the accompanying statutory financial statements of Colorado Farm Bureau Mutual Insurance Company (the "Company"), which are comprised of the statements of admitted assets, liabilities, and policyholders' surplus - statutory basis as of December 31, 2017 and 2016, and the related statements of income, changes in policyholders' surplus - statutory basis and cash flows - statutory basis for the years then ended, and the related notes to the statutory financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with practices prescribed or permitted by the Colorado Division of Insurance; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these statutory financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statutory financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BASIS FOR ADVERSE OPINION ON U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

As described in Note 1 of the financial statements, the financial statements are prepared by the Company on the statutory basis of accounting using accounting practices prescribed or permitted by the Colorado Division of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the statutory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

ADVERSE OPINION ON U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the statutory financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Colorado Farm Bureau Mutual Insurance Company as of December 31, 2017 and 2016, or the results of its operations or its cash flows for the years then ended.

OPINION ON STATUTORY BASIS OF ACCOUNTING

In our opinion, the statutory financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and policyholders' surplus of the Colorado Farm Bureau Mutual Insurance Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with the statutory basis of accounting described in Note 1.

REPORT ON SUPPLEMENTARY INFORMATION

Our audit of the December 31, 2017, statutory financial statements was conducted for the purpose of forming an opinion on the statutory financial statements as a whole. The supplementary Investment Risk Interrogatories, Summary Investment Schedule, and Property and Casualty Interrogatories 7 to 9 of the Company as of December 31, 2017, and for the year then ended are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the statutory financial statements. The effects on the supplementary information for the variances between the statutory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. As a consequence, the supplementary information does not present fairly such information, in conformity with accounting principles generally accepted in the United States of America. The supplementary Investment Risk Interrogatories, Summary Investment Schedule, and Property and Casualty interrogatories 7 to 9 have been subjected to the auditing procedures applied in the audit of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory financial statements or to the statutory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in accordance with the statutory basis of accounting described in Note 1, in all material respects, in relation to the financial statements as a whole.

EKS&H LLLP
EKS&H LLLP

April 24, 2018
Denver, Colorado

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Statements of Admitted Assets, Liabilities, and Policyholders' Surplus - Statutory Basis
(Dollars in Thousands)**

	December 31,	
	2017	2016
Admitted Assets		
Cash and invested assets		
U.S. government guaranteed bonds and notes	\$ 8	\$ 9
U.S. special revenue, state, and political subdivision bonds	27,731	27,828
Public utility, industrial, and miscellaneous bonds	4,344	4,460
Common stocks	5,189	5,181
Real estate owned	3,859	3,967
Preferred stocks	150	150
Other investments	521	532
Cash, cash equivalents, and short-term investments	6,972	4,461
Total cash and invested assets	48,774	46,588
Other assets		
Premiums receivable	16,823	15,830
Reinsurance recoverable on paid losses and expense reimbursement	7,131	10,424
Accrued investment income	347	367
Cash surrender value of life insurance policies	7,786	7,562
Electronic data processing equipment, net of accumulated depreciation of \$3,741 (2017) and \$3,600 (2016)	232	232
Other receivables, including related parties	187	276
Total other assets	32,506	34,691
Total admitted assets	\$ 81,280	\$ 81,279
Liabilities and Policyholders' Surplus		
Liabilities		
Unpaid losses, net of reinsurance	\$ 7,519	\$ 8,363
Unpaid loss adjustment expenses, net of reinsurance	1,427	2,427
Unearned premiums	17,195	17,053
Ceded premiums payable	10,183	9,233
Accrued expenses	6,992	6,817
Commissions payable	2,566	2,315
Total liabilities	45,882	46,208
Commitments and contingencies		
Policyholders' surplus		
Guaranty fund	2,000	2,000
Earned surplus - unassigned	33,398	33,071
Total policyholders' surplus	35,398	35,071
Total liabilities and policyholders' surplus	\$ 81,280	\$ 81,279

See notes to statutory financial statements.

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Statements of Income - Statutory Basis
(Dollars in Thousands)**

	For the Years Ended	
	December 31,	
	<u>2017</u>	<u>2016</u>
Net premiums earned	\$ 25,985	\$ 25,939
Losses incurred	<u>19,848</u>	<u>17,881</u>
Underwriting expenses		
Loss adjustment expenses incurred	1,608	1,804
Other underwriting expenses incurred	<u>5,993</u>	<u>5,829</u>
Total underwriting expenses	<u>7,601</u>	<u>7,633</u>
Net underwriting (loss) income	(1,464)	425
Net investment income	1,217	895
Other income	<u>246</u>	<u>226</u>
(Loss) income before income taxes	(1)	1,546
Income tax benefit	<u>190</u>	<u>10</u>
Net income	<u>\$ 189</u>	<u>\$ 1,556</u>

See notes to statutory financial statements.

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Statement of Changes in Policyholders' Surplus - Statutory Basis
For the Years Ended December 31, 2017 and 2016
(Dollars in Thousands)**

	Guaranty Fund	Earned Surplus - Unassigned		Total Policyholders' Surplus
		Unrealized Gain on Investments	Other Unassigned	
Balance - December 31, 2015	\$ 2,000	\$ 3,903	\$ 27,915	\$ 33,818
Net income	-	-	1,556	1,556
Net change in deferred income taxes	-	-	42	42
Net change in net unrealized gain on investments (net of income tax expense of \$42)	-	82	-	82
Increase in non-admitted assets	-	-	(427)	(427)
Balance - December 31, 2016	2,000	3,985	29,086	35,071
Net income	-	-	189	189
Net change in deferred income taxes	-	-	3	3
Net change in net unrealized gain on investments (net of income tax expense of \$3)	-	5	-	5
Decrease in non-admitted assets	-	-	130	130
Balance - December 31, 2017	<u>\$ 2,000</u>	<u>\$ 3,990</u>	<u>\$ 29,408</u>	<u>\$ 35,398</u>

See notes to statutory financial statements.

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Statements of Cash Flows - Statutory Basis
(Dollars in Thousands)**

	For the Years Ended	
	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Premiums collected, net of reinsurance	\$ 26,005	\$ 26,029
Losses paid	(17,398)	(21,327)
Underwriting expenses paid (inclusive of loss adjustment expenses of \$2,607 and \$2,654, respectively)	(8,235)	(8,035)
Net investment income	1,464	1,297
Miscellaneous receipts	246	226
Income taxes paid	<u>190</u>	<u>9</u>
Net cash provided by (used in) operating activities	<u>2,272</u>	<u>(1,801)</u>
Cash flows from investing activities		
Proceeds from sales of investments	2,907	6,984
Purchases of investments	<u>(2,920)</u>	<u>(6,625)</u>
Net cash (used in) provided by investing activities	<u>(13)</u>	<u>359</u>
Cash flows from financing activities and miscellaneous sources		
Other cash applied	<u>252</u>	<u>(995)</u>
Net cash provided by (used in) financing activities and miscellaneous sources	<u>252</u>	<u>(995)</u>
Net increase (decrease) in cash, cash equivalents, and short-term investments	2,511	(2,437)
Cash, cash equivalents, and short-term investments - beginning of year	<u>4,461</u>	<u>6,898</u>
Cash, cash equivalents, and short-term investments - end of year	<u>\$ 6,972</u>	<u>\$ 4,461</u>

See notes to statutory financial statements.

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Dollars in Thousands)

Note 1 - Description of Business and Summary of Significant Accounting Policies

Colorado Farm Bureau Mutual Insurance Company (the "Company") is a multiple-line insurance carrier serving consumers in the state of Colorado. The Company is operated for the benefit of its policyholders by a Board of Directors, who are elected by the policyholders.

Colorado Farm Bureau Mutual Insurance Company entered into a 100% reinsurance agreement with Southern Farm Bureau Casualty Insurance Company ("SFBCIC") effective January 1, 2006. As a result of the agreement, the Company cedes 100% of the casualty and umbrella lines of business (to include liability coverages in the Farmowner and Commercial Package policies) – premiums, losses, and reserves net of all property reinsurance written through American Agricultural Insurance Company.

As part of this reinsurance arrangement, the Company entered into a joint expense agreement with SFBCIC, which provides for the sharing of overhead expenses that are mutually beneficial to both companies and allow for their more efficient and economical operation, including the use of SFBCIC employees to perform support functions in the areas of accounting, claims, underwriting, information services, etc., for the Company. This joint expense agreement specifies an allocation of all expenses between the casualty/umbrella lines and the property lines of business based either on claims counts (LAE expense) or policy/vehicle in force counts (U/W expense). Any expense that can be associated directly with either the property or casualty lines of business (i.e. commissions, premium tax, MVR reporting, etc.) is directly allocated to those lines. Otherwise, they are subject to the allocation methodology set forth in the joint expense allocation agreement.

Basis of Presentation

The accompanying statutory financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Colorado Division of Insurance (the "Division"). Prescribed statutory accounting practices include state insurance laws, regulations, and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed. The Company had no such permitted practices.

Statutory accounting practices vary significantly in certain respects from accounting principles generally accepted in the United States of America ("GAAP"). Significant differences include the following:

Investments in debt securities are carried at amortized cost, and investments in equity securities are generally carried at fair value. Under GAAP, the Company's debt and equity securities would be classified as held-to-maturity, trading, or available for sale. For GAAP, debt securities classified as held-to-maturity would be carried at cost or amortized cost on the balance sheet. Securities classified as trading would be carried at fair value with the unrealized holding gains and losses reported in the statements of income. Those securities classified as available for sale would also be reported at fair value with unrealized holding gains and losses reported as a separate component of surplus.

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Dollars in Thousands)

Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Investments in subsidiaries or controlled or affiliated entities are accounted for using the statutory equity method (for insurance-related subsidiaries and non-insurance-related subsidiaries that hold assets primarily for the benefit of the parent) and GAAP equity (for non-insurance-related subsidiaries) in which undistributed earnings are reported as unrealized gains and losses; under GAAP, the accounting treatment would vary depending upon the level of control.

Policy acquisition costs, such as commissions, premium taxes, and related costs directly associated with policy acquisition, are charged to current operations as incurred; under GAAP, these acquisition costs would be deferred and recognized as an expense over the periods covered by the policies in a manner consistent with the recognition of premium income.

Admitted deferred tax assets are recognized based on the more-likely-than-not criteria used for GAAP, then subject to a three-step admissibility test. Changes in deferred taxes are recorded directly in surplus, whereas under GAAP, changes in deferred taxes are recorded through income as a component of income tax expense.

Commissions on reinsurance ceded are credited to income at the time the premium is ceded; under GAAP, commissions on ceded premiums would be deferred and recognized as income over the periods covered by the policies.

Certain assets designated as non-admitted assets (principally uncollected premiums over 90 days past due, non-operating software, prepaid expenses, and office furniture and equipment) are charged against surplus; under GAAP, uncollected premiums would be recorded as an asset less an allowance for uncollectible premiums and non-operating software, office furniture, and equipment would be recognized as assets net of accumulated depreciation and amortization.

Under statutory accounting practices, loss and loss adjustment expense reserves and unearned premiums are presented net of related reinsurance rather than on a gross basis as required under GAAP.

The employer's accounting for pension and other post-retirement benefits under statutory accounting principles is similar to GAAP, except for certain discrepancies, including modifications for non-admitted assets and preclusion from the use of a calculated value approach for the measurement of plan assets allowed under GAAP.

Statutory financial statements are prepared in a form using language and groupings substantially the same as the annual statements of the Company filed with the National Association of Insurance Commissioners ("NAIC") and state regulatory authorities, which differ from the presentation and disclosure of financial statements presented under GAAP.

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Dollars in Thousands)

Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

No determination has been made of the effect of such differences on the accompanying statutory financial statements, although such differences are generally presumed to be material.

Investments

Investments are valued in accordance with the valuation prescribed by the NAIC. Investments in bonds are carried at amortized cost using the scientific interest method for NAIC designations of one and two or the lower of amortized cost or fair value for NAIC designations of three to six. Investments in common stocks of unaffiliated companies are carried at fair value. Investments in common stocks of affiliated companies, irrespective of the percentage of ownership or amount of financial control, are valued using the statutory equity method (for non-insurance related subsidiaries that primarily hold assets for the benefit of the parent) and GAAP equity (for all other non-insurance related subsidiaries). Realized gains and losses on sales of investments are recognized on the specific identification basis and are included in net investment income. Unrealized gains and losses resulting from changes in the fair value of stocks are credited or charged directly to surplus. The fair value of investments is determined based upon rates provided by the Securities Valuation Office ("SVO") of the NAIC or other published sources. When, in the opinion of management, a decline in fair value of an investment is considered other-than-temporary, such an investment is written down to its fair value. The determination of other-than-temporary includes, in addition to other relevant factors such as management's ability and intent to hold debt securities to maturity, a presumption that if the fair value is below cost by a significant amount for an extended period of time, a write-down is necessary. Such write-downs are reflected as a reduction of net realized gains on investments.

Electronic Data Processing Equipment

Electronic data processing ("EDP") equipment (including operating software) are recorded as admitted assets at cost less accumulated depreciation.

Non-operating system software is considered a non-admitted asset for statutory accounting purposes, with depreciation charged to expense during the period, and the change in net book value (cost less accumulated depreciation) is recorded as an adjustment directly to policyholders' surplus.

Furniture and equipment are considered non-admitted assets for statutory financial statement reporting purposes. Depreciation is calculated on these assets and charged to expense. The net change in book value (cost less accumulated depreciation) is also recorded as an adjustment directly to policyholders' surplus.

Real estate occupied by the Company is an admitted asset and is recorded at the cost to acquire and place it in service less accumulated depreciation.

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Dollars in Thousands)

Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

Electronic Data Processing Equipment (continued)

Depreciation is calculated by applying the straight-line method over the estimated useful lives of the respective assets of three years for EDP equipment and five years for non-operating system software, furniture, and fixtures. Depreciation expense before cost allocation under a joint expense sharing agreement with Southern Farm Bureau Casualty Insurance Company ("Southern") (Note 10) was \$485 and \$378 for the years ended December 31, 2017 and 2016, respectively.

Unpaid Losses and Unpaid Loss Adjustment Expenses

The net liabilities for unpaid losses and for expenses of investigation and adjustment of unpaid claims are based upon (a) the accumulation of case estimates for losses reported prior to the close of the accounting period on direct business written; (b) estimates received from ceding reinsurers and insurance pools and associations; (c) estimates of unreported losses based on past experience; (d) estimates based on experience for investigating and adjusting claims, the total being reduced for portions ceded to other insurers; and (e) the current state of law and coverage litigation. These liabilities are subject to the impact of changes in claim amounts and frequency as well as other factors. For reported losses, reserves are established on a case basis within the parameters of coverage provided in the insurance policy or reinsurance agreement. For incurred but not recorded losses, reserves are estimated using established actuarial methods. Reserves are continually reviewed using a variety of statistical and actuarial techniques to analyze current claim costs; frequency and severity of data and prevailing economic, social, and legal factors; and estimates of amounts recoverable under reinsurance agreements. In spite of the variability inherent to such estimates, management believes that the liabilities for losses and loss adjustment expenses are adequate. Changes in estimates of the liabilities for losses and loss adjustment expenses are reflected in the statements of income - statutory basis for the period in which the change is determined.

Portions of the Company's policy coverages are reinsured under contracts with various reinsurers. The more significant contracts represent surplus share coverage and excess of loss treaties designed to provide capacity to underwrite larger insurance risks as well as increase the ability to underwrite more overall aggregate risks, limiting the Company's potential liability on significant policy coverages. Reserves are recorded net of estimated reinsurance recoverables. Estimates of reinsurance recoverables are subject to a degree of uncertainty and variability. Management believes that such estimates are reasonable based on the historical information, terms of the agreements, and other industry data as evaluated by an independent actuary.

Premium Recognition

Premiums from policies written are recognized on a pro rata basis over the respective terms of the policies. Unearned premiums represent the portion of premiums written, which are related to future periods, net of unearned ceded premiums. For reinsurance assumed from other insurance companies or written through various underwriting organizations, unearned premiums are recorded from reports received from such companies and organizations.

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Dollars in Thousands)

Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of statutory financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are the liabilities for unpaid losses and unpaid loss adjustment expenses and evaluation of other-than-temporary impairment of investment securities. In estimating these liabilities and investment valuation, management uses the methodologies discussed in the unpaid losses and unpaid loss adjustment expenses accounting policy and the investment accounting policy described previously.

Income Taxes

The Company files a consolidated tax return with its two wholly owned subsidiaries, which is subject to a written tax-sharing agreement, with the allocation of income taxes based primarily upon taxable income or loss on a separate return basis. Taxable income for the Company is based on elements of income and expense reported in the statutory accounting basis annual statements, less exclusions and deductions allowed for tax-exempt interest income and dividends received, as well as adjustments to the unearned premiums and unpaid loss and loss adjustment expenses required by law, and certain other adjustments.

The Company accounts for income taxes in accordance with the liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized based upon differences between their statutory carrying values and their respective tax bases. Net admitted deferred tax assets are subject to a more-likely-than-not realization assessment similar to GAAP and a three-step admissibility test with the change in the net deferred tax asset or liability reflected as a direct adjustment to policyholders' surplus.

Cash, Cash Equivalents, and Short-Term Investments

For purposes of reporting cash flows, the Company follows statutory accounting practices and considers cash in checking accounts, repurchase agreements, money market funds, and other highly liquid debt instruments purchased with a remaining maturity of one year or less to be cash, cash equivalents, and short-term investments. Cash, cash equivalents, and short-term investments are carried at cost, which approximates fair value. Periodically throughout the year and as of year-end, the Company has maintained balances in various accounts in excess of federally insured limits.

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Dollars in Thousands)

Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash, cash equivalents, and short-term investments; receivables; payables; and accrued expenses, approximated fair value as of December 31, 2017 and 2016 because of the relatively short maturity of these instruments. The fair values of the Company's debt and equity securities are based upon values published by the SVO, or if not quoted by the SVO, other publicly quoted pricing sources. The fair values of the Company's debt and equity securities are disclosed in Notes 2 and 3, respectively.

Advertising Costs

The Company expenses advertising costs as incurred. The total advertising costs before cost allocation with Southern (Note 10) for the years ended December 31, 2017 and 2016 were \$252 and \$253, respectively.

Fair Value Accounting

The Company follows the guidance of Statement of Statutory Accounting Principles ("SSAP") No. 100, *Fair Value Measurements*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SSAP No. 100 also requires disclosure about how fair value is determined for assets and liabilities and establishes a hierarchy for which these assets and liabilities must be grouped based on significant levels of inputs as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; or
- Level 3: Unobservable inputs in which there is little or no market data, which requires the reporting entity to develop its own assumptions.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The carrying amounts of significant financial assets required to be measured at fair value on a recurring basis include common stocks, whose fair value is determined through SVO quoted values, when available, and by quotes in active markets as of the reporting date.

Reclassifications

Certain amounts in the 2016 statutory financial statements have been reclassified to conform to the 2017 presentation.

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Notes to Statutory Financial Statements
(Dollars in Thousands)**

Note 2 - Bonds

As prescribed by the NAIC, the fair value for investments in bonds is determined by the values included in the *Valuations of Securities* manual published by the SVO. Those values generally represent quoted fair value prices for securities traded in the public marketplace or analytically determined values of the SVO. However, for investment-grade bonds in which the SVO does not provide a value, the Company obtains fair value prices for publicly traded bonds from national and municipal pricing services.

A summary of bonds owned is as follows:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Par value	\$ 30,881	\$ 30,889
Net unamortized premium	<u>1,202</u>	<u>1,408</u>
Amortized value	<u>\$ 32,083</u>	<u>\$ 32,297</u>

Statement values of bonds held as deposits or in escrow are as follows:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
State of Colorado Division of Insurance - guaranty fund	\$ 2,652	\$ 2,677
Collateral with reinsurers	<u>141</u>	<u>502</u>
Amortized value	<u>\$ 2,793</u>	<u>\$ 3,179</u>

The amortized cost and estimated fair values of investments in debt securities are as follows at December 31, 2017:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
U.S. government guaranteed bonds and notes	\$ 8	\$ -	\$ -	\$ 8
Corporate securities	26,940	747	(74)	27,613
Public utility, industrial, and miscellaneous bonds	<u>5,135</u>	<u>727</u>	<u>-</u>	<u>5,862</u>
	<u>\$ 32,083</u>	<u>\$ 1,474</u>	<u>\$ (74)</u>	<u>\$ 33,483</u>

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Notes to Statutory Financial Statements
(Dollars in Thousands)**

Note 2 - Bonds (continued)

The amortized cost and estimated fair values of investments in debt securities are as follows at December 31, 2016:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
U.S. government guaranteed bonds and notes	\$ 9	\$ -	\$ -	\$ 9
Corporate securities	26,811	619	(171)	27,259
Public utility, industrial, and miscellaneous bonds	<u>5,477</u>	<u>765</u>	<u>-</u>	<u>6,242</u>
	<u>\$ 32,297</u>	<u>\$ 1,384</u>	<u>\$ (171)</u>	<u>\$ 33,510</u>

The amortized cost and estimated fair value of debt securities, which may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties, are as follows at December 31, 2017:

	<u>Amortized Cost</u>	<u>Estimated Fair Value</u>
Due in one year or less	\$ 3,971	\$ 4,145
Due after one year through five years	14,308	14,932
Due after five years through ten years	11,438	11,937
Due after ten years	<u>2,366</u>	<u>2,469</u>
	<u>\$ 32,083</u>	<u>\$ 33,483</u>

Proceeds from sales of investments in debt securities during 2017 and 2016 were \$2,907 and \$6,984, respectively. During the years ended December 31, 2017 and 2016, gross gains of \$0 were realized on those sales. During the years ended December 31, 2017 and 2016, gross losses of \$1 and \$0 were realized on those sales, respectively.

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Notes to Statutory Financial Statements
(Dollars in Thousands)**

Note 2 - Bonds (continued)

The summary of unrealized losses on bonds and the length of time the securities have been in a continuous unrealized loss position are as follows:

	December 31, 2017					
	Less Than 12 Months		12 Months or More		Total	
	Unrealized		Unrealized		Unrealized	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
U.S. special revenue, state, and political subdivision bonds	\$ 890	\$ (10)	\$ 3,788	\$ (64)	\$ 4,678	\$ (74)
U.S. special revenue, state, and political subdivision bonds	499	-	-	-	499	-
Corporate securities	<u>200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200</u>	<u>-</u>
	<u>\$ 1,589</u>	<u>\$ (10)</u>	<u>\$ 3,788</u>	<u>\$ (64)</u>	<u>\$ 5,377</u>	<u>\$ (74)</u>

	December 31, 2016					
	Less Than 12 Months		12 Months or More		Total	
	Unrealized		Unrealized		Unrealized	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
U.S. special revenue, state, and political subdivision bonds	<u>\$ 9,975</u>	<u>\$ (171)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,975</u>	<u>\$ (171)</u>

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Notes to Statutory Financial Statements
(Dollars in Thousands)**

Note 3 - Common and Preferred Stocks

A summary of stocks owned showing major holdings is as follows:

	December 31, 2017		December 31, 2016	
	Cost	Statement Value	Cost	Statement Value
Preferred stocks				
Centennial Investment Company (at statutory equity)	\$ <u>150</u>	\$ <u>150</u>	\$ <u>150</u>	\$ <u>150</u>
Common stocks				
American Agriculture Insurance Company	\$ 22	\$ 3,494	\$ 22	\$ 3,234
Farm Bureau Insurance Agency of Colorado, Inc. (at GAAP equity)	213	377	213	651
Centennial Investment Company (at statutory equity)	18	451	18	417
Farm Bureau Bancorp	350	276	350	286
American Farm Bureau Insurance Services	<u>329</u>	<u>591</u>	<u>329</u>	<u>593</u>
	<u>\$ 932</u>	<u>\$ 5,189</u>	<u>\$ 932</u>	<u>\$ 5,181</u>

There were no sales of investments in equity securities during 2017 or 2016. During the year ended December 31, 2017, Farm Bureau Insurance Agency of Colorado paid a dividend of \$300 to the Company which has been reflected as investment income on the accompanying statements of income - statutory basis.

The Company has classified all common stocks, excluding the investment in subsidiaries, in the Level 3 category, as the primary inputs are not observable and cannot be corroborated by observable market data. The Company utilizes current information regarding the equity value of the companies in which it invests to adjust the fair value of the stocks.

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Notes to Statutory Financial Statements
(Dollars in Thousands)**

Note 3 - Common and Preferred Stocks (continued)

The following is a reconciliation of the beginning and ending balances of recurring fair value measurement recognized in the accompanying statements of income - statutory basis using significant unobservable (Level 3) inputs as of December 31:

	Common Stocks	
	2017	2016
Beginning balance	\$ 4,113	\$ 4,042
Total net unrealized gains	248	71
Ending balance	\$ 4,361	\$ 4,113

Note 4 - Real Estate Owned

Real estate owned is comprised of the following:

	December 31, 2017		
	Cost	Accumulated Depreciation	Statement Value
Home office property	\$ 7,301	\$ (3,442)	\$ 3,859
Other occupied office property	29	(29)	-
	\$ 7,330	\$ (3,471)	\$ 3,859
	December 31, 2016		
	Cost	Accumulated Depreciation	Statement Value
Home office property	\$ 7,218	\$ (3,251)	\$ 3,967
Other occupied office property	29	(29)	-
	\$ 7,247	\$ (3,280)	\$ 3,967

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Dollars in Thousands)

Note 5 - Policyholders' Surplus - Statutory Regulation

Colorado insurance laws require the Company to maintain a minimum policyholders' surplus of \$2,000, which includes a guaranty fund of \$2,000. The Company had bonds on deposit, subject to certain restrictions in connection with the related custody agreement, with a par value of \$2,000 at December 31, 2017 and 2016 (Note 2). The Company is also subject to risk-based capital ("RBC") requirements promulgated by the NAIC and adopted by the Division. The RBC standards establish uniform minimum capital requirements for insurance companies. The RBC formula applies various weighting factors to financial balances or various levels of activities based on the perceived degree of risk. At December 31, 2017, the Company's surplus exceeded the minimum levels required by the Division and RBC standards.

If declared by the Board of Directors, dividends may be paid only out of earned surplus and are subject to approval by the Division. No dividends were declared by the Board of Directors in 2017 or 2016.

At December 31, 2017, policyholders' surplus increased as a result of a decrease in non-admitted assets of \$130.

Note 6 - Investment Income

A summary of net investment income is as follows:

	For the Years Ended December 31,	
	2017	2016
Interest	\$ 1,185	\$ 1,177
Dividends	300	-
Real estate rental income	758	769
Net realized capital loss, net of tax benefit of \$(1) and \$0, respectively	(3)	-
Total investment income	2,240	1,946
Less investment expenses	(1,023)	(1,051)
Net investment income	<u>\$ 1,217</u>	<u>\$ 895</u>

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Notes to Statutory Financial Statements
(Dollars in Thousands)**

Note 7 - Income Taxes

The components of the net deferred income tax assets and liabilities, by character, are as follows:

	For the Years Ended December 31,					
	2017			2016		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Deferred tax assets related to statutory/tax differences in						
Unpaid losses and loss adjustment expenses	\$ 60	\$ -	\$ 60	\$ 142	\$ -	\$ 142
Unearned and advanced premiums	766	-	766	1,237	-	1,237
AMT credit carryforward	-	-	-	161	-	161
Deferred compensation	384	-	384	675	-	675
Accrued expenses	68	-	68	64	-	64
Capital loss carryforward	-	-	-	1	-	1
Net operating loss carryforward	<u>2,655</u>	<u>-</u>	<u>2,655</u>	<u>4,029</u>	<u>-</u>	<u>4,029</u>
Total deferred tax assets	3,933	-	3,933	6,309	-	6,309
Less statutory valuation allowance	(2,967)	-	(2,967)	(4,986)	-	(4,986)
Less non-admitted deferred tax assets	<u>(894)</u>	<u>894</u>	<u>-</u>	<u>(1,198)</u>	<u>1,198</u>	<u>-</u>
Admitted deferred tax assets	<u>72</u>	<u>894</u>	<u>966</u>	<u>125</u>	<u>1,198</u>	<u>1,323</u>
Deferred tax liabilities related to statutory/tax differences in						
Unrealized gains on investments	-	894	894	-	1,198	1,198
Prepaid expenses	<u>72</u>	<u>-</u>	<u>72</u>	<u>125</u>	<u>-</u>	<u>125</u>
Total deferred tax liabilities	<u>72</u>	<u>894</u>	<u>966</u>	<u>125</u>	<u>1,198</u>	<u>1,323</u>
Net admitted deferred tax assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Notes to Statutory Financial Statements
(Dollars in Thousands)**

Note 7 - Income Taxes (continued)

The Company has a valuation allowance against deferred tax assets in the amount of \$2,967 and \$4,986 as of December 31, 2017 and 2016, respectively, due to uncertainty of realization.

Admission calculation components under SSAP No. 101 are as follows:

	December 31,	
	2017	2016
Tax character - ordinary		
Federal income taxes paid in prior years	\$ -	\$ -
Adjusted gross deferred tax assets to be realized after the application of the threshold percentage	894	1,198
Adjusted gross deferred tax assets offset by gross deferred tax liabilities	72	125
Deferred tax assets admitted as the result of application of SSAP No. 101	\$ 966	\$ 1,323
	December 31,	
	2017	2016
Tax character - capital		
Federal income taxes paid in prior years	\$ -	\$ -
Adjusted gross deferred tax assets to be realized after the application of the threshold percentage	(894)	(1,198)
Adjusted gross deferred tax assets offset by gross deferred tax liabilities	894	1,198
Deferred tax assets admitted as the result of application of SSAP No. 101	\$ -	\$ -
	Ordinary	Capital
Change in tax character between December 31, 2017 and 2016		
Federal income taxes paid in prior years	\$ -	\$ -
Adjusted gross deferred tax assets to be realized after the application of the threshold percentage	(304)	(304)
Adjusted gross deferred tax assets offset by gross deferred tax liabilities	(53)	304
Deferred tax assets admitted as the result of application of SSAP No. 101	\$ (357)	\$ -

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Notes to Statutory Financial Statements
(Dollars in Thousands)**

Note 7 - Income Taxes (continued)

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Ratio percentage used to determine recovery period and threshold limitation amount	819 %	793 %
Amount of adjusted capital and surplus used to determine recovery period and threshold limitations	\$ 35,166	\$ 34,840

The change in net deferred income taxes is comprised of the following:

	<u>For the Years Ended December 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>Change</u>
Total gross deferred tax assets, net of valuation allowance	\$ 966	\$ 1,323	\$ 357
Total gross deferred tax liabilities	<u>(966)</u>	<u>(1,323)</u>	<u>(357)</u>
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
Deferred tax on change in net unrealized capital gains			<u>3</u>
Change in net deferred income tax			<u>\$ 3</u>

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Dollars in Thousands)

Note 7 - Income Taxes (continued)

The significant items causing a difference between the statutory federal income tax rate and the Company's effective income tax rate are as follows:

	For the Years Ended	
	December 31,	
	2017	2016
Provision computed at statutory rate	\$ -	\$ 526
Tax-exempt interest	(195)	(197)
Life insurance cash surrender value	(76)	(57)
Prior year's tax true-up	247	-
Change in statutory valuation allowance	(2,018)	(336)
Change in tax rate	1,837	-
Other	12	12
Income tax benefit	\$ (193)	\$ (52)
Federal income taxes incurred	\$ (189)	\$ (10)
Realized capital gains tax benefit	(1)	-
Current income tax (benefit) expense	(190)	(10)
Change in net deferred income taxes	(3)	(42)
Total statutory income tax benefit	\$ (193)	\$ (52)

On December 22, 2017, the Tax Cuts and Jobs Act was enacted. This law substantially amended the Internal Revenue Code, including reducing the U.S. corporate tax rate to 21% starting January 1, 2018. Upon enactment, the Company's deferred tax asset and related valuation allowance decreased by \$1,837 to \$2,967. As the deferred tax asset is fully allowed for, this change in rates had no impact on the Company's financial position or results of operations.

At December 31, 2017, the Company has approximately \$12,645 in net operating loss carryforwards available to offset against future taxable income, which start to expire in 2031. The Company also has \$162 in unused alternative minimum tax ("AMT") carryforwards as of December 31, 2017 that may be refundable in the years 2018 through 2021.

The Company did not have any protective tax deposits under Section 6603 of the Internal Revenue Code.

The Company files a federal consolidated income tax return with the following entities:

- Colorado Farm Bureau Mutual Insurance Company (parent)
- Farm Bureau Insurance Agency of Colorado
- Centennial Investment Company

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Dollars in Thousands)

Note 7 - Income Taxes (continued)

The method of allocation among companies is subject to a written agreement, approved by the Board of Directors, whereby allocation is made primarily on a separate return basis with current credit for any net operating losses or other items utilized in the consolidated tax return. Intercompany balances are settled quarterly.

The Company files income tax returns in the U.S. federal jurisdiction and various states. The Company is no longer subject to U.S. federal income tax examinations by the Internal Revenue Service (the "IRS") for years 2013 and prior. Tax years 2014, 2015, and 2016 are open to federal examination by the IRS. The Company does not expect significant increases or decreases to tax contingencies relating to federal, state, or local audits.

Note 8 - Benefit Plans

The Company sponsors a supplemental retirement income plan ("SRIP" or the "Plan") for the officers of the Company. The benefit is based on a vesting schedule after full-time employment has ended and the participant has reached the age of 60; however, there are some stipulations for early retirement. The Plan is funded by life insurance on the individual, with payments to be made out of Company general operating assets. All life benefits are the property of the Company, and the cash surrender values are not restricted solely for the use of this Plan. The current value of the death benefit is \$13,612, and the cash value is \$7,786.

Effective January 1, 2013, the Company adopted SSAP No. 102, *Accounting for Pensions, A Replacement of SSAP No. 89*, which requires insurance companies to recognize a liability for the unfunded projected benefit obligation (i.e., the liability derived when the projected benefit obligation exceeds the fair value of Plan assets). The Company elected to utilize the minimum transition option, allowing the Company to recognize the impact of the transition liability over a 10-year period. The Company must continue to recognize a minimum amount of the transition liability each year in an amount that is at least equal to the amortization of the unrecognized items in effect at transition. Although the amortization of the transition items into future expense may not be fully determinable at the time of transition (as they are dependent on the future expense calculations), the Company anticipates the remaining transition liability balance of \$275 at December 31, 2017 to be recognized over the remaining five-year period, or approximately \$55 per year. This is a projection and may be revised based on future expenses and activity.

Benefit Expense

The assumptions used to compute the net periodic pension expense are based upon information available as of the beginning of the year, as presented in the following table:

	December 31,	
	2017	2016
Discount rate	3% - 4%	3% - 4%
Rate of compensation increase only on applicable participants	4%	4%

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Notes to Statutory Financial Statements
(Dollars in Thousands)**

Note 8 - Benefit Plans (continued)

Benefit Expense (continued)

The components of the net periodic SRIP expense are detailed below:

	For the Years Ended	
	December 31,	
	2017	2016
Service and interest cost	\$ 3	\$ 232
Change in estimates	(114)	(531)
Accretion of discount	79	92
Amortization of transition obligation	55	55
Net expense included in current income	\$ 23	\$ (152)

The following table summarizes the change in the projected benefit obligation for the SRIP included in accrued expenses:

	For the Years Ended	
	December 31,	
	2017	2016
Accrued liability for Plan benefits, beginning of year	\$ 1,986	\$ 2,306
Current period service cost	3	232
Benefit payments	(178)	(168)
Accretion of discount	79	92
Change in estimates	(114)	(531)
Transition obligation	55	55
Accrued liability for Plan benefits, end of year	\$ 1,831	\$ 1,986

The expected benefit payments for the Plan are as follows:

Year Ending December 31,

2018	\$ 139
2019	212
2020	212
2021	212
2022	168
Thereafter	1,730
	\$ 2,673

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Notes to Statutory Financial Statements
(Dollars in Thousands)**

Note 8 - Benefit Plans (continued)

Benefit Expense (continued)

All employees of the Company were transferred to Southern as of January 1, 2012. This transfer included the transfer of the Company's 401(k) plan to Southern's plan (the "401(k) Plan"). Under the 401(k) Plan, the Company makes matching contributions of up to 4% of employees' compensation. Total employer contributions to the 401(k) Plan before allocation of expenses under a joint expense agreement with Southern for 2017 and 2016 were \$102 and \$219, respectively.

Note 9 - Reinsurance

The Company reinsures certain risks, principally with American Agricultural Insurance Company ("AAIC") and Southern. Such arrangements serve to limit the Company's maximum loss. The Company would be contingently liable, however, for obligations of the reinsurance companies in the event that such obligations cannot be met.

Reinsurance transactions included in the accompanying statutory financial statements are as follows:

	December 31,			
	2017	2016	2017	2016
	(Ceded)		(Assumed)	
Premiums earned				
Premiums written	\$ 44,774	\$ 43,518	\$ -	\$ -
Unearned premiums at beginning of year	16,748	16,259	-	-
Unearned premiums at end of year	(17,646)	(16,748)	-	-
	\$ 43,876	\$ 43,029	\$ -	\$ -
Losses and loss expenses incurred				
Losses and loss expenses paid	\$ 29,000	\$ 30,110	\$ 3	\$ 5
Unpaid losses and loss expenses at beginning of year	(33,875)	(33,304)	(57)	(60)
Unpaid losses and loss expenses at end of year	31,033	33,875	57	57
	\$ 26,158	\$ 30,681	\$ 3	\$ 2

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Dollars in Thousands)

Note 9 - Reinsurance (continued)

The Company has unsecured reinsurance recoverables (including recoverables on paid losses) at December 31, 2017 and 2016 of \$51,362 and \$55,207, respectively, with Southern and \$4,448 and \$5,841, respectively, with AAIC.

Note 10 - Related Party Transactions

The Company has two wholly owned subsidiaries, Centennial Investment Company ("Centennial") and Farm Bureau Insurance Agency of Colorado, Inc. ("Agency"). The Company is also affiliated by means of common members of the Board of Directors with Colorado Farm Bureau ("CFB"). CFB also maintains an investment in Southern, which makes Southern a related party to the Company.

The Company shares office facilities and personnel with Centennial, Agency, and CFB and allocates certain administrative costs to these entities. The Company leases equipment from Centennial under cancelable agreements. Monthly rentals under these agreements approximate \$13 and \$16 for the years ended December 31, 2017 and 2016, respectively.

The Company has entered into an agreement with Southern to share in certain overhead expenses that are considered mutually beneficial to both companies. The agreement may be terminated by either party effective December 31 of any year upon proper notice. Further, as of January 1, 2012, all employees of the Company were transferred to Southern. As of December 31, 2017, the Company owed Southern \$292 for payroll and related expenses.

The Company's employees participate in a defined benefit pension plan sponsored by Southern, for which the Company has no legal obligation. During the years ended December 31, 2017 and 2016, the Company paid \$833 and \$846, respectively for its portion of the total Southern pension plan cost.

The following schedules summarize the transactions with related parties:

	For the Year Ended December 31, 2017			
	Centennial	Agency	CFB	Southern
Rental income from	\$ 4	\$ 7	\$ 37	\$ -
Administrative costs allocated to	\$ 21	\$ 87	\$ 93	\$ 10,835
Equipment lease payments to	\$ 153	\$ 19	\$ -	\$ -
Administrative costs allocated from	\$ -	\$ -	\$ 645	\$ -
	For the Year Ended December 31, 2016			
	Centennial	Agency	CFB	Southern
Rental income from	\$ 4	\$ 7	\$ 37	\$ -
Administrative costs allocated to	\$ 20	\$ 102	\$ 94	\$ 10,220
Equipment lease payments to	\$ 198	\$ 7	\$ -	\$ -
Administrative costs allocated from	\$ -	\$ -	\$ 630	\$ -

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Dollars in Thousands)

Note 10 - Related Party Transactions (continued)

Net amounts due (to) from related parties are as follows:

	December 31,	
	2017	2016
Centennial	\$ -	\$ (10)
Agency	18	26
CFB	(118)	(119)
Southern	<u>(496)</u>	<u>(435)</u>
	<u>\$ (596)</u>	<u>\$ (538)</u>

The balances above are reflected in other receivables and accrued expenses, including related parties and accrued expenses, in the statutory statements of admitted assets, liabilities, and policyholders' surplus - statutory basis. The Company also has a reinsurance agreement with Southern in which 100% of certain defined casualty risks are ceded. The effects of the Company's reinsurance treaties are described in Note 9.

Investment in Subsidiaries

Summarized financial information (prepared in accordance with GAAP) of the Company's wholly owned subsidiaries is as follows:

	December 31,	
	2017	2016
Total assets	\$ 1,051	\$ 1,299
Total liabilities	\$ 73	\$ 69
Total equity	\$ 978	\$ 1,230
Revenues	\$ 334	\$ 358
Net income	\$ 48	\$ 34

Note 11 - Commitments and Contingencies

Commitments

Operating Leases

The Company leases various agent offices under non-cancelable operating leases with aggregate monthly payments ranging from approximately \$0.4 to \$4.0, which expire through June 2021. Rent expense for these leases before related party allocations was \$485 and \$490 for the years ended December 31, 2017 and 2016, respectively.

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Dollars in Thousands)

Note 11 - Commitments and Contingencies (continued)

Commitments (continued)

Operating Leases (continued)

Future minimum lease payments before related party allocations under these leases are approximately as follows:

Year Ending December 31,

2018	\$	356
2019		242
2020		143
2021		<u>18</u>
	\$	<u>759</u>

Certain future minimum lease payments will be included in allocable expenses to Southern and, therefore, are subject to reimbursement (Note 10).

Self-Funded Health Plan

The Company, in conjunction with CFB and Southern, provides certain health benefits to employees through a self-funded plan. CFB is charged the appropriate premium for its respective employees while the premium associated with the Company is included in the joint expense agreement with Southern and allocated appropriately. As of December 31, 2017 and 2016, the estimated liability for claims incurred but not reported was \$60.

Contingencies

The Company is party to several lawsuits concerning policy claims and other matters occurring in the normal course of business, and management believes that the ultimate disposition of such lawsuits has been properly provided for in the Company's established loss and loss adjustment expense reserves and other accrued liabilities as appropriate.

The Company has purchased several annuities as part of structured settlement agreements on claims. Loss reserves have been reduced by \$282 and \$281 at December 31, 2017 and 2016, respectively, as a result of the purchased annuities. The Company has a contingent liability for these amounts in the event the entity issuing the annuity were to default on its obligation.

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Notes to Statutory Financial Statements
(Dollars in Thousands)**

Note 12 - Liabilities for Unpaid Losses and Unpaid Loss Adjustment Expenses

Activity in the liabilities for unpaid losses and unpaid loss adjustment expenses is summarized below:

	For the Years Ended December 31,	
	<u>2017</u>	<u>2016</u>
Balance at January 1	\$ 44,665	\$ 47,500
Less reinsurance recoverables	<u>(33,879)</u>	<u>(33,305)</u>
Net balance at January 1	<u>10,786</u>	<u>14,195</u>
Incurred related to		
Current year	22,122	22,379
Prior years	<u>(2,608)</u>	<u>(4,585)</u>
Total incurred	<u>19,514</u>	<u>17,794</u>
Paid related to		
Current year	16,528	16,891
Prior years	<u>4,826</u>	<u>4,308</u>
Total paid	<u>21,354</u>	<u>21,199</u>
Net balance at December 31	8,946	10,790
Plus reinsurance recoverables	<u>31,033</u>	<u>33,875</u>
Balance at December 31	<u>\$ 39,979</u>	<u>\$ 44,665</u>

Note 13 - Leasing Income

During 2012, the Company entered into an operating lease with a tenant for 11,890 rental square feet of its home office building. The initial term of the lease was five years, expiring October 31, 2017; this lease was extended during 2017 for an additional five years expiring October 31, 2022. For the years ended December 31, 2017 and 2016, the Company recognized rental receipts of \$167 and \$202, respectively.

Future minimum rental receipts are as follows:

For the Year Ending December 31,

2018	\$ 128
2019	132
2020	136
2021	140
2022	<u>120</u>
	<u>\$ 656</u>

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Notes to Statutory Financial Statements
(Dollars in Thousands)**

Note 14 - Subsequent Events

The Company has evaluated all subsequent events through the auditors' report date, which is the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

SUPPLEMENTARY INFORMATION

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Investment Risk Interrogatories
December 31, 2017**

1. Reporting entity's total admitted assets as reported on page two of the annual statement. \$ 81,280,114

2. Ten largest exposures to a single issuer/borrower/investment.

	1	2	3	4
	<u>Issuer</u>	<u>Description of Exposure</u>	<u>Amount</u>	<u>Percentage of Total Admitted Assets</u>
2.01	American Agricultural Insurance	Common Stock	\$ 3,493,611	4.298 %
2.02	Anderson County South Carolina SC	Bonds	\$ 1,208,219	1.486 %
2.03	Clarksville Tenn Water	Bonds	\$ 1,061,169	1.306 %
2.04	Conway Ark Sch Dist	Bonds	\$ 1,000,247	1.231 %
2.05	Federal National Management Assn	Bonds	\$ 1,000,000	1.230 %
2.06	Federal National Management Assn	Bonds	\$ 999,544	1.230 %
2.07	Washington St.	Bonds	\$ 888,215	1.093 %
2.08	Ignacio School Dist.	Bonds	\$ 869,805	1.070 %
2.09	Louisiana Loc Govt E	Bonds	\$ 739,061	0.909 %
2.10	Boulder County CO	Bonds	\$ 697,565	0.858 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.

	<u>Bonds</u>	<u>Amount</u>	<u>Percent</u>		<u>Preferred Stocks</u>	<u>Amount</u>	<u>Percent</u>
3.01	NAIC - 1	\$ 31,047,305	38.198 %	3.07	P/RP - 1	\$ -	- %
3.02	NAIC - 2	\$ 1,035,523	1.274 %	3.08	P/RP - 2	\$ -	- %
3.03	NAIC - 3	\$ -	- %	3.09	P/RP - 3	\$ 150,000	0.185 %
3.04	NAIC - 4	\$ -	- %	3.10	P/RP - 4	\$ -	- %
3.05	NAIC - 5	\$ -	- %	3.11	P/RP - 5	\$ -	- %
3.06	NAIC - 6	\$ -	- %	3.12	P/RP - 6	\$ -	- %

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Investment Risk Interrogatories
December 31, 2017**

4. Assets held in foreign investments:

4.01	Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets?			Yes (X) No ()
4.02	Total admitted assets held in foreign investments	\$	-	- %
4.03	Foreign-currency-denominated investments	\$	-	- %
4.04	Insurance liabilities denominated in that same foreign currency	\$	-	- %

If response to 4.01 above is yes, responses are not required for interrogatories 5-10.

5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

5.01	Countries designated NAIC - 1	\$	-	- %
5.02	Countries designated NAIC - 2	\$	-	- %
5.03	Countries designated NAIC - 3 or below	\$	-	- %

6. Largest foreign investment exposures to a single country, categorized by NAIC sovereign designation:

Countries designated NAIC - 1				
6.01	Country 1:	\$	-	- %
6.02	Country 2:	\$	-	- %
Countries designated NAIC - 2				
6.03	Country 1:	\$	-	- %
6.04	Country 2:	\$	-	- %
Countries designated NAIC - 3 or below				
6.05	Country 1:	\$	-	- %
6.06	Country 2:	\$	-	- %

7. Aggregate unhedged foreign currency exposure: \$ - - %

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

8.01	Countries designated NAIC - 1	\$	-	- %
8.02	Countries designated NAIC - 2	\$	-	- %
8.03	Countries designated NAIC - 3 or below	\$	-	- %

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Investment Risk Interrogatories
December 31, 2017**

9. Largest unhedged foreign currency exposures by country, categorized by NAIC sovereign designation:

Countries designated NAIC - 1				
9.01	Country:	\$	-	- %
9.02	Country:	\$	-	- %
Countries designated NAIC - 2				
9.03	Country:	\$	-	- %
9.04	Country:	\$	-	- %
Countries designated NAIC - 3 or below				
9.05	Country:	\$	-	- %
9.06	Country:	\$	-	- %

10. Ten largest non-sovereign (i.e., non-governmental) foreign issues:

	1	2	3	4
	<u>Issuer</u>	<u>NAIC Designation</u>		
10.01			\$	- %
10.02			\$	- %
10.03			\$	- %
10.04			\$	- %
10.05			\$	- %
10.06			\$	- %
10.07			\$	- %
10.08			\$	- %
10.09			\$	- %
10.10			\$	- %

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Investment Risk Interrogatories
December 31, 2017**

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes (X) No ()

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.

11.02	Total admitted assets held in Canadian investments	\$	-	-	%
11.03	Canadian currency-denominated investments	\$	-	-	%
11.04	Canadian-denominated insurance liabilities	\$	-	-	%
11.05	Unhedged Canadian currency exposure	\$	-	-	%

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes (X) No ()

If response to 12.01 is yes, detail is not required for the remainder of Interrogatory 12.

	1		2		3
12.02	Aggregate statement value of investments with contractual sales restrictions:	\$	-	-	%
	Largest three investments with contractual sales restrictions:				
12.03		\$	-	-	%
12.04		\$	-	-	%
12.05		\$	-	-	%

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Investment Risk Interrogatories
December 31, 2017**

13. Amounts and percentages of admitted assets held in the largest ten equity interests:

13.01	Are assets held in equity interests less than 2.5% of the reporting entity's total admitted assets?		Yes ()	No (X)
		1	2	3
	<u>Name of Issuer</u>			
13.02	American Agricultural Insurance Company	\$ 3,493,611		4.298 %
13.04	American Farm Bureau Insurance Services	\$ 591,291		0.727 %
13.05	Centennial Investment Co	\$ 450,443		0.554 %
13.05	Farm Bureau Insurance Agency of Colorado	\$ 377,141		0.464 %
13.06	FB Bancorp Voting Common Stock	\$ 268,260		0.330 %
13.07	FB Bancorp Class B Series Two	\$ 7,890		0.010 %
13.08		\$ -		- %
13.09		\$ -		- %
13.10		\$ -		- %
13.11		\$ -		- %

14. Amounts and percentages of the reporting entity's total admitted assets held in non-affiliated, privately placed equities:

14.01	Are assets held in non-affiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets?		Yes ()	No (X)
		1	2	3
14.02	Aggregate statement value of investments held in non- affiliated, privately placed equities:	\$ 4,361,052		5.365 %
	Largest three investments held in non-affiliated, privately placed equities:			
14.03	American Agricultural Insurance Company	\$ 3,493,611		4.298 %
14.04	American Farm Bureau Insurance Services	\$ 591,291		0.727 %
14.05	FB Bancorp Voting Common Stock	\$ 268,260		0.330 %

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Investment Risk Interrogatories
December 31, 2017**

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes (X) No ()

If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.

	1	2	3
15.02 Aggregate statement value of investments held in general partnership interests:		\$ -	- %
Largest three investments held in general partnership interests:			
15.03		\$ -	- %
15.04		\$ -	- %
15.05		\$ -	- %

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Investment Risk Interrogatories
December 31, 2017**

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes (X) No ()

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	1	2	3
	<u>Type (Residential, Commercial, Agricultural)</u>	<u>Amount</u>	<u>Percent</u>
16.02		\$ -	- %
16.03		\$ -	- %
16.04		\$ -	- %
16.05		\$ -	- %
16.06		\$ -	- %
16.07		\$ -	- %
16.08		\$ -	- %
16.09		\$ -	- %
16.10		\$ -	- %
16.11		\$ -	- %

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

	<u>Loans</u>	<u>Percent</u>
16.12 Construction loans	\$ -	- %
16.13 Mortgage loans over 90 days past due	\$ -	- %
16.14 Mortgage loans in the process of foreclosure	\$ -	- %
16.15 Mortgage loans foreclosed	\$ -	- %
16.16 Restructured mortgage loans	\$ -	- %

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Investment Risk Interrogatories
December 31, 2017**

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

	<u>Loan-to-Value</u>	<u>Residential</u>		<u>Commercial</u>		<u>Agriculture</u>				
		1	2	3	4	5	6			
17.01	Above 95%	\$	-	- %	\$	-	- %	\$	-	- %
17.02	91% to 95%	\$	-	- %	\$	-	- %	\$	-	- %
17.03	81% to 90%	\$	-	- %	\$	-	- %	\$	-	- %
17.04	71% to 80%	\$	-	- %	\$	-	- %	\$	-	- %
17.05	Below 70%	\$	-	- %	\$	-	- %	\$	-	- %

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? Yes (X) No ()

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

Largest five investments in any one parcel or group of contiguous parcels of real estate:

	<u>Description</u>			
	1	2	3	
18.02		\$	-	- %
18.03		\$	-	- %
18.04		\$	-	- %
18.05		\$	-	- %
18.06		\$	-	- %

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Investment Risk Interrogatories
December 31, 2017**

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? Yes (X) No ()

If response to 19.01 above is yes, responses are not required for the remainder of Interrogatory 19.

19.02 Aggregate statement value of investments held in mezzanine real estate loans: \$ - - %

Largest three investments held in mezzanine real estate loans:

	Description		
	1	2	3
19.03	\$	-	- %
19.04	\$	-	- %
19.05	\$	-	- %

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year-End		At End of Each Quarter			
			1st Qtr	2nd Qtr	3rd Qtr	
	1	2	3	4	5	
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	\$	- - %	\$	- \$	- \$	-
20.02 Repurchase agreements	\$	- - %	\$	- \$	- \$	-
20.03 Reverse repurchase agreements	\$	- - %	\$	- \$	- \$	-
20.04 Dollar repurchase agreements	\$	- - %	\$	- \$	- \$	-
20.05 Dollar reverse repurchase agreements	\$	- - %	\$	- \$	- \$	-

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Investment Risk Interrogatories
December 31, 2017**

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

		Owned		Written	
		1	2	3	4
21.01	Hedging	\$ -	- %	\$ -	- %
21.02	Income generation	\$ -	- %	\$ -	- %
21.03	Other	\$ -	- %	\$ -	- %

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

		At End of Each Quarter				
		At Year-End		1st Qtr	2nd Qtr	3rd Qtr
		1	2	3	4	5
22.01	Hedging	\$ -	- %	\$ -	\$ -	\$ -
22.02	Income generation	\$ -	- %	\$ -	\$ -	\$ -
22.03	Replications	\$ -	- %	\$ -	\$ -	\$ -
22.04	Other	\$ -	- %	\$ -	\$ -	\$ -

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for future contracts:

		At End of Each Quarter				
		At Year-End		1st Qtr	2nd Qtr	3rd Qtr
		1	2	3	4	5
23.01	Hedging	\$ -	- %	\$ -	\$ -	\$ -
23.02	Income generation	\$ -	- %	\$ -	\$ -	\$ -
23.03	Replications	\$ -	- %	\$ -	\$ -	\$ -
23.04	Other	\$ -	- %	\$ -	\$ -	\$ -

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Summary Investment Schedule
December 31, 2017**

	<u>Gross Investment Holdings</u>		<u>Admitted Assets as Reported in the Annual Statement</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
1. Bonds				
1.1 U.S. Treasury securities	\$ -	- %	\$ -	- %
1.2 U.S. government agency obligations (excluding mortgage-backed securities)				
1.21 Issued by U.S. government agencies	-	-	-	-
1.22 Issued by U.S. government- sponsored agencies	5,249,544	10.76	5,249,544	10.76
1.3 Non-U.S. government (including Canada, excluding mortgage-backed securities)	-	-	-	-
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories, and possessions general obligations	-	-	-	-
1.42 Political subdivisions of states, territories, and possessions and political subdivisions general obligations	11,535,561	23.65	11,535,561	23.65
1.43 Revenue and assessment obligations	10,154,113	20.82	10,154,113	20.82
1.44 Industrial development and similar obligations	-	-	-	-
1.5 Mortgage-backed securities (includes residential and commercial MBS)				
1.51 Pass-through securities	-	-	-	-
1.511 Issued or guaranteed by GNMA	7,876	0.02	7,876	0.02
1.512 Issued or guaranteed by FNMA and FHLMC	-	-	-	-
1.513 All other	-	-	-	-

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Summary Investment Schedule
December 31, 2017**

	<u>Gross Investment Holdings</u>		<u>Admitted Assets as Reported in the Annual Statement</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
1.52 CMOs and REMICs	-	-	-	-
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC, or VA	791,818	1.62	791,818	1.62
1.522 Issued by non-U.S. government issuers and collateralized by mortgage- backed securities issued or guaranteed by agencies shown in line 1.521	-	-	-	-
1.523 All other	-	-	-	-
2. Other debt and other fixed income securities (excluding short-term)	-	-	-	-
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	4,343,916	8.91	4,343,916	8.91
2.2 Unaffiliated non-U.S. securities (including Canada)	-	-	-	-
2.3 Affiliated securities	-	-	-	-
3. Equity interests				
3.1 Investments in mutual funds	-	-	-	-
3.2 Preferred stocks				
3.21 Affiliated	150,000	0.31	150,000	0.31
3.22 Unaffiliated	-	-	-	-
3.3 Publicly traded equity securities (excluding preferred stocks)				
3.31 Affiliated	-	-	-	-
3.32 Unaffiliated	-	-	-	-
3.4 Other equity securities				
3.41 Affiliated	827,584	1.70	827,584	1.70
3.42 Unaffiliated	4,361,052	8.94	4,361,052	8.94

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Summary Investment Schedule
December 31, 2017**

	<u>Gross Investment Holdings</u>		<u>Admitted Assets as Reported in the Annual Statement</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
3.5 Other equity interests including tangible personal property under lease				
3.51 Affiliated	-	-	-	-
3.52 Unaffiliated	-	-	-	-
4. Mortgage loans				
4.1 Construction and land development	-	-	-	-
4.2 Agriculture	-	-	-	-
4.3 Single-family residential properties	-	-	-	-
4.4 Multi-family residential properties	-	-	-	-
4.5 Commercial loans	-	-	-	-
4.6 Mezzanine real estate loans	-	-	-	-
5. Real estate investments				
5.1 Property occupied by Company	3,859,449	7.91	3,859,449	7.91
5.2 Property held for production of income (including \$0 of property acquired in satisfaction of debt)	1,000	-	-	-
5.3 Property held for sale (including \$0 property acquired in satisfaction of debt)	-	-	-	-
6. Contract loans	-	-	-	-
7. Derivatives	-	-	-	-
8. Receivables for securities	-	-	-	-
9. Securities lending (Line 10, asset page reinvested collateral)	-	-	-	-
10. Cash, cash equivalents, and short-term investments	6,971,802	14.29	6,971,802	14.29
11. Other invested assets	<u>520,634</u>	<u>1.07</u>	<u>520,634</u>	<u>1.07</u>
12. Total invested assets	<u>\$ 48,774,349</u>	<u>100.0 %</u>	<u>\$ 48,773,349</u>	<u>100.0 %</u>

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Property and Casualty Interrogatories 7 to 9
For the Year Ended December 31, 2017**

- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit, or any similar provisions)? Yes () No (X)
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions.
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by an applicable limiting provision(s)? Yes () No ()
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes () No (X)
- 8.2 If yes, give full information.
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders, or it reported calendar year written premium ceded or year-end loss and loss expense reserve ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features of other features that would have similar results: Yes (X) No ()
- (a) A contract term longer than two years, and the contract is non-cancelable by the reporting entity during the contract term;
 - (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
 - (c) Aggregate stop loss reinsurance coverage;
 - (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
 - (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
 - (f) Payment schedule, accumulating retentions from multiple years, or any features inherently designed to delay timing of the reimbursement to the ceding entity.

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Property and Casualty Interrogatories 7 to 9
For the Year Ended December 31, 2017**

- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where: Yes () No (X)
- (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
- (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract?
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
- (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
- (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
- (c) A brief discussion of management's principal objectives in entering into reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62, *Property and Casualty Reinsurance*, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either: Yes () No (X)
- (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
- (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?

COLORADO FARM BUREAU MUTUAL INSURANCE COMPANY

**Property and Casualty Interrogatories 7 to 9
For the Year Ended December 31, 2017**

9.5 If yes to 9.4, explain the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.

9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:

(a) The entity does not utilize reinsurance; or Yes () No (X)

(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes () No (X)

(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes () No (X)

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Colorado Farm Bureau Mutual Insurance Company

**Statutory Financial Report
with Supplemental Information
December 31, 2018**

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Independent Auditor's Report

To the Board of Directors and Policyholders
Colorado Farm Bureau Mutual Insurance Company

We have audited the accompanying statutory financial statements of Colorado Farm Bureau Mutual Insurance Company (the "Company"), which comprise the statutory statement of admitted assets, liabilities, and policyholders' surplus as of December 31, 2018 and the related statutory statements of operations, changes in policyholders' surplus, and cash flows for the year then ended, and the related notes to the statutory financial statements.

Management's Responsibility for the Statutory Financial Statements

Management is responsible for the preparation and fair presentation of these statutory financial statements in accordance with the accounting practices prescribed or permitted by the Colorado Division of Insurance. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these statutory financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statutory financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statutory financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statutory financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the statutory financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statutory financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the statutory financial statements, these statutory financial statements are prepared in conformity with the accounting practices prescribed or permitted by the Colorado Division of Insurance, which differ from accounting principles generally accepted in the United States of America. The effects on the statutory financial statements of the variances between such practices and accounting principles generally accepted in the United States of America are not practically determinable, but are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the statutory financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Colorado Farm Bureau Mutual Insurance Company at December 31, 2018 or the results of its operations or its cash flows for the year then ended.

To the Board of Directors and Policyholders
Colorado Farm Bureau Mutual Insurance Company

Opinion on Statutory Basis of Accounting

In our opinion, the statutory financial statements referred to above present fairly, in all material respects, the financial position of Colorado Farm Bureau Mutual Insurance Company as of December 31, 2018 and the results of its operations, changes in capital and surplus, and cash flows for the year then ended in accordance with the basis of accounting described in Note 2.

Report on Prior Year Statutory Financial Statements

The statutory financial statements of Colorado Farm Bureau Mutual Insurance Company as of December 31, 2017 were audited by EKS&H LLLP, whose report dated April 24, 2018 expressed an unmodified opinion on those statutory statements.

Plante & Moran, PLLC

April 24, 2019

Colorado Farm Bureau Mutual Insurance Company

Statutory Statement of Admitted Assets, Liabilities, and Policyholders' Surplus

December 31, 2018 and 2017
(000s omitted)

2018 2017

Admitted Assets

Cash and Invested Assets

Bonds	\$ 29,979	\$ 32,083
Common stocks	5,281	5,189
Preferred stocks	150	150
Real estate owned	3,682	3,859
Cash, cash equivalents, and short-term investments	3,849	6,972
Other investments	521	521
Total cash and invested assets	43,462	48,774

Other Assets

Accrued investment income	329	347
Premiums receivable	17,726	16,823
Reinsurance recoverable on paid losses and expense reimbursement	7,851	7,131
Other receivables - Including related parties	22	187
Income taxes receivable	182	-
Electronic data processing equipment - Net of accumulated depreciation of \$3,873 and \$3,741	190	232
Cash surrender value of life insurance policies	8,057	7,786
Total other assets	34,357	32,506
Total admitted assets	\$ 77,819	\$ 81,280

Liabilities and Policyholders' Surplus

Liabilities

Unpaid losses - Net of reinsurance	\$ 5,621	\$ 7,519
Unpaid loss adjustment expenses - Net of reinsurance	1,427	1,427
Unearned premiums	17,368	17,195
Commissions payable	2,839	2,566
Accrued expenses	8,034	6,992
Ceded premiums payable	9,640	10,183
Total liabilities	44,929	45,882

Policyholders' Surplus

Guaranty fund	2,000	2,000
Earned surplus - Unassigned	30,890	33,398
Total policyholders' surplus	32,890	35,398
Total liabilities and policyholders' surplus	\$ 77,819	\$ 81,280

Colorado Farm Bureau Mutual Insurance Company

Statutory Statement of Operations

Years Ended December 31, 2018 and 2017

(000s omitted)

	2018	2017
Underwriting Income (Loss)		
Net premiums earned	\$ 25,372	\$ 25,985
Losses incurred	(20,551)	(19,848)
Loss adjustment expenses incurred	(2,755)	(1,608)
Other underwriting expenses incurred	(5,892)	(5,993)
Net underwriting loss	(3,826)	(1,464)
Investment Income	837	1,217
Other Income	271	246
Net Loss - before income taxes	(2,718)	(1)
Income Tax Benefit	(17)	(190)
Net (Loss) Income	\$ (2,701)	\$ 189

Colorado Farm Bureau Mutual Insurance Company

Statutory Statement of Changes in Policyholders' Surplus

Years Ended December 31, 2018 and 2017

(000s omitted)

	<u>2018</u>	<u>2017</u>
Policyholders' Surplus - Beginning of year	\$ 35,398	\$ 35,071
Net (loss) income	(2,701)	189
Change in net unrealized capital gains and losses	83	5
Change in net deferred income tax	9	3
Change in nonadmitted assets	101	130
Policyholders' Surplus - End of year	<u><u>\$ 32,890</u></u>	<u><u>\$ 35,398</u></u>

Colorado Farm Bureau Mutual Insurance Company

Statutory Statement of Cash Flows

Years Ended December 31, 2018 and 2017

(000s omitted)

	2018	2017
Cash Flows from Operating Activities		
Premiums collected - Net of reinsurance	\$ 24,267	\$ 26,005
Losses paid	(23,169)	(17,398)
Underwriting expenses paid (inclusive of loss adjustment expenses of \$2,755 and \$2,608, respectively)	(7,531)	(8,235)
Net investment income	1,307	1,464
Miscellaneous receipts	269	246
Income tax (benefit) paid	(147)	190
Net cash (used in) provided by operating activities	(5,004)	2,272
Cash Flows from Investing Activities		
Proceeds from sales of investments	2,274	2,907
Purchases of investments	(400)	(2,920)
Net cash provided by (used in) investing activities	1,874	(13)
Cash Flows from Financing and Miscellaneous Sources - Other cash applied	7	252
Net Change in Cash, Cash Equivalents, and Short-term Investments	(3,123)	2,511
Cash, Cash Equivalents, and Short-term Investments - Beginning of year	6,972	4,461
Cash, Cash Equivalents, and Short-term Investments - End of year	\$ 3,849	\$ 6,972

Notes to Statutory Financial Statements

December 31, 2018 and 2017

(000s omitted)

Note 1 - Nature of Business

Colorado Farm Bureau Mutual Insurance Company (the "Company") is a multiline insurance carrier whose principal lines of business include private passenger auto, homeowners', farmowners' property and liability, and commercial lines property and liability. The Company is licensed and domiciled in the state of Colorado and is focused on serving the consumers in the state of Colorado. The Company is subject to competition from other property and casualty insurance companies and is also subject to the regulations of certain state agencies and undergoes periodic financial examination by those regulatory authorities.

The Company entered into a 100 percent reinsurance agreement with Southern Farm Bureau Casualty Insurance Company (Southern) effective January 1, 2006. As a result of the agreement, the Company cedes 100 percent of the casualty and umbrella lines of business (to include liability coverages in the Farmowner and Commercial Package policies) - premiums, losses, and reserves net of all property reinsurance written through American Agricultural Insurance Company.

As part of this reinsurance arrangement, the Company entered into a joint expense agreement with Southern, which provides for the sharing of overhead expenses that are mutually beneficial to both companies and allow for their more efficient and economical operation, including the use of Southern's employees to perform support functions in the areas of accounting, claims, underwriting, information services, etc., for the Company. This joint expense agreement specifies an allocation of all expenses between the casualty/umbrella lines and the property lines of business based either on claims counts (LAE expense) or policy/vehicle in force counts (U/W expense). Any expense that can be associated directly with either the property or casualty lines of business (i.e., commissions, premium tax, MVR reporting, etc.) is directly allocated to those lines. Otherwise, they are subject to the allocation methodology set forth in the joint expense allocation agreement.

Note 2 - Significant Accounting Policies

Basis of Presentation

These statutory financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Colorado Division of Insurance (the "Division") (statutory accounting principles), which is a special purpose framework differing from accounting principles generally accepted in the United States of America (GAAP). Prescribed statutory accounting practices are those practices that are incorporated directly or by reference in state laws, regulations, and general administrative rules applicable to the state of domicile. A state may adopt the NAIC *Accounting Practices and Procedures Manual* in whole, or in part, as an element of prescribed statutory accounting practices. If, however, the state laws differ from the guidance provided in the NAIC *Accounting Practices and Procedures Manual*, the state laws will take precedence. Permitted statutory accounting practices encompass all accounting practices that are not prescribed but allowed by the state regulatory authority; such practices differ from state to state, may differ from company to company within a state, and may change in the future. The Company has not adopted any permitted practices.

There are no significant differences between Colorado prescribed practices and the NAIC statutory accounting practices (NAIC SAP) that affect the Company.

The more significant variances between statutory accounting principles and GAAP that affect the Company are as follows:

- Bonds are carried at values prescribed by the NAIC. Generally, bonds are stated at amortized cost (unless the NAIC requires fair value). Under GAAP, the Company's bonds would be reported at fair value, with unrealized gains and losses, net of related deferred taxes, reported in other comprehensive income.

Notes to Statutory Financial Statements

December 31, 2018 and 2017

(000s omitted)

Note 2 - Significant Accounting Policies (Continued)

- Investments in subsidiaries are carried at their statutory equity value in accordance with statutory accounting principles or as otherwise specifically determined by the Investment Analysis Office of the NAIC (IAO) with changes in statutory equity being charged or credited to unassigned surplus. Under GAAP, investments in subsidiaries would be consolidated, with intercompany activity being eliminated.
- Acquisition costs, such as commissions and other costs related to acquiring new business, are expensed as incurred; under GAAP, they are deferred and amortized to expense as premiums are earned.
- Deferred taxes are computed for federal income taxes only and subject to certain limitations based on prescribed rules. Changes in deferred taxes are reflected in surplus. Under GAAP, deferred taxes are provided for federal and state income taxes, with changes reflected in operations or equity.
- Nonadmitted assets are excluded through a charge against surplus; under GAAP, these assets are recorded in the balance sheet, net of any valuation allowance.
- Statutory accounting principles permit amounts due to or from reinsurers to be netted against loss and loss adjustment expense reserves and unearned premiums. GAAP requires these reinsurance balances to be reported gross.
- Realized investment gains or losses are reported net of related income taxes, while under GAAP, such gains or losses are reported gross of tax.

Investments

Bonds are valued in accordance with the valuations prescribed by the NAIC. Generally, bonds are stated at amortized cost unless rated at three or below by the NAIC, in which case bonds are stated at the lower of cost or fair value.

Unaffiliated common stocks are reported at fair value, as determined by quoted market prices, and the related net unrealized capital gains (losses) are reported in unassigned surplus net of federal income taxes. Affiliated common stocks are carried at their statutory equity value or as otherwise specified by the IAO, with changes in statutory equity charged or credited to unassigned surplus.

Management regularly reviews its investment portfolio to evaluate the necessity of recording impairment losses for other-than-temporary declines in the fair value of investments. A number of criteria are considered during this process, including, but not limited to, the current fair value as compared to amortized cost or cost, as appropriate, the length of time the security's fair value has been below amortized cost or cost and by how much, and specific credit issues related to the issuer, current economic conditions, and the intent and ability to hold the security until recovery as of year end. Estimates for other-than-temporary declines in the fair value of invested assets are included in realized gains and losses on investments and result in a permanent reduction in the cost basis of the underlying investment.

Nonadmitted Assets

Assets included in the statutory financial statements are at admitted asset value. Nonadmitted assets, which are specifically designated by statutory accounting principles as assets that cannot be readily realized for the benefit of policyholders, are excluded through a direct charge to surplus.

Electronic Data Processing Equipment

Electronic data processing (EDP) equipment (including operating system software) is recorded as an admitted asset at cost less accumulated depreciation.

Notes to Statutory Financial Statements

December 31, 2018 and 2017

(000s omitted)

Note 2 - Significant Accounting Policies (Continued)

Nonoperating system software is considered a nonadmitted asset for statutory accounting purposes, with depreciation charged to expense during the period, and the change in net book value (cost less accumulated depreciation) is recorded as an adjustment directly to policyholders' surplus.

Furniture and equipment are considered nonadmitted assets for statutory financial statement reporting purposes. Depreciation is calculated on these assets and charged to expense. The net change in book value (cost less accumulated depreciation) is also recorded as an adjustment directly to policyholders' surplus.

Depreciation is calculated by applying the straight-line method over the estimated useful lives of the respective assets of three years for EDP equipment and five years for nonoperating system software, furniture, and fixtures. Depreciation expense before cost allocation under a joint expense-sharing agreement with Southern was \$487 and \$485 for the years ended December 31, 2018 and 2017, respectively.

Real Estate

Investments in real estate related to properties owned and occupied by the Company. Real estate is recorded at original cost and depreciated over its estimated useful life.

Loss and Loss Adjustment Expense Reserves

Loss and loss adjustment expense (LAE) reserves are stated after deducting reinsurance ceded and are management's best estimates of unpaid losses. The liability for losses and loss adjustment expenses consists of (1) case reserve estimates for reported losses and (2) estimates for losses incurred but not reported (IBNR). For reported losses, reserves are established on a case basis within the parameters of coverage provided in the insurance policy or reinsurance agreement. For incurred but not recorded losses, reserves are estimated using established actuarial methods. Estimating the liability for property and casualty loss and LAE reserves is complex. It requires significant judgments and assumptions about a number of internal variables and external factors. Examples of internal variables that affect estimating loss reserves include changes in claims handling practices and changes in business mix. Examples of external factors that affect estimating loss reserves include trends in loss costs, economic inflation, judicial changes, and legislative changes. In addition, certain claims may be paid out over a number of years, and there may be a significant lag between the time an insured loss occurs and the time it is reported. These variables and factors affect the amounts that are paid for losses and LAE. Because estimating reserves requires the use of assumptions and judgments, actual future losses will differ from management's best estimates. Management believes that the loss and loss adjustment expense reserves are appropriately established in the aggregate and make a reasonable provision to cover the ultimate net cost of reported and unreported claims. These estimates are regularly reviewed and updated using a variety of statistical and actuarial techniques to analyze current claim costs and the most current information available. The effects of changes in such estimates are included in the results of operations in the period such estimates are revised.

Loss and LAE reserves are not discounted and, therefore, do not reflect the time value of money.

Premium Recognition

Premiums are recorded as earned on a pro rata basis over the coverage period for which the premiums were collected or due.

Unearned premiums represent the pro rata portion of the premiums written that are applicable to the unexpired terms of the policies.

December 31, 2018 and 2017

(000s omitted)

Note 2 - Significant Accounting Policies (Continued)

For reinsurance assumed from other insurance companies or written through various underwriting organizations, unearned premiums are recorded from reports received from such companies and organizations.

Reinsurance

The Company reinsures portions of certain insurance policies it writes, thereby providing a greater diversification of risk and minimizing exposure on larger risks. The Company remains contingently at risk with respect to any reinsurance ceded and would incur an additional loss if an assuming company were unable to meet its obligation under the reinsurance agreements.

Ceded reinsurance premiums are recognized on the same basis as the premiums are earned on the underlying insurance contracts. Assumed reinsurance premiums are earned as reported by the ceding company in accordance with the reinsurance contracts. Premiums earned and losses incurred are reflected in the accompanying financial statements, net of related reinsurance.

Use of Estimates

The preparation of financial statements in conformity with statutory accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are the liabilities for unpaid loss and loss adjustment expense, along with the evaluation of other-than-temporary impairment of investment securities. In estimating these liabilities and investment valuations, management uses the methodologies discussed in the unpaid loss and LAE accounting policy and the investment accounting policy described previously.

Income Taxes

An asset or liability is recognized for the estimated federal income taxes payable or refundable at each reporting period.

The Company recognizes deferred tax assets and liabilities for the future federal tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases based on enacted tax laws and statutory tax rates. Admitted deferred tax assets are limited under statutory accounting to those differences that are realizable within a defined period of time.

Cash, Cash Equivalents, and Short-term Investments

Cash consists of cash on deposit and money market accounts. Short-term investments include securities that mature within one year from the date of acquisition.

Fair Value of Financial Instruments

The carrying amounts of the Company's cash equivalents, accounts receivable, accounts payable, and line of credit approximate their fair value due to the short maturity of such instruments.

Advertising Expense

Advertising expense is charged to income during the year in which it is incurred. Advertising expense before cost allocation to Southern for 2018 and 2017 was \$92 and \$252, respectively.

Colorado Farm Bureau Mutual Insurance Company

Notes to Statutory Financial Statements

December 31, 2018 and 2017

(000s omitted)

Note 2 - Significant Accounting Policies (Continued)

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including April 24, 2019, which is the date the financial statements were available to be issued.

In January 2019, Colorado Farm Bureau Mutual Insurance Company filed a plan of conversion with the Colorado Division of Insurance, which proposes a demutualization and conversion to a stock insurance company. The plan has received preliminary approval from the Colorado Division of Insurance.

Subsequent to the plan of conversion, the Company is in discussions to redomesticate to the state of Mississippi for the purpose of a proposed acquisition. The initial application for the proposed acquisition of control has been filed by Southern Farm Bureau Casualty Insurance Company with the Colorado Division of Insurance and is currently under review.

Note 3 - Investments

A summary of bonds owned is as follows:

	2018	2017
Par value	\$ 29,007	\$ 30,881
Net unamortized premium	972	1,202
Amortized value	<u>\$ 29,979</u>	<u>\$ 32,083</u>

Statement values of bonds held as deposits or in escrow are as follows:

	2018	2017
State of Colorado Division of Insurance - Guarantee fund	\$ 2,625	\$ 2,652
Collateral with reinsurers	138	141
Amortized value	<u>\$ 2,763</u>	<u>\$ 2,793</u>

The details of the Company's investments in equity securities at December 31 are as follows:

	2018		2017	
	Cost	Statement Value	Cost	Statement Value
Centennial Investment Company (preferred stock at statutory equity)	\$ 150	\$ 150	\$ 150	\$ 150
American Agriculture Insurance Company	22	3,560	22	3,494
Farm Bureau Insurance Agency of Colorado, Inc. (at GAAP equity)	213	401	213	377
Centennial Investment Company (at statutory equity)	18	475	18	451
Farm Bureau Bancorp	350	276	350	276
American Farm Bureau Insurance Services	329	569	329	591
Total	<u>\$ 1,082</u>	<u>\$ 5,431</u>	<u>\$ 1,082</u>	<u>\$ 5,339</u>

Colorado Farm Bureau Mutual Insurance Company

Notes to Statutory Financial Statements

December 31, 2018 and 2017

(000s omitted)

Note 3 - Investments (Continued)

The details of the Company's investments in debt securities at December 31 are as follows:

	2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government guaranteed bonds and notes	\$ 7	\$ -	\$ -	\$ 7
Industrial and miscellaneous	4,127	442	(2)	4,567
U.S. special revenue and political subdivision bonds	25,845	461	(99)	26,207
Total	\$ 29,979	\$ 903	\$ (101)	\$ 30,781

	2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government guaranteed bonds and notes	\$ 8	\$ -	\$ -	\$ 8
Industrial and miscellaneous	4,344	646	-	4,990
U.S. special revenue and political subdivision bonds	27,731	828	(74)	28,485
Total	\$ 32,083	\$ 1,474	\$ (74)	\$ 33,483

The amortized cost and fair value of investment securities by contractual maturity at December 31, 2018 are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due in one year or less	\$ 4,411	\$ 4,529
Due in one through five years	16,305	16,742
Due after five years through ten years	7,694	7,900
Due after ten years	1,569	1,610
Total	\$ 29,979	\$ 30,781

Proceeds from the sales of investments in debt and equity securities for the years ended December 31, 2018 and 2017 are \$2,274 and \$2,907, respectively. Gross realized gains for the year ended December 31, 2018 were \$3. Gross realized loss for the year ended December 31, 2017 was \$1.

Colorado Farm Bureau Mutual Insurance Company

Notes to Statutory Financial Statements

December 31, 2018 and 2017

(000s omitted)

Note 3 - Investments (Continued)

Information pertaining to investment securities with gross unrealized losses at December 31, 2018 and 2017, aggregated by investment category and length of time that individual securities have been in a continuous loss position, is as follows:

	2018					
	Less than 12 Months		12 Months or Greater		Total	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
Industrial and miscellaneous	\$ (1)	\$ 399	\$ (1)	\$ 199	\$ (2)	\$ 598
U.S. special revenue and political subdivision bonds	(17)	4,505	(82)	4,165	(99)	8,670
Total	\$ (18)	\$ 4,904	\$ (83)	\$ 4,364	\$ (101)	\$ 9,268

	2017					
	Less than 12 Months		12 Months or Greater		Total	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
U.S. special revenue and political subdivision bonds	\$ (11)	\$ 1,389	\$ (63)	\$ 3,786	\$ (74)	\$ 5,175
Industrial and miscellaneous	-	200	-	-	-	200
Total	\$ (11)	\$ 1,589	\$ (63)	\$ 3,786	\$ (74)	\$ 5,375

Note 4 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Company has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Company's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Colorado Farm Bureau Mutual Insurance Company

Notes to Statutory Financial Statements

December 31, 2018 and 2017

(000s omitted)

Note 4 - Fair Value Measurements (Continued)

The following tables present fair value information about the Company's financial instruments at December 31, 2018 and 2017 and the valuation techniques used by the Company to determine those fair values:

	2018			Fair Value	Carrying Value
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Equity securities:					
Common stocks	\$ -	\$ -	\$ 5,281	\$ 5,281	\$ 5,281
Preferred stocks	-	-	150	150	150
Total equity securities	-	-	5,431	5,431	5,431
Bonds:					
U.S. government securities	-	15,642	-	15,642	15,429
Obligations of states and political subdivisions	-	10,577	-	10,577	10,422
Industrial and miscellaneous	-	4,562	-	4,562	4,127
Total bonds	-	30,781	-	30,781	29,978
Cash and cash equivalents:					
Cash	1,724	-	-	1,724	1,724
Money market mutual funds	2,125	-	-	2,125	2,125
Total cash and cash equivalents	3,849	-	-	3,849	3,849
Total assets	\$ 3,849	\$ 30,781	\$ 5,431	\$ 40,061	\$ 39,258

Colorado Farm Bureau Mutual Insurance Company

Notes to Statutory Financial Statements

December 31, 2018 and 2017

(000s omitted)

Note 4 - Fair Value Measurements (Continued)

	2017			Fair Value	Carrying Value
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Equity securities:					
Common stocks	\$ -	\$ -	\$ 5,189	\$ 5,189	\$ 5,189
Preferred stocks	-	-	150	150	150
Total equity securities	-	-	5,339	5,339	5,339
Bonds:					
U.S. government obligations	-	16,633	-	16,633	16,203
Obligations of states and political subdivisions	-	11,860	-	11,860	11,536
Industrial and miscellaneous	-	4,990	-	4,990	4,344
Total bonds	-	33,483	-	33,483	32,083
Cash and short-term investments:					
Cash	4,242	-	-	4,242	4,242
Money market mutual funds	2,730	-	-	2,730	2,730
Total cash and short-term investments	6,972	-	-	6,972	6,972
Total assets	\$ 6,972	\$ 33,483	\$ 5,339	\$ 45,794	\$ 44,394

The following is a reconciliation of the beginning and ending balances of recurring fair value measurement recognized in the accompanying statutory statement of operations using significant unobservable (Level 3) inputs as of December 31, 2018:

	2018	2017
Beginning balance	\$ 5,339	\$ 5,091
Net unrealized gains	92	248
Ending balance	\$ 5,431	\$ 5,339

Note 5 - Real Estate Owned

Real estate owned is composed of the following:

	2018	2017
Home office property	\$ 7,307	\$ 7,301
Other occupied office property	29	29
Total cost	7,336	7,330
Home office property	3,625	3,442
Other occupied office property	29	29
Total accumulated depreciation	3,654	3,471
Net real estate owned	\$ 3,682	\$ 3,859

Colorado Farm Bureau Mutual Insurance Company

Notes to Statutory Financial Statements

December 31, 2018 and 2017

(000s omitted)

Note 6 - Policyholders' Surplus - Statutory Regulation

Colorado insurance laws require the Company to maintain a minimum policyholders' surplus of \$2,000, which includes a guarantee fund of \$2,000. The Company had bonds on deposit, subject to certain restrictions in connection with the related custody agreement, with a par value of \$2,000 at December 31, 2018 and 2017. The Company is also subject to risk-based capital (RBC) requirements promulgated by the NAIC and adopted by the Division. The RBC standards establish uniform minimum capital requirements for insurance companies. The RBC formula applies various weighting factors to financial balances or various levels of activities based on the perceived degree of risk. At December 31, 2018, the Company's surplus exceeded the minimum levels required by the Division and RBC standards.

If declared by the board of directors, dividends may be paid only out of earned surplus and are subject to approval by the Division. No dividends were declared by the board of directors in 2018 or 2017.

Note 7 - Investment Income

Investment income is composed of the following for the years ended December 31, 2018 and 2017:

	2018	2017
Interest	\$ 1,158	\$ 1,185
Dividends	-	300
Real estate rental income	728	758
Net realized capital loss - Net of tax benefit of \$(1) and \$0, respectively	3	(3)
Gross investment income	1,889	2,240
Investment expenses	(1,052)	(1,023)
Net investment income	\$ 837	\$ 1,217

Note 8 - Income Taxes

The components of the net deferred income tax assets and liabilities, by character, are as follows:

	2018			2017		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Total deferred tax assets	\$ 4,704	\$ -	\$ 4,704	\$ 3,933	\$ -	\$ 3,933
Less statutory valuation allowance	(3,738)	-	(3,738)	(2,967)	-	(2,967)
Adjusted gross deferred tax assets	966	-	966	966	-	966
Less nonadmitted deferred tax assets	-	-	-	-	-	-
Admitted deferred tax assets	966	-	966	966	-	966
Total deferred tax liabilities	(63)	(903)	(966)	(72)	(894)	(966)
Net admitted deferred tax asset (liability)	\$ 903	\$ (903)	\$ -	\$ 894	\$ (894)	\$ -

Colorado Farm Bureau Mutual Insurance Company

Notes to Statutory Financial Statements

December 31, 2018 and 2017

(000s omitted)

Note 8 - Income Taxes (Continued)

	2018			2017		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Federal income taxes paid in prior years	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted gross deferred tax assets to be realized after the application of the threshold percentage	-	-	-	-	-	-
Adjusted gross deferred tax assets offset by deferred tax liabilities	966	-	966	966	-	966
Admitted deferred tax assets	\$ 966	\$ -	\$ 966	\$ 966	\$ -	\$ 966

	2018	2017
Ratio percentage used to determine recovery period and threshold limitation amount	905 %	819 %
Amount of adjusted capital and surplus used to determine recovery period and threshold limitations	\$ 32,700	\$ 35,166

As of December 31, the change in net deferred income taxes consists of the following:

	2018	2017	Change
Total gross deferred tax assets, net of valuation allowance	\$ 966	\$ 966	\$ -
Total gross deferred tax liabilities	(966)	(966)	-
Net deferred tax assets (liabilities)	\$ -	\$ -	\$ -
Deferred tax on change in net unrealized capital gains			9
Change in net deferred income tax			9

The following table reconciles the differences between federal income taxes incurred and the expected amount of income taxes, which is obtained by applying the statutory U.S. federal income tax rate to income before federal income taxes.

	2018	2017
Provision computed at statutory rate	\$ (571)	\$ -
Tax-exempt interest	(116)	(195)
Life insurance cash surrender value	(57)	(76)
Prior year's true up	-	247
Change in statutory valuation allowance	771	(2,018)
Change in tax rate	34	1,837
Other	(87)	12
Income tax benefit	\$ (26)	\$ (193)

Notes to Statutory Financial Statements

December 31, 2018 and 2017
(000s omitted)

Note 8 - Income Taxes (Continued)

	2018	2017
Federal income taxes incurred	\$ (17)	\$ (189)
Realized capital gains tax benefit	-	(1)
Current income tax (benefit) expense	(17)	(190)
Change in net deferred income taxes	(9)	(3)
Total statutory income tax benefit	<u>\$ (26)</u>	<u>\$ (193)</u>

As of December 31, 2018, the Company had \$16,257 of net operating loss carryforwards available to offset future taxable income, which start to expire in 2031.

The Company also had \$162 of in unused alternative minimum tax (AMT) carryforwards as of December 31, 2018 that may be refundable in the years from 2018 through 2021.

The Company did not have any protective tax deposits under Section 6603 of the Internal Revenue Code.

The Company's federal income tax return is consolidated with the following entities:

- Colorado Farm Bureau Mutual Insurance Company (Parent)
- Farm Bureau Insurance Agency of Colorado
- Centennial Investment Company

The method of allocation among companies is subject to written agreement, approved by the board of directors, whereby allocation is made primarily on a separate return basis with current credit for any net operating losses or other items utilized in the consolidated tax return. Intercompany tax balances are settled quarterly.

Note 9 - Benefit Plans

The Company sponsors a supplemental retirement income plan (SRIP or the "Plan") for the officers of the Company. The benefit is based on a vesting schedule after full-time employment has ended and the participant has reached the age of 60; however, there are some stipulations for early retirement. The Plan is funded by life insurance on the individual, with payments to be made out of company general operating assets. All life benefits are the property of the Company, and the cash surrender values are not restricted solely for the use of this Plan. As of December 31, 2018, the value of the death benefit is \$13,362, and the cash value is \$8,057.

Effective January 1, 2013, the Company adopted SSAP No. 102, *Accounting for Pensions, A Replacement of SSAP No. 89*, which requires insurance companies to recognize a liability for the unfunded projected benefit obligation (i.e., the liability derived when the projected benefit obligation exceeds the fair value of plan assets). The Company elected to utilize the minimum transition option, allowing the Company to recognize the impact of the transition liability over a 10-year period. The Company must continue to recognize a minimum amount of the transition liability each year in an amount that is at least equal to the amortization of the unrecognized items in effect at transition. Although the amortization of the transition items into future expense may not be fully determinable at the time of transition (as they are dependent on the future expense calculations), the Company anticipates the remaining transition liability balance of \$220 at December 31, 2018 to be recognized over the remaining four-year period, or approximately \$55 per year. This is a projection and may be revised based on future expenses and activity.

Colorado Farm Bureau Mutual Insurance Company

Notes to Statutory Financial Statements

December 31, 2018 and 2017

(000s omitted)

Note 9 - Benefit Plans (Continued)

A reconciliation of beginning to ending balances of the projected benefit obligation and the fair value of plan assets is as follows:

	2018	2017
Accrued liability for plan benefits, beginning of year	\$ 1,831	\$ 1,986
Current period service cost	1	3
Accretion of discount	73	79
Change in estimates	52	(114)
Transition obligation	55	55
Benefit payments	(139)	(178)
	<u>\$ (1,873)</u>	<u>\$ (1,831)</u>

Net periodic benefit cost and its components at December 31, 2018 and 2017 are as follows:

	2018	2017
Service and interest cost	\$ 1	\$ 3
Amortization of transition obligation	55	55
Change in estimates	52	(114)
Accretion of discount	73	79
Total	<u>\$ 181</u>	<u>\$ 23</u>

Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31 are approximately as follows:

	2018	2017
Discount rate	3.50 %	3.50 %
Rate of compensation increase	4.00	4.00

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Years Ending	Pension Benefits
2019	\$ 139
2020	139
2021	224
2022	181
2023	157
Thereafter	<u>1,827</u>
Total	<u>\$ 2,667</u>

All employees of the Company were transferred to Southern as of January 1, 2012. This transfer included the transfer of the Company's 401(k) plan to Southern's plan (the "401(k) Plan"). Under the 401(k) Plan, the Company makes matching contributions of up to 4 percent of employees' compensation. Total employer contributions to the 401(k) Plan before allocation of expenses under a joint expense agreement with Southern for 2018 and 2017 were \$219 and \$229, respectively.

Colorado Farm Bureau Mutual Insurance Company

Notes to Statutory Financial Statements

December 31, 2018 and 2017

(000s omitted)

Note 10 - Reinsurance

The Company reinsures certain risks, principally with American Agricultural Insurance Company (AAIC) and Southern. Such arrangements serve to limit the Company's maximum loss. The Company would be contingently liable, however, for obligations of the reinsurance companies in the event that such obligations cannot be met.

The following is a summary of the effects of reinsurance on the Company's financial statements as of December 31, 2018 and 2017:

	Ceded		Assumed	
	2018	2017	2018	2017
Premiums earned:				
Premiums written	\$ 49,046	\$ 44,774	\$ -	\$ -
Unearned premiums at beginning of year	17,646	16,748	-	-
Unearned premiums at end of year	(18,945)	(17,646)	-	-
Total	<u>\$ 47,747</u>	<u>\$ 43,876</u>	<u>\$ -</u>	<u>\$ -</u>
Losses and loss expenses incurred:				
Losses and loss expenses	\$ 53,739	\$ 29,000	\$ 3	\$ 3
Unpaid losses at loss expenses at beginning of year	(31,033)	(33,875)	(57)	(57)
Unpaid losses and loss expenses at end of year	33,287	31,033	58	57
Total	<u>\$ 55,993</u>	<u>\$ 26,158</u>	<u>\$ 4</u>	<u>\$ 3</u>

As of December 31, 2018 and 2017, the Company had unsecured reinsurance receivables (including recoverables on paid losses) totaling approximately \$52,340 and \$51,362, respectively, with Southern and \$7,742 and \$4,448, respectively, with AAIC.

Note 11 - Related Party Transactions

The Company has two wholly owned subsidiaries, Centennial Investment Company (Centennial) and Farm Bureau Insurance Agency of Colorado, Inc. (Agency). The Company is also affiliated by means of common members of the board of directors with Colorado Farm Bureau (CFB). CFB also maintains an investment in Southern, which makes Southern a related party to the Company.

The Company shares office facilities and personnel with Centennial, Agency, and CFB and allocates certain administrative costs to these entities. The Company leases equipment from Centennial under cancelable agreements. Monthly rentals under these agreements approximate \$13 for the years ended December 31, 2018 and 2017.

The Company has entered into an agreement with Southern to share in certain overhead expenses that are considered mutually beneficial to both companies. The agreement may be terminated by either party effective December 31 of any year upon proper notice. Furthermore, as of January 1, 2012, all employees of the Company were transferred to Southern. As of December 31, 2018 and 2017, the Company owed Southern \$268 and \$292 for payroll and related expenses, respectively.

Colorado Farm Bureau Mutual Insurance Company

Notes to Statutory Financial Statements

December 31, 2018 and 2017

(000s omitted)

Note 11 - Related Party Transactions (Continued)

The Company's employees participate in a defined benefit pension plan sponsored by Southern, for which the Company has no legal obligation. During the years ended December 31, 2018 and 2017, the Company paid \$820 and \$833, respectively, for its portion of the total Southern pension plan cost.

The following schedules summarize the transactions with related parties:

	2018			
	Centennial	Agency	CFB	Southern
Rental income from	\$ 4	\$ 7	\$ 37	\$ -
Administrative costs allocated to	20	102	88	10,999
Equipment lease payments to	153	-	-	-
Administrative costs allocated from	-	-	682	-

	2017			
	Centennial	Agency	CFB	Southern
Rental income from	\$ 4	\$ 7	\$ 37	\$ -
Administrative costs allocated to	21	87	93	10,835
Equipment lease payments to	153	19	7	-
Administrative costs allocated from	-	-	645	-

Net amounts due to related parties are as follows:

	2018	2017
Centennial	\$ (10)	\$ -
Agency	3	18
CFB	(114)	(118)
Southern	(978)	(496)
Total	\$ (1,099)	\$ (596)

The balances above are reflected in other receivables and accrued expenses in the statutory statement of admitted assets, liabilities, and policyholders' surplus. The Company also has a reinsurance agreement with Southern in which 100 percent of certain defined casualty risks are ceded. The effects of the Company's reinsurance treaties are described in Note 10.

Investment in Subsidiaries

Summarized financial information (prepared in accordance with GAAP) of the Company's wholly owned subsidiaries is as follows:

	2018	2017
Total assets	\$ 1,086	\$ 1,051
Total liabilities	45	73
Total equity	1,041	978
Revenue	327	334
Net income	63	48

Notes to Statutory Financial Statements

December 31, 2018 and 2017

(000s omitted)

Note 12 - Commitments

Operating Leases

The Company is obligated under operating leases primarily for agent offices, expiring at various dates through June 2021. The leases require the Company to pay taxes, insurance, utilities, and maintenance costs. Total rent expense under these leases was \$488 and \$485 for 2018 and 2017, respectively.

Future minimum annual commitments under these operating leases are as follows:

Years Ending December 31	Amount
2019	\$ 383
2020	223
2021	93
2022	76
2023	55
Total	<u>\$ 830</u>

Certain future minimum lease payments will be included in allocable expense to Southern and, therefore, are subject to reimbursement (see Note 11).

Self-funded Health Plan

The Company, in conjunction with CFB and Southern, provides certain health benefits to employees through a self-funded plan. CFB is charged the appropriate premium for its respective employees, while the premium associated with the Company is included in the joint expense agreement with Southern and allocated appropriately. As of December 31, 2018 and 2017, the estimated liability for claims incurred but not reported was \$150 and \$60, respectively.

Note 13 - Contingencies

The Company is party to several lawsuits concerning policy claims and other matters occurring in the normal course of business, and management believes that the ultimate disposition of such lawsuits has been properly provided for in the Company's established loss and loss adjustment expense reserves and other accrued liabilities, as appropriate.

The Company has purchased several annuities as part of structured settlement agreements on claims. Loss reserves have been reduced by \$232 and \$282 at December 31, 2018 and 2017, respectively, as a result of the purchased annuities. The Company has a contingent liability for these amounts in the event the entity issuing the annuity were to default on its obligation.

Colorado Farm Bureau Mutual Insurance Company

Notes to Statutory Financial Statements

December 31, 2018 and 2017

(000s omitted)

Note 14 - Unpaid Losses and Loss Adjustment Expenses

The following summarizes activity in the liability for unpaid losses and loss adjustment expenses as of December 31, 2018 and 2017:

	2018	2017
Gross balance at January 1	\$ 39,979	\$ 44,665
Less reinsurance recoverables	<u>(31,033)</u>	<u>(33,879)</u>
Net balance at January 1	8,946	10,786
Incurred related to:		
Current year	24,488	24,048
Prior years	<u>(1,182)</u>	<u>(2,608)</u>
Total incurred	23,306	21,440
Paid related to:		
Current year	20,663	18,454
Prior years	<u>4,541</u>	<u>4,826</u>
Total paid	<u>25,204</u>	<u>23,280</u>
Net unpaid losses and LAE as of December 31	7,048	8,946
Plus reinsurance recoverables	<u>33,287</u>	<u>31,033</u>
Gross unpaid losses and LAE as of December 31	<u>\$ 40,335</u>	<u>\$ 39,979</u>

Note 15 - Leasing Income

During 2012, the Company entered into an operating lease with a tenant for 11,890 rental square feet of its home office building. The initial term of the lease was five years, expiring on October 31, 2017; this lease was extended during 2017 for an additional five years expiring on October 31, 2022. For the years ended December 31, 2018 and 2017, the Company recognized rental receipts of \$128 and \$167, respectively.

Future minimum future rent on noncancelable leases as of December 31, 2018 for each of the next five years, and in the aggregate, are as follows:

Years Ending December 31	Amount
2019	\$ 132
2020	136
2021	140
2022	<u>120</u>
Total	<u>\$ 528</u>

Supplemental Information

Independent Auditor's Report on Supplemental Information

To the Board of Directors and Policyholders
Colorado Farm Bureau Mutual Insurance Company

We have audited the statutory financial statements of Colorado Farm Bureau Mutual Insurance Company as of and for the year ended December 31, 2018 and have issued our report thereon dated April 24, 2019, which contained an unmodified opinion on those financial statements with respect to the statutory basis of accounting. Our audit was performed for the purpose of forming an opinion on the 2018 statutory financial statements as a whole. The supplemental schedule of investment risks interrogatories, summary investment schedule, and reinsurance interrogatories are presented for compliance with the National Association of Insurance Commissioners' instructions to annual audited financial reports and are not required parts of the statutory financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the 2018 statutory financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2018 statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory financial statements or to the statutory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2018 statutory financial statements as a whole.

Plante & Moran, PLLC

April 24, 2019

Colorado Farm Bureau Mutual Insurance Company

Schedule of Investment Risks Interrogatories

December 31, 2018
(000s omitted)

- Reporting entity's admitted assets as reported: \$77,819
- The 10 largest exposures to a single issuer/borrower/investment, by investment category, excluding (i) U.S. government securities, U.S. government agency securities, and those U.S. government money market funds listed in Part Six of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* as exempt; (ii) property occupied by the Company; (iii) policy loans; and (iv) investment companies (mutual funds) and common trust funds that are diversified within the meaning of the Investment Company Act of 1940, at December 31, 2018 are as follows:

	Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01	American Agricultural Insurance	Common Stock	\$ 3,560	4.575 %
2.02	Anderson Country South Carolina SC	Bonds	1,185	1.523 %
2.03	Clarksville Tenn Water	Bonds	1,050	1.349 %
2.04	Conway Ark Sch Dist	Bonds	1,000	1.285 %
2.05	Federal National management Assn	Bonds	1,000	1.285 %
2.06	Federal National Management Assn	Bonds	1,000	1.285 %
2.07	Washington St.	Bonds	869	1.117 %
2.08	Ignacio School Dist.	Bonds	853	1.096 %
2.09	Louisiana Loc Govt E	Bonds	730	0.938 %
2.10	Boulder County CO	Bonds	698	0.897 %

- Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation:

Bonds				Preferred Stock			
	Rating	Amount	Percent		Rating	Amount	Percent
3.01	NAIC-1	\$ 28,952	37.204 %	3.07	P/RP-1	\$ -	- %
3.02	NAIC-2	510	0.655	3.08	P/RP-2	-	-
3.03	NAIC-3	516	0.663	3.09	P/RP-3	150	0.193
3.04	NAIC-4	-	-	3.10	P/RP-4	-	-
3.05	NAIC-5	-	-	3.11	P/RP-5	-	-
3.06	NAIC-6	-	-	3.12	P/RP-6	-	-

- Assets held in foreign investments:
 - Are assets held in foreign investments less than 2.5% of admitted assets? Yes
- Aggregate foreign investment exposure categorized by NAIC sovereign designation:

Not applicable.
- Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation

Not applicable.
- Aggregate unhedged foreign currency exposure:

Not applicable.
- Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

Not applicable.

Colorado Farm Bureau Mutual Insurance Company

Schedule of Investment Risks Interrogatories (Continued)

December 31, 2018
(000s omitted)

9. Largest unhedged foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

Not applicable.

10. The 10 largest non-sovereign (i.e. non-governmental) foreign issues:

Not applicable.

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of admitted assets? Yes

12. Aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions:

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of admitted assets? Yes

13. Amounts and percentages of admitted assets held in the 10 largest equity interests:

13.01 Are assets held in equity interests less than 2.5% of admitted assets? No

	Name of Issuer	Amount	Percentage
13.02	American Agricultural Insurance Company	\$ 6,560	8.430 %
13.03	Centennial Investment Co.	625	0.803 %
13.04	American Farm Bureau Insurance Services	569	0.731 %
13.05	Farm Bureau Insurance Agency of Colorado	402	0.517 %
13.06	FB Bancorp Voting Common Stock	268	0.344 %
13.07	FB Bancorp Class B Series Two	8	0.010 %
13.08		-	- %
13.09		-	- %
13.10		-	- %
13.11		-	- %

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of admitted assets? Yes

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of admitted assets? Yes

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of total admitted assets? Yes

17. Aggregate mortgage loans having the following loan-to-value ratios as determined by the most current appraisal as of the annual statement date:

Not applicable.

18. Amounts and percentages of the reporting entity's total admitted assets in each of the five largest investments in real estate:

18.01 Are assets held in real estate less than 2.5% of admitted assets? Yes

Colorado Farm Bureau Mutual Insurance Company

Schedule of Investment Risks Interrogatories (Continued)

December 31, 2018
(000s omitted)

19. Aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in mezzanine real estate loans less than 2.5% of admitted assets? Yes

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

The Company does not have any securities lending arrangements or repurchase agreements.

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

The Company does not have any of these types of warrants.

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

The Company does not have collars, swaps, or forwards.

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

The Company does not have futures contracts.

Colorado Farm Bureau Mutual Insurance Company

Summary Investment Schedule

December 31, 2018

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statements	
	Amount	Percentage	Amount	Percentage
1. Bonds:				
1.1 U.S. treasury securities	\$ -	- %	\$ -	- %
1.2 U.S. government agency obligations (excluding mortgage-backed securities):	-	-	-	-
1.21 Issued by U.S. government agencies	5,250,000	12.080	5,250,000	12.080
1.22 Issued by U.S. government sponsored agencies	-	-	-	-
1.3 Non-U.S. government (including Canada, excluding mortgage-backed securities)	-	-	-	-
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:	-	-	-	-
1.41 States, territories, and possessions general obligations	-	-	-	-
1.42 Political subdivisions of states, territories, and possessions and political subdivisions general obligations	10,422,005	23.980	10,422,005	23.980
1.43 Revenue and assessment obligations	9,552,365	21.980	9,552,365	21.980
1.44 Industrial development and similar obligations	-	-	-	-
1.5 Mortgage-backed securities (includes residential and commercial MBS):	-	-	-	-
1.51 Pass-through securities:	-	-	-	-
1.511 Issued or guaranteed by GNMA	7,182	0.020	7,182	0.020
1.512 Issued or guaranteed by FNMA and FHLMC	-	-	-	-
1.513 All other	-	-	-	-
1.52 CMOs and REMICs:	-	-	-	-
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC, or VA	619,705	1.430	619,705	1.430
1.522 Issued by non-U.S. government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in line	-	-	-	-
1.523 All other	-	-	-	-
2. Other debt and other fixed-income securities (excluding short term):	-	-	-	-
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	4,127,495	9.500	4,127,495	9.500
2.2 Unaffiliated non-U.S. securities (including Canada)	-	-	-	-
2.3 Affiliated securities	-	-	-	-
3. Equity interests:				
3.1 Investments in mutual funds	-	-	-	-
3.2 Preferred stocks:	-	-	-	-
3.21 Affiliated	150,000	0.350	150,000	0.350
3.22 Unaffiliated	-	-	-	-
3.3 Publicly traded equity securities (excluding preferred stocks):	-	-	-	-
3.31 Affiliated	-	-	-	-
3.32 Unaffiliated	-	-	-	-
3.4 Other equity securities:	-	-	-	-
3.41 Affiliated	876,448	2.000	876,448	2.000
3.42 Unaffiliated	4,404,679	10.130	4,404,679	10.130
3.5 Other equity interests including tangible personal property under lease:	-	-	-	-
3.51 Affiliated	-	-	-	-
3.52 Unaffiliated	-	-	-	-
4. Mortgage loans:				
4.1 Construction and land development	-	-	-	-
4.2 Agricultural	-	-	-	-
4.3 Single family residential properties	-	-	-	-
4.4 Multifamily residential properties	-	-	-	-
4.5 Commercial loans	-	-	-	-
4.6 Mezzanine real estate loans	-	-	-	-
5. Real estate investments:				
5.1 Property occupied by company	3,682,095	8.470	3,682,095	8.470
5.2 Property held for production of income (including \$- of property acquired in satisfaction of debt)	1,000	-	-	-
5.3 Property held for sale (including \$- property acquired in satisfaction of debt)	-	-	-	-
6. Contract loans	-	-	-	-
7. Derivatives	-	-	-	-
8. Receivable for securities	-	-	-	-
9. Securities lending	-	-	-	-
10. Cash, cash equivalents, and short-term investments	3,848,991	8.860	3,848,991	8.860
11. Other investments	520,634	1.200	520,634	1.200
12. Total invested assets	\$ 43,462,599	100.000 %	\$ 43,461,599	100.000 %

Year Ended December 31, 2018

1. Disclose if any risks are reinsured under a quota share reinsurance contract with any other entity that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit, or any similar provisions). If yes, indicate the number of reinsurance contracts containing such provisions and if the amount of reinsurance credit taken reflects the reduction in quota share coverage caused by any applicable limiting provision(s).

None.

2. Disclose if the reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured.

None.

3. Disclose if the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which, during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5 percent of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves greater than 5 percent of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:

- a. A contract term no longer than two years and the contract is noncancelable by the reporting entity during the contract term;

None.

- b. A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;

None.

- c. Aggregate stop loss reinsurance coverage;

None.

- d. A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;

None.

- e. A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or

None.

- f. Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.

None.

Reinsurance Interrogatories (Continued)

Year Ended December 31, 2018

4. Disclose if the reporting entity, during the period covered by the statement, ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5 percent or prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves greater than 5 percent of prior year-end surplus as regards policyholders, excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member, whereby:
 - a. The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
None.
 - b. Twenty five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates.
None.
5. If affirmative disclosure is required for paragraphs 3 or 4, provide the following information:
 - a. The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income.
None.
 - b. A summary of reinsurance contract terms indicating whether they apply to the contracts meeting the criteria in paragraphs 3 or 4; and
None.
 - c. A brief discussion of management's principal objectives in entering into the reinsurance contract, including the economic purpose to be achieved.
None.
6. Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, *Property and Casualty Reinsurance*, disclose if the reporting entity ceded any risk under any reinsurance contract (or multiple reinsurance contracts with the same reinsurer or its affiliates):
 - a. Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles (SAP) and as a deposit under generally accepted accounting principles (GAAP); or aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income.
None.
 - b. Accounted for that contract as reinsurance under GAAP and as a deposit under SAP.
None.
7. Explain why the contract(s) is(are) treated differently for GAAP and SAP.

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