CAPITAL RETURNS MANAGEMENT, LLC

December 1, 2020

Special Committee
Board of Directors
FBL Financial Group Inc.
5400 University Ave.
West Des Moines, IA 50266

Re: Your Duty to Maximize Value for FFG's Unaffiliated Shareholders

Members of the Special Committee:

I am writing on behalf of Capital Returns Management, LLC and the funds it manages. Capital Returns is a specialist insurance industry investment manager founded in 2003.

Capital Returns is one of the top 20 FBL Financial Group ("FFG") shareholders, and we are intensely focused on the take private acquisition proposal (the "Take Private Proposal") put forth by Farm Bureau Property and Casualty Insurance Company ("FBPCIC"), Iowa Farm Bureau Federation ("IFBF") and members of FFG's very own management team and Board of Directors. We believe the Take Private Proposal is grossly inadequate.

The Take Private Proposal is rife with potential and actual conflicts of interest. As you are aware, every member of the FFG Board serves with IFBF's approval, and the three entities (FFG, FBPCIC and IFBF) share directors, executives, and employees. It falls upon the three of you to police these conflicts of interest and to ensure that the interests of the unaffiliated shareholders, like us, are treated fairly. That will require dedication, diligence, and fortitude.

Summary

We believe the Take Private Proposal is grossly inadequate. The Take Private Proposal values FFG at just 0.71x book value (and 1.06x book value excluding AOCI).[1] This price is:

- substantially below the multiples paid in similar transactions;
- significantly below average historic trading levels;
- below the price that FFG's stock traded at any time since October 2014, prior to the pandemic;
- materially lower than the prices at which the Company repurchased its own shares in 2018 and 2019; and
- dramatically lower than price targets set by sellside analysts.

Moreover, FFG's excellent track record of returning capital to shareholders, high-quality investment portfolio, specialty distribution model, leadership position in a niche market, and experienced management team justify a premium valuation for a best-in-class asset in the life insurance industry. Given the strategic importance of FFG to FBPCIC, FBPCIC is justified, capable and motivated to pay a premium.

[1] Source: FactSet. Book value as of September 30, 2020.

We and our fellow shareholders expect the members of the Special Committee to maximize value for FFG's unaffiliated shareholders. FFG does not need to be sold. However, if it is to be sold, it falls upon you to ensure that any buyer, including FBPCIC, presents a compelling proposal to FFG's shareholders -- the highest price that can be negotiated – and that FFG's unaffiliated shareholders, like Capital Returns, receive complete information about the negotiation process and a maximized price.

The Take Private Proposal comes nowhere close to that.

Comparable Transactions Demonstrate the Inadequacy of the Take Private Proposal

The Special Committee should focus on comparable transactions in its analysis of the Take Private Proposal.

There have been three recent transactions for full or partial acquisitions of annuity or life insurance companies. Notably, these three transactions have all involved companies that are primarily annuity companies, which traditionally trade at substantial discounts to life insurers. Nevertheless, these three 2020 transactions imply a price for FFG of **$64 per share**:

Recent Comparable Transactions

					Price-to-Book	
Ann. Date	**Buyer**	**Target**	**Business**	**Price ($bn)**	**(ex. AOCI)**	**(Rpt.)**
Oct. '20	Brookfield (19.9%)	AEL	Fixed annuities	nm	1.28x	0.78x
July '20	KKR	Global Atlantic	Fixed annuities / life	$4.4	1.00x	1.08x
Feb '20	FNF	FGL	Fixed annuities	$2.7	1.65x	1.25x
Average					1.31x	1.04x
FFG Book Value per Share (9/30/2020)					$44.52	$66.21
Indicated FFG Per Share Valuation per Comparable Transactions					$58.41	$68.61
Implied Value per FFG Share (Avg. of Two Approaches)						**$63.51**

Source: Company reports.

Another recent affiliated mutual and stock company take private transaction is an excellent comparable transaction for its structural similarities. In 2019, Employers Mutual Casualty Company acquired its publicly traded affiliate, EMC Insurance Group Inc. ("EMCI"); in fact, EMCI was listed in the FFG 2019 proxy statement as a "peer" for executive compensation purposes. EMCI's Board formed a Special Committee that led the negotiations with the affiliated buyer, achieving a price that represented 1.3x EMCI's GAAP book value, substantially higher than the initial offer. Applying a similar multiple to FFG yields a price of **$86 per share**.

Two of you – Roger Brooks and Paul Larson – have been involved in the sale of life insurance companies in the past. Mr. Brooks surely remembers that AmerUs was sold in 2006 for 1.6x book value excluding AOCI (implying a price for FFG of **$73 per share**) and Mr. Larson was the CFO at Equitable of Iowa when it was sold for 2.6x book value (implying a price for FFG of **$116 per share**). Although these transactions are older, we expect the members of the Special Committee to use their best efforts to achieve a similar outcome for FFG's shareholders.

<u>FFG's Trading History Demonstrates the Inadequacy of the Take Private Proposal</u>

As recently as February 2020 (i.e. before the pandemic), the Company's stock traded at more than **$61 per share**. And while the pandemic has weighed upon the share price, we do not believe the pandemic has meaningfully affected the intrinsic value of the Company or its strategic value to FBPCIC. Notably, the Company disclosed that COVID-19 had a limited impact (less than $1 million) during Q3 2020.

Prior to March 2020, FFG shares *had not closed at or below $47 per share since October 2014*. In fact, the average closing price of FFG stock over the three and five years prior to February 28, 2020 was **$68 per share** and **$66 per share**, respectively. Notably, no member of the Special Committee sold any of his stock even at these prices, presumably because each of you found these market prices to be too low for FFG. The last sale of FFG stock among the Special Committee members was in December 2016 at a price of **$80 per share** (at a time when FFG's book value per share was substantially lower than it is today).[2]

This trading price history does not just involve third party investors and the individual Board members as investors. In fact, the FFG Board itself authorized the purchase of FFG stock by the Company in 2018 and 2019, presumably because the Board collectively thought the trading price of the stock was *below the intrinsic value of the Company*. The average purchase price during those years was **$68 per share** and **$69 per share**, respectively.

Moreover, the market is currently telling us that the Take Private Proposal is inadequate. As I am sure you are aware, the Company's stock has closed at a premium to the price of the Take Private Proposal every day since the Take Private Proposal was announced, with a volume-weighted average price of nearly $50 per share and a recent closing price of $53 per share. This recent trading indicates a widespread view in the capital markets that FBPCIC (or another strategic party) can pay and will pay substantially more than $47 per share for the Company.

The reason the market believes this is clear: despite the impact from Covid, the fundamentals of the business remain strong. In its most recent fiscal quarter, the Company reported increased total life insurance premiums collected, and its recent expense reduction efforts and investment in its wealth management capabilities have the Company poised to deliver profitable growth in the future.

[2] Paul Larson sold 3000 shares on December 14, 2016 for an average price of $79.82.

It is no surprise, then, that the average price target from sell-side analysts for FFG was **$53 per share** even before the Take Private Proposal and is currently **$61.50 per share**. And notably, Raymond James recently opined that a fair value for FBPCIC to pay in acquiring FFG would be a 20% premium to the Company's five-year average forward P/E, which Raymond James calculated to be **$75 per share**.[3]

FFG's Strategic Value Demonstrates the Inadequacy of the Take Private Proposal

FFG performs every task, function, and operation of FBPCIC – it provides general administrative and management services as well as investment advisory services. In turn, FFG cross sells its own life insurance and annuity products and wealth management services to FBPCIC's property-casualty customers.

The two companies have common executive management, and FFG is the employer of all FBPCIC staff. FFG is the oxygen and the brains of FBPCIC, and a simple comparable valuation analysis fails to capture and value this rare, critically dependent, and richly valued relationship.

But while the benefits of a combination into a single entity are apparent, FFG and its unaffiliated shareholders do not *need* to sell, and they certainly do not need to sell at the price contemplated by FBPCIC's Take Private Proposal.

FFG enjoys a strong competitive advantage in an attractive market. Having received its broker-dealer license in 2019, the Company can expand into providing fee-based wealth management services to its existing clients, further diversifying its revenue streams. The number of wealth management advisors has more than doubled since 2019, and the Company continues to invest in this strategy. This initiative, in which the Company is able to tap into its distribution network, is evidence of FFG's cross-selling expertise, which has always been a core strength. FFG's core business has weathered COVID-19 well, with the relatively small number of pandemic-related claims causing minimal financial impact. Additionally, the Company's capital and liquidity positions are strong, and it has continued to pay its quarterly dividend and repurchase shares.

In short, FFG does not need a transaction and the Special Committee, on behalf of the unaffiliated public shareholders, should be suitably reluctant to end FFG's independent existence. The fact is that FFG's shareholders are perfectly happy continuing to own an independent FFG.

If FBPCIC believes there are benefits to be gained by combining, it should entice the unaffiliated public shareholders of FFG with a premium price that matches or exceeds some of the metrics in this letter. Otherwise, the Special Committee should reject the price as inadequate and continue FFG's independent and successful existence.

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[3] Raymond James, November 11, 2020.

Conclusion

The current Take Private Proposal is grossly inadequate. Neither the Special Committee, nor the independent shareholders, should contemplate approving it. Comparable transactions and the Company's own trading history demonstrate clearly that a fair price for the acquisition of FFG is substantially higher than that offered by FBPCIC.

It is incumbent upon you to vigorously defend the interests of FFG's unaffiliated shareholders by conducting a thorough and transparent review of both the Take Private Proposal and alternatives to maximize value. We are perfectly content to have the Company continue as an independent entity. Certainly, if a cash sale is to be approved and advocated by the Special Committee, such a transaction needs to be the result of arm's length, aggressive negotiations with the counterparty and have a price that fully and fairly reflects FFG's strategic positioning, strong performance and value to the buyer.

Given the critical importance of your fiduciary role in protecting the value of my investment in FFG, and the myriad conflicts of interest involved in the Take Private Proposal, I would appreciate the opportunity to present my views in greater detail to you at your earliest convenience. Please contact me promptly to arrange a time for such a call.

Sincerely,

Ronald Bobman
President
Capital Returns Management, LLC
(212) 813-0860

cc: Board of Directors, FBL Financial Group Inc.
Board of Directors, Farm Bureau Property and Casualty Insurance Company
Board of Directors, Iowa Farm Bureau Federation