

STATE OF INDIANA)
) SS:
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
United Farm Family Life Insurance Company)
225 South East Street)
Indianapolis, Indiana 46202)

Examination of **United Farm Family Life Insurance Company**

NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of **United Farm Family Life Insurance Company**, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on October 7, 2011, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of **United Farm Family Life Insurance Company** shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

11/2/2011
Date


Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4443 8790

STATE OF INDIANA)
) SS:
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
United Farm Family Life Insurance Company)
225 South East Street)
Indianapolis, Indiana 46202)

Examination of **United Farm Family Life Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the **United Farm Family Life Insurance Company** (hereinafter "Company") for the time period January 1, 2006 through December 31, 2010.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on September 7, 2011.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on October 7, 2011 and was received by the Company on October 12, 2011.

The Company did not file any objections.

NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the **United Farm Family Life Insurance Company** as of December 31, 2010.
2. That the Examiner's Recommendations are reasonable and necessary in order for the **United Farm Family Life Insurance Company** to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed and Sealed this 2nd day of
November, 2011.


Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

UNITED FARM FAMILY LIFE INSURANCE COMPANY

NAIC Co. CODE 69892

As of

December 31, 2010

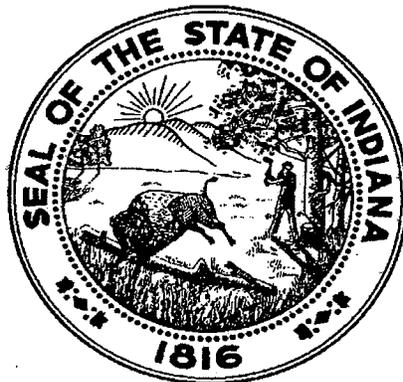


TABLE OF CONTENTS

SALUTATION.....	1
SCOPE OF EXAMINATION	2
HISTORY.....	2
CAPITAL AND SURPLUS.....	2
TERRITORY AND PLAN OF OPERATION.....	3
GROWTH OF THE COMPANY.....	3
MANAGEMENT AND CONTROL.....	4
Directors.....	4
Officers.....	5
CONFLICT OF INTEREST.....	5
OATH OF OFFICE.....	5
CORPORATE RECORDS.....	6
Articles of Incorporation and Bylaws.....	6
Minutes.....	6
AFFILIATED COMPANIES.....	6
Organizational Structure.....	6
Affiliated Agreements.....	6
FIDELITY BOND AND OTHER INSURANCE.....	7
PENSION, STOCK OWNERSHIP AND INSURANCE PLANS.....	7
STATUTORY DEPOSITS.....	7
REINSURANCE.....	7
Reinsurance Assumed.....	7
Reinsurance Ceded.....	8
ACCOUNTS AND RECORDS.....	8
FINANCIAL STATEMENTS.....	9
Assets.....	9
Liabilities, Surplus and Other Funds.....	10
Summary of Operations.....	11
Capital and Surplus Reconciliation.....	12
COMMENTS ON THE FINANCIAL STATEMENTS.....	13
SUBSEQUENT EVENTS.....	13
AFFIDAVIT.....	14



STATE OF INDIANA

MITCHELL E. DANIELS, JR., Governor

IDOI

INDIANA DEPARTMENT OF INSURANCE

311 W. WASHINGTON STREET, SUITE 300

INDIANAPOLIS, INDIANA 46204-2787

TELEPHONE: (317) 232-2385

FAX: (317) 232-5251

Stephen W. Robertson, Commissioner

September 7, 2011

Honorable Joseph Torti, III
Chair, NAIC Financial Condition (E) Committee, NAIC
Superintendent, State of Rhode Island
Department of Business Regulation
Division of Insurance
1511 Pontiac Avenue, Building 69-2
Cranston, Rhode Island 02920

Honorable Stephen W. Robertson, Commissioner
Indiana Department of Insurance
Secretary, Midwestern Zone
311 W. Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Superintendent and Commissioner:

Pursuant to the authority vested in Appointment Number 3669, an examination has been made of the affairs and financial condition of:

United Farm Family Life Insurance Company
225 South East Street
Indianapolis, Indiana 46202

hereinafter referred to as the "Company" or "UFFLIC", an Indiana domestic life insurance company. The examination was conducted at the Company's corporate offices in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2010, is hereby respectfully submitted.

ACCREDITED BY THE
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
(317) 232-2413

COMPANY COMPLIANCE
(317) 233-0697

CONSUMER SERVICES
(317) 232-2395
In-State 1-800-622-4461

EXAMINATIONS / FINANCIAL SERVICES
(317) 232-2390

MEDICAL MALPRACTICE
(317) 232-2402

SECURITIES / COMPANY RECORDS
(317) 232-1991

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (IDOI) as of the period ending December 31, 2005. The present risk-focused examination covered the period from January 1, 2006 through December 31, 2010, and was conducted by Noble Consulting Services, Inc., on behalf of the State of Indiana. This examination was conducted in conjunction with the examinations of United Home Life Insurance Company (UHLIC), UFB Casualty Insurance Company (UFBCIC), and United Farm Family Mutual Insurance Company (UFFMIC).

Jeffrey A. Beckley, FSA, MAAA, of Actuarial Options, LLC, was appointed by the Indiana Department of Insurance (IDOI) to conduct a review of the Company's statutory reserves as of December 31, 2010. There were no actuarial adjustments resulting from the review performed by the actuaries.

We conducted our risk-focused examination pursuant to and in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and Annual Statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The workpapers prepared by Deloitte & Touche, LLP, the Company's independent auditors, in their audit of the Company's accounts for the year ended December 31, 2010, were reviewed. A portion of the auditor's workpapers have been incorporated into the examination workpapers and have been utilized for the purposes of this examination in accordance with the provisions contained in the Handbook.

HISTORY

UFFLIC was incorporated on March 18, 1964, under the laws of the State of Indiana and began business on May 1, 1964, under the name of Farm Bureau Life Insurance Company. Effective July 1, 1964, the Company merged with Hoosier Farm Bureau Life Insurance Company, the Company being the surviving company. On December 31, 1987, the Company merged with UFB Insurance Company. The Company's current name was adopted on May 30, 1996. The Company operates under the sponsorship of Indiana Farm Bureau Inc. (IFBI), which owns all outstanding Class A common shares.

The Company's ultimate controlling person is IFBI, an Indiana not-for-profit agricultural membership cooperative. UFFLIC and its affiliate, UFFMIC, provide insurance to Farm Bureau members and other consumers in Indiana, and are collectively known as Indiana Farm Bureau Insurance.

CAPITAL AND SURPLUS

As of December 31, 2010, the Company had 10,000 shares of common stock authorized with a par value of \$625 per share, of which 4,000 shares were issued and outstanding. The Company has no preferred stock. Dividends paid by the Company were \$750,000 during each year of the examination period.

TERRITORY AND PLAN OF OPERATION

UFFLIC is licensed and authorized to write insurance in Indiana and ten (10) other states. Since the prior examination, newly licensed states include Arizona, California, Illinois, Maryland, Massachusetts, New Jersey, North Carolina, North Dakota, and Pennsylvania. Currently, the Company is writing business in Arizona, California, Illinois, Indiana, Massachusetts, and Ohio. The Company offers individual whole life policies, term policies, and single and flexible premium annuities on both a participating and non-participating basis.

The Company utilizes a common multi-line agency force shared with its property/casualty affiliate UFFMIC. This field force includes approximately 475 agent accounts throughout Indiana. The Company primarily targets UFFMIC's policyholders who are members of IFBI, but also distributes insurance products to Indiana residents who are not Farm Bureau members. The level of penetration is expected to increase as the Company has initiated various strategies to maximize cross-selling opportunities such as expansion into urban areas, through its agency distribution system and UHLIC's field force.

GROWTH OF THE COMPANY

The following exhibit, shown in thousands, summarizes the financial results of the Company as reported during the examination period:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital & Surplus</u>	<u>Premiums Earned</u>	<u>Net Income</u>
2010	\$ 1,843,288	\$ 1,608,912	\$ 234,376	\$ 152,856	\$ 11,486
2009	1,768,006	1,549,192	218,815	116,119	13,255
2008	1,692,107	1,494,377	197,730	109,288	9,601
2007	1,667,509	1,462,414	205,095	107,456	10,514
2006	1,638,269	1,449,141	189,128	113,885	17,878

The increase in capital and surplus during 2007 was the result of a reduction in additional minimum pension liability and a reserve error correction. A reduction in individual annuity premiums during 2007 is reflected in the decrease of premiums earned.

While net income in 2008 was impacted by the financial crisis, the Company recovered from this downturn the following year as the Company expanded into additional states and began utilizing the agents of its affiliate, UHLIC. Although premiums earned increased significantly in 2010, net income decreased. This resulted, in part, because of increased costs of selling policies in two new states and an increased underwriting focus to reduce future claims.

MANAGEMENT AND CONTROL

Directors

UFFLIC is governed by a Board of Directors. Board members are elected by the Shareholder and serve one (1) year terms. The Company's Bylaws state that the Board of Directors shall consist of thirteen (13) members. The following is a listing of persons serving as directors at December 31, 2010:

<u>Name and Address</u>	<u>Principal Occupation</u>
Mark Ellis Bacon Milroy, IN	Farmer Self-Employed
Kerry James Goshert Mentone, IN	Farmer Self-Employed
Robert Leo Schickel Lanesville, IN	Farmer Self-Employed
David Lee Wyeth North Salem, IN	Farmer Self-Employed
Isabella Franziska Chism Galveston, IN	Farmer Self-Employed
Larry John Jernas Knox, IN	Farmer Self-Employed
Philip Herbert Springstun Boonville, IN	Farmer, Construction Self-Employed
Kendell Culp Rensselaer, IN	Farmer Self-Employed
Randall Charles William Kron Evansville, IN	Vice President Indiana Farm Bureau, Inc.
Scott Thomas Trennepohl Middletown, IN	Farmer Self-Employed
Jeffrey Allen Gormong Farmersburg, IN	Farmer Self-Employed
Steven Alan Maple Kokomo, IN	Farmer Self-Employed
Donald Bruce Villwock Ewardsport, IN	President Indiana Farm Bureau, Inc.

Officers

The Bylaws state that the principal officers of the Company shall consist of the President, Executive Vice President, Secretary, Treasurer, General Counsel, and a non-operating Vice President who is a Director and may consist of one (1) or more Vice Presidents. The following is a list of key officers and their respective titles as of December 31, 2010:

<u>Name</u>	<u>Office</u>
Donald Bruce Villwock	President
Lynn Brundage Jongleux	Senior Vice President/General Counsel/Secretary
Joseph Alan Martin	Senior Vice President, Life/Chief Operating Officer
Joseph Jerry Canada	Executive Vice President/Chief Executive Officer
Gregory James Clancy	Senior Vice President, Information Systems
Thomas Jefferson Faulconer	Senior Vice President, Marketing
Mark Richard Miske	Senior Vice President/Chief Financial Officer/Treasurer
*Paul Robert Retzlaff	Actuary

*This individual is listed on the Annual Statement Jurat page, however, is not an officer but is in a policy-making/managerial role.

CONFLICT OF INTEREST

The Company requires officers and directors to review and sign Conflict of Interest statements on an annual basis. The officers and directors have reviewed and signed their statements as of December 31, 2010.

OATH OF OFFICE

Indiana Code 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the corporation and will not knowingly violate any of the laws applicable to such corporation. As of December 31, 2010, all directors have reviewed and completed an Oath of Office.

CORPORATE RECORDS

Articles of Incorporation and Bylaws

There were no amendments made to the Company's Articles of Incorporation or Bylaws during the examination period.

Minutes

The Board of Directors, Shareholder, and Audit Committee meeting minutes were reviewed for the period under examination through the fieldwork date and significant actions taken during each meeting were noted. The annual meetings and other regular Board meetings were held in accordance with the Company's Bylaws.

AFFILIATED COMPANIES

Organizational Structure

IFBI is the ultimate controlling person of UFFLIC and its subsidiary companies. IFBI owns all outstanding common shares of the Company.

Affiliated Agreements

The following affiliated agreements were disclosed as part of the Form B – Holding Company Registration Statement and were filed and not disapproved with the IDOI as required by Indiana Code 27-1-23-4. The affiliated reinsurance agreement is discussed on page seven (7) of this report.

Service Agreement

The Company maintains a Service Agreement whereby IFBI agrees to sponsor the insurance programs, permit the use of its name, make available its membership lists, and conduct research to determine the insurance needs of its members. In return for the performance of these services, the Company reimburses IFBI for the estimated costs of performing such services and providing the required information. Costs are established annually. In 2010, the Company paid \$413,432 under this service agreement.

Management Agreement

The Company maintains a Management Agreement with its affiliate UHLIC whereby the Company provides use of certain facilities and services. In 2010, the Company received \$2.9 million of the \$3.8 million in management fees earned under this agreement.

Inter-Company Services Agreement

Effective December 31, 2007, UFFLIC and certain of its affiliates and subsidiary companies entered into an Inter-Company Services Agreement in which UFFMIC agrees to perform services. UFFMIC is not entitled to compensation for these services except for reimbursement of its actual cost. In 2010, pursuant to the Inter-Company Services Agreement, UFFMIC incurred \$35.3 million of expenses on behalf of UFFLIC, for which UFFMIC was reimbursed.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by Saint Paul Fire and Marine Insurance Company. The bond has blanket coverage of \$6.0 million with a deductible of \$50,000. The fidelity bond is adequate to meet the prescribed minimum coverage specified by NAIC.

The Company had additional types of coverage in-force at December 31, 2010, including but not limited to auto, property and liability, workers' compensation, umbrella liability, and directors and officers liability.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company has no employees, and therefore, there were no employee pension or insurance plans. All personnel necessary to conduct business operations of the Company are provided by its affiliate, UFFMIC, pursuant to the Inter-Company Services Agreement. UFFMIC provides benefits to employees, and then passes proportional expenses, at cost, on to its affiliates.

STATUTORY DEPOSITS

The Company reported the following statutory deposits comprised of United States Treasury Notes and Bonds at December 31, 2010:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
Not for all policyholders:		
Massachusetts	\$ 109,460	\$ 116,974
North Carolina	405,000	398,816
For all policyholders:		
Indiana	1,502,772	1,690,440
Total Deposits	<u>\$ 2,017,232</u>	<u>\$ 2,206,230</u>

REINSURANCE

Reinsurance Assumed

Since July 2003, the Company has maintained a reinsurance relationship with its affiliate, UHLIC. The majority of this reinsurance involves coinsurance varying from 60% to 90%, covering UHLIC whole life and term life insurance products. At December 31, 2010, this relationship represented assumed premiums of \$10.4 million and assumed reserves of \$19.9 million.

The Company also assumes 50% of a block of Variable Universal Life business written through Equitrust Life Insurance Company. This product is offered by the Company's agency force and underwritten by Equitrust with the Company then assuming 50% of the business. The arrangement has been in effect since 2000 and involves modified co-insurance reserves assumed totaling \$5.8 million at December 31, 2010.

Reinsurance Ceded

UFFLIC maintains several primary reinsurance arrangements. Reinsurance is used to control risk, primarily mortality risk arising from exposure above a maximum of \$250,000 retention on any one life. At December 31, 2010, the Company reported reinsurance cessions to various reinsurers involving ceded reserve credits totaling \$41.5 million and ceded premiums of \$ 11.1 million. Most of the Company's reinsurers have an A.M. Best rating of "A" or better. As of December 31, 2010, the Company has no financially significant counterparty exposure with any reinsurer rated lower than "A-" by A.M. Best.

Business is allocated between the two reinsurers on an alphabetical basis. Reinsurance of the term products consists of 85% co-insurance on each contract with the Company retaining a maximum risk of not more than \$250,000 per life.

Accident and health disability income business is ceded to Business Men's Assurance Company of America with the Company retaining 20% of the total risk. Other accident and health in-force is reinsured with Lincoln National Life Insurance Company and Connecticut General Life Insurance Company. No new business is being written.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2009 and 2010, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2006, through December 31, 2010, were agreed to each year's independent audit report with no exceptions noted. The Company's accounting procedures, practices, and account records were satisfactory.

UNITED FARM FAMILY LIFE INSURANCE COMPANY
FINANCIAL STATEMENTS

Assets
(shown in 000's)

As of December 31, 2010

	<u>Per Annual Statement</u>	<u>Exam Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Assets:				
Bonds	\$ 1,303,101	\$ -	\$ 1,303,101	\$ 1,233,517
Stocks - Common stocks	43,795	-	43,795	53,368
Mortgage loans on real estate - First liens	285,135	-	285,135	268,906
Real estate:				
Properties occupied by the company	123	-	123	130
Properties held for the production of income	4,306	-	4,306	4,389
Properties held for sale	711	-	711	1,439
Cash, cash equivalents and short-term investments	13,498	-	13,498	13,077
Contract loans	99,090	-	99,090	96,285
Other invested assets	27,866	-	27,866	27,987
Subtotals, cash and invested assets	1,777,625	-	1,777,625	1,699,099
Investment income due and accrued	19,515	-	19,515	18,005
Premiums and considerations:				
Uncollected premiums and agents' balances in course of collection	(1,454)	-	(1,454)	(14,704)
Deferred premiums, agents' balances and installments booked but deferred and not yet due	27,883	-	27,883	39,964
Reinsurance:				
Amounts recoverable from reinsurers	698	-	698	854
Other amounts receivable under reinsurance contracts	1,153	-	1,153	1,000
Current federal and foreign income tax recoverable and interest thereon	-	-	-	4,932
Net deferred tax asset	17,744	-	17,744	18,288
Receivables from parent, subsidiaries and affiliates	86	-	86	549
Health care and other amounts receivable	22	-	22	18
Aggregate write-ins for other than invested assets	18	-	18	-
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	1,843,288	-	1,843,288	1,768,006
TOTALS	\$ 1,843,288	\$ -	\$ 1,843,288	\$ 1,768,006

UNITED FARM FAMILY LIFE INSURANCE COMPANY
FINANCIAL STATEMENTS
Liabilities, Surplus and Other Funds
(shown in 000's)

As of December 31, 2010

	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Liabilities:				
Aggregate reserve for life contracts	\$ 1,445,280	\$ -	\$ 1,445,280	\$ 1,371,342
Aggregate reserve for accident and health contracts	5,042	-	5,042	5,247
Liability for deposit-type contracts	62,458	-	62,458	65,075
Contract Claims - Life	4,222	-	4,222	3,325
Contract Claims - Accident and Health	314	-	314	345
Policyholders' dividends	35	-	35	58
Provision for policyholders' dividends and coupons payable in following calendar year - estimated amounts:				
Dividends apportioned for payment	18,630	-	18,630	18,368
Premiums and annuity considerations for life and accident and health contracts received in advance	409	-	409	465
Contract liabilities not included elsewhere:				
Provision for experience rating refunds	61	-	61	59
Other amounts payable on reinsurance	3,207	-	3,207	16,184
Interest Maintenance Reserve	15,234	-	15,234	14,558
Commissions to agents due or accrued - life and annuity contracts and deposit-type contract funds	965	-	965	1,044
Commissions and expense allowances payable on reinsurance assumed	1,670	-	1,670	614
General expenses due or accrued	2,420	-	2,420	2,169
Taxes, licenses and fees due or accrued	800	-	800	65
Current federal and foreign income taxes	964	-	964	-
Unearned investment income	2,615	-	2,615	2,804
Amounts withheld or retained by Company as agent or trustee	421	-	421	250
Amounts held for agents' account	7	-	7	-
Remittances and items not allocated	489	-	489	600
Liability for benefits for employees and agents if not included above	26,937	-	26,937	29,983
Miscellaneous liabilities:				
Asset valuation reserve	15,170	-	15,170	13,312
Payable to parent, subsidiaries, and affiliates	585	-	585	1,052
Payable for securities	-	-	-	1,325
Aggregate write-ins for liabilities	977	-	977	947
Total liabilities	<u>1,608,912</u>	<u>-</u>	<u>1,608,912</u>	<u>1,549,192</u>
Common capital stock	2,500	-	2,500	2,500
Gross paid in and contributed surplus	1,000	-	1,000	1,000
Aggregate write-ins for special surplus funds	4,733	-	4,733	4,372
Unassigned funds (surplus)	226,143	-	226,143	210,943
Capital and surplus	<u>234,376</u>	<u>-</u>	<u>234,376</u>	<u>218,815</u>
TOTALS	<u>\$ 1,843,288</u>	<u>\$ -</u>	<u>\$ 1,843,288</u>	<u>\$ 1,768,006</u>

UNITED FARM FAMILY LIFE INSURANCE COMPANY
FINANCIAL STATEMENTS
Summary of Operations
(shown in 000's)

As of December 31, 2010

	<u>Per Annual Statement</u>	<u>Exam Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Premiums and annuity considerations for life and accident and health contracts	\$ 152,856	\$ -	\$ 152,856	\$ 116,119
Considerations for supplementary contracts with life contingencies	224	-	224	272
Net investment income	95,653	-	95,653	93,272
Amortization of Interest Maintenance Reserve	1,443	-	1,443	1,234
Commissions and expense allowances on reinsurance ceded	8,689	-	8,689	9,628
Aggregate write-ins for miscellaneous income	1,394	-	1,394	1,766
Totals	260,259	-	260,259	222,291
Death benefits	30,053	-	30,053	28,424
Matured endowments	161	-	161	248
Annuity benefits	15,246	-	15,246	13,798
Disability benefits and benefits under accident and health contracts	1,803	-	1,803	1,962
Surrender benefits and withdrawals for life contracts	46,082	-	46,082	50,552
Interest and adjustments on contract or deposit-type contract funds	149	-	149	126
Payments on supplementary contracts with life contingencies	2,168	-	2,168	2,387
Increase in aggregate reserves for life and accident and health contracts	77,873	-	77,873	38,262
Totals	173,536	-	173,536	135,759
Commissions on premiums, annuity considerations and deposit-type contract funds (direct business only)	11,534	-	11,534	9,913
Commissions and expense allowances on reinsurance assumed	7,010	-	7,010	5,597
General insurance expenses	26,093	-	26,093	25,077
Insurance taxes, licenses and fees, excluding federal income taxes	2,300	-	2,300	1,411
Increase in loading on deferred and uncollected premiums	(1,100)	-	(1,100)	607
Aggregate write-ins for deductions	1,513	-	1,513	303
Totals	220,885	-	220,885	178,666
Net gain from operations before dividends to policyholders and federal income taxes	39,374	-	39,374	43,625
Dividends to policyholders	18,823	-	18,823	18,710
Net gain from operations after dividends to policyholders and before federal income taxes	20,551	-	20,551	24,915
Federal and foreign income taxes incurred	7,687	-	7,687	8,296
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	12,864	-	12,864	16,619
Net realized capital gains (losses)	(1,379)	-	(1,379)	(3,364)
Net income (loss)	\$ 11,486	\$ -	\$ 11,486	\$ 13,255

UNITED FARM FAMILY LIFE INSURANCE COMPANY
FINANCIAL STATEMENTS
Capital and Surplus Reconciliation
(shown in 000's)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Capital and Surplus Account:					
Capital and surplus, December 31, prior year	\$ 175,050	\$ 189,128	\$ 205,095	\$ 197,730	\$ 218,815
Net income (loss)	17,878	10,514	9,601	13,255	11,486
Change in net unrealized capital gains (losses)	348	4,174	(10,829)	6,124	3,872
Change in net deferred income tax	1,486	622	5,775	(2,439)	(301)
Change in nonadmitted assets	(1,313)	1,649	(10,114)	5,280	(482)
Change in asset valuation reserve	(2,770)	(1,717)	7,433	(4,668)	(1,859)
Cumulative effect of changes in accounting principles	(1,521)	-	-	-	-
Capital changes:					
Transferred from surplus (Stock Dividend)	1,500	-	-	-	-
Dividends to stockholders	(750)	(750)	(750)	(750)	(750)
Aggregate write-ins for gains and losses in surplus	(781)	1,475	(8,480)	4,283	3,595
Net change in capital and surplus for the year	<u>14,078</u>	<u>15,967</u>	<u>(7,365)</u>	<u>21,084</u>	<u>15,561</u>
Capital and surplus, December 31, current year	<u>\$ 189,128</u>	<u>\$ 205,095</u>	<u>\$ 197,730</u>	<u>\$ 218,815</u>	<u>\$ 234,376</u>

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2010, based on the results of this examination.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of fieldwork that were considered to have a material effect on the financial statements of the Company.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-In-Charge appointed by the Indiana Department of Insurance and that she, in coordination with staff assistance from Noble Consulting Services, Inc. and actuarial assistance from Actuarial Options, LLC, hereinafter collectively referred to as the "Examiners", performed an examination of **United Farm Family Life Insurance Company** as of **December 31, 2010**.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached report of examination is a true and complete report of condition of **United Farm Family Life Insurance Company** as of **December 31, 2010**, as determined by the undersigned.

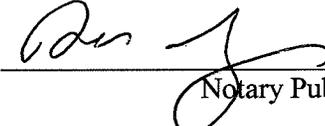


Lisa A. Warrum, CFE
Noble Consulting Services, Inc.

State of:
County of:

On this 7 day of September, 2011, before me personally appeared, Lisa A. Warrum, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notorial seal in said County and State, the day and year last above written.

My commission expires: July 4, 2019  _____
Notary Public

