STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

FARM FAMILY LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 1999

DATE OF REPORT:	DECEMBER 22, 2000
EXAMINER:	VICTOR U. AGBU

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STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

December 22, 2000

Honorable Gregory V. Serio
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 21564, dated July 21, 2000 and annexed hereto, an examination has been made into the condition and affairs of Farm Family Life Insurance Company, hereinafter referred to as "the Company," at its home office located at 344 Route 9W, Glenmont, New York 12077.

Wherever "Department" appears in this report, it refers to the State of New York Insurance Department.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

The Company was incorporated as a stock life insurance company under the laws of New York State on October 20, 1953, and was licensed and commenced business on January 20, 1954.

The Company was acquired in 1999 by Farm Family Holdings, Inc. ("FFH"). On October 31, 2000, FFH announced an acquisition agreement with American National Insurance Company, a Texas domiciled insurance company, whereby FFH will become a subsidiary of American National Insurance Company. (See item 3A of this report)

The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 1999 filed statement. (See item 5 of this report)

The Company violated various sections of Department Regulations No. 34 and No. 34-A, which pertain to advertising, some of which are repeat violations. (See item 6A of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 1996. This examination covers the period from January 1, 1997 through December 31, 1999. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 1999 but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a verification of assets and liabilities as of December 31, 1999 to determine whether the Company's filed 1999 annual statement fairly presents its financial condition. The examiner reviewed the Company's income and disbursements necessary to accomplish such verification and utilized the National Association of Insurance Commissioners' Examiners Handbook or such other examination procedures, as deemed appropriate, in such review and in the review or audit of the following matters:

Company history
Management and control
Corporate records
Fidelity bond and other insurance
Territory and plan of operation
Market conduct activities
Growth of Company
Business in force by states
Mortality and loss experience
Reinsurance
Accounts and records
Financial statements

The examiner reviewed the corrective actions taken by the Company with respect to violations, recommendations and/or comments contained in the prior report on examination. The results of the examiner's review are contained in item 8 of this report. This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations, or rules or which require explanation or description.

3. DESCRIPTION OF COMPANY

A. History

The Company was incorporated as a stock life insurance company under the laws of New York State on October 20, 1953, and was licensed and commenced business on January 20, 1954.

The Company formed a property and casualty subsidiary, United Farm Family Insurance Company ("UFFIC") in 1989 primarily to provide reinsurance to Farm Family Casualty Insurance Company. The Company owns 100% of the stock of UFFIC.

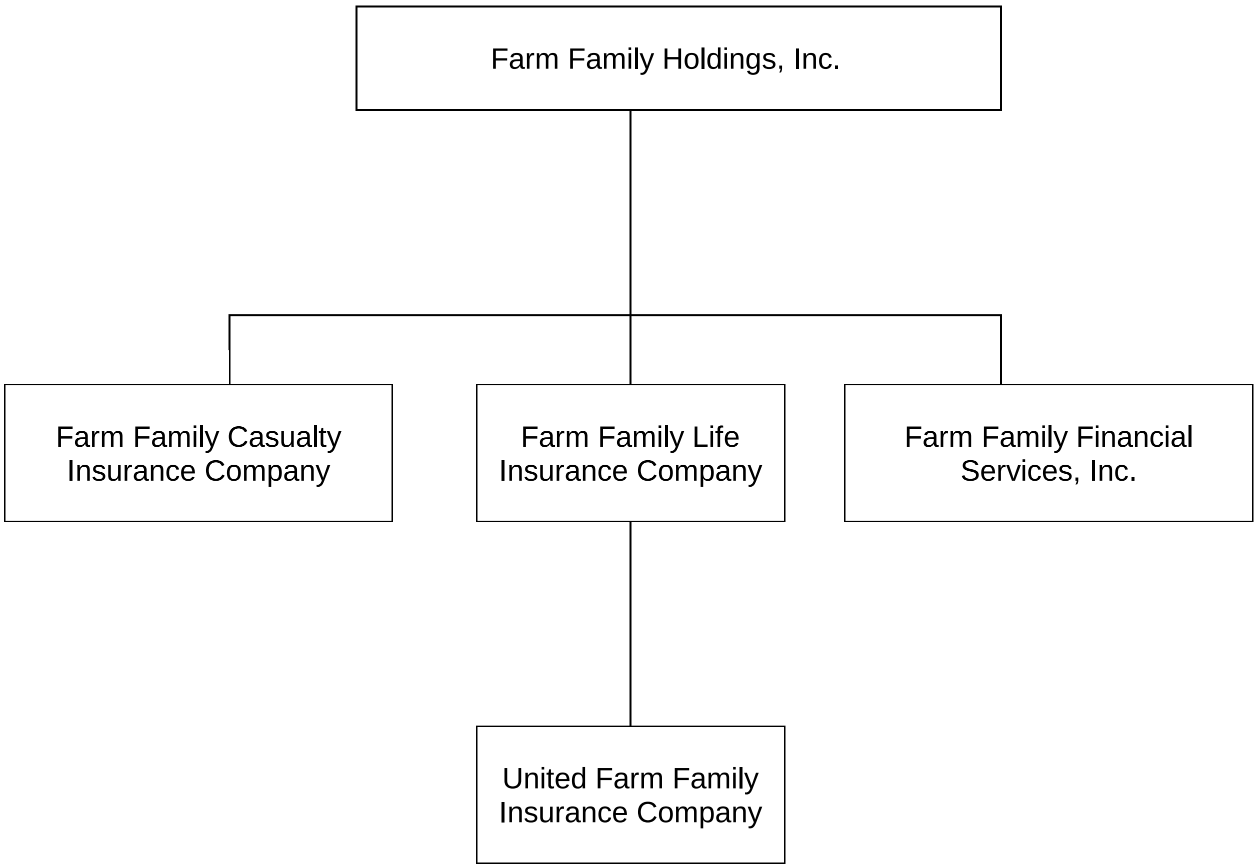
On July 26, 1996, pursuant to a Plan of Reorganization and Conversion, Farm Family Mutual Insurance Company, a companion property and casualty insurer, converted from a mutual company to a stock company and changed its name to Farm Family Casualty Insurance Company ("FFCIC"). The Company, FFCIC and UFFIC are domiciled in New York and had common management before the reorganization. Simultaneous with the reorganization and conversion of FFCIC, Farm Family Holdings, Inc. ("FFH"), a holding company organized under the laws of the state of Delaware, was formed to acquire all of the capital stock of FFCIC. In addition, an option purchase agreement was entered into by FFH and the shareholders of the Company pursuant to which FFH had a two year option to acquire the Company through an exchange of stock. The Company was ultimately acquired in 1999 by FFH.

On October 31, 2000, FFH announced an acquisition agreement with American National Insurance Company, a Texas domiciled insurance company. Under this agreement American National Insurance Company is expected to acquire FFH.

B. Holding Company

The Company is a wholly owned subsidiary of Farm Family Holdings.

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 1999 follows:



The Company had three service agreements in effect as of December 31, 1999, as follows:

1. An asset management agreement between the Company and Farm Family Financial Services, Inc. (“FFFS”), effective October 16, 1998, whereby FFFS performs investment advisory and portfolio management services in accordance with the Company’s investment guidelines.
2. An expense sharing agreement between the Company, FFCIC, FFH and FFFS, effective February 14, 1996. The agreement provides for the sharing of certain expenses between the parties and defines the methods to be used in allocating such expenses.
3. A lease agreement between the Company and FFCIC, effective January 1, 1999, whereby the Company leases space to FFCIC.

Section 1505(d) of the New York Insurance Law states, in part:

> "The following transactions between a domestic controlled insurer and any person in its holding company system may not be entered into unless the insurer has notified the superintendent in writing of its intention to enter into any such transaction at least thirty days prior thereto, or such shorter period as he may permit, and he has not disapproved it within such period . . .
>
> (3) rendering of services on a regular or systematic basis . . . "

The Company entered into the three service agreements with affiliates prior to being acquired by FFH on April 6, 1999. Prior to this date, the Company was not considered to be part of a holding company system and therefore was not required to file service agreements pursuant to Section 1505(d)(3) of the New York Insurance Law. However, once the Company was acquired by FFH it became part of a holding company system and also became subject to Article 15 of the New York Insurance Law. As a result, the Company was then required to file the existing service agreements, in effect with affiliates, pursuant to Section 1505 of the New York Insurance Law. It is recommended that the Company immediately file the aforementioned service agreements, as well as any future amendments to such agreements or new agreements, pursuant to Section 1505 of the New York Insurance Law.

C. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 13 and not more than 25 directors. Directors are elected for a period of three years at the annual meeting of the stockholders held in April of each year. As of December 31, 1999, the board of directors consisted of 23 members. During the period under examination, the board held 18 meetings.

The 23 board members and their principal business affiliation, as of December 31, 1999, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Robert L. Baker Middletown, DE	Self-employed farmer Second Vice President Delaware Farm Bureau, Inc.	1988
Wayne R. Bissonette Hinesburg, VT	Self-employed dairy farmer First Vice President and Director Vermont Farm Bureau, Inc.	1998
Randolph C. Blackmer, Jr. North Grosvenordale, CT	Self-employed farmer First Vice President Connecticut Farm Bureau Association, Inc.	1984
Fred G. Butler, Sr. Inwood, WV	Self-employed dairy farmer President West Virginia Farm Bureau, Inc.	1981
Joseph E. Calhoun Dagsboro, DE	Self-employed farmer President Delaware Farm Bureau, Inc.	1990
James V. Crane Exeter, ME	Self-employed farmer Vice President Maine Farm Bureau Association	1994
Sandra A. George Center Montville, ME	Self-employed farmer President and Director Maine Farm Bureau Association	1997
Stephen J. George Gladstone, NJ	Managing Partner Gladstone NYC Partners LLC	1989
Gordon H. Gowen Alstead, NH	Self-employed farmer President New Hampshire Farm Bureau Federation	1991
Jon R. Greenwood Canton, NY	Self-employed farmer Vice President New York Farm Bureau, Inc.	1995

Name and Residence	Principal Business Affiliation	Year First Elected
Clark W. Hinsdale III Charlotte, VT	Self-employed farmer President Vermont Farm Bureau, Inc.	1993
Arthur D. Keown, Jr. Sutton, MA	Self-employed farmer Vice President Massachusetts Farm Bureau Federation, Inc.	1993
William B. Krenning Albion, NY	Self-employed farmer Director New York Farm Bureau, Inc.	1999
John W. Lincoln Bloomfield, NY	Self-employed farmer President New York Farm Bureau, Inc.	1984
Wayne A. Mann Canterbury, NH	Self-employed farmer First Vice President New Hampshire Farm Bureau Federation	1994
Frank W. Matheson Littleton, MA	Self-employed farmer Vice President Massachusetts Farm Bureau Federation, Inc.	1996
John P. Moskos Delmar, NY	Senior Vice President Private Clients Group of Fleet Boston	1999
Norma R. O'Leary Thompson, CT	Self-employed dairy farmer President Connecticut Farm Bureau Association, Inc.	1983
John I. Rigolizzo, Jr. Berlin, NJ	Self-employed farmer President New Jersey Farm Bureau	1995
Howard T. Sprow Albany, NY	Attorney and Senior Counsel Whiteman, Osterman & Hanna	1999
William M. Stamp, Jr. Exeter, RI	Self-employed farmer President Rhode Island Farm Bureau Federation	1975

Name and Residence	Principal Business Affiliation	Year First Elected
Charles A. Wilfong Dunmore, WV	Self-employed farmer Vice President West Virginia Farm Bureau, Inc.	1991
Tyler P. Young Little Compton, RI	Self-employed farmer Vice President Rhode Island Farm Bureau Federation	1995

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended and that each director attended a majority of meetings.

The following is a listing of the principal officers of the Company as of December 31, 1999:

Name	Title
Philip P. Weber	President & Chief Executive Officer
Victoria M. Stanton*	Executive Vice President, General Counsel & Secretary
James J. Bettini	Executive Vice President – Operations
Timothy A. Walsh	Executive Vice President – Finance & Treasurer
William T. Conine	Senior Vice President – Information Services
Sharon T. DiLorenzo	Senior Vice President – Life Operations
Dale E. Wyman	Senior Vice President – New York Sales

* Designated consumer services officer per Section 216.4(c) of Department Regulation No. 64

D. Territory and Plan of Operation

The Company is authorized to write life insurance, annuities and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Company is licensed in twelve states located primarily in the northeast United States. In 1999, 46% of the life premium, 45% of the accident and health premium and 64% of annuity considerations were received from New York State. Policies are written on a participating and non-participating basis.

The Company's primary products are individual whole life, group life and term life insurance. The Company also issues universal life insurance, single premium and deferred annuities, and individual disability income policies.

Prior to being acquired by FFH, all outstanding shares of the Company were owned by farm bureaus located in ten northeastern states. Farm Bureaus are not-for-profit corporations formed to promote agriculture. The majority of the Company's business is with members of the Farm Bureaus. However, membership in Farm Bureaus is not required to obtain insurance from the Company. The Company targets the rural suburban market, closely coordinating its sales activities with those of its affiliate, FFCIC, on a modified branch office basis. The Company began contracting independent agents in 1996 to supplement its career agency staff.

E. Reinsurance

As of December 31, 1999, the Company had reinsurance treaties in effect with seven companies, all of which were authorized or accredited. The Company's individual life, group life and disability income policies are ceded on a coinsurance and/or yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for individual life contracts is $400,000. The total face amount of life insurance ceded as of December 31, 1999, was $510,174,169, which represents 13% of the total face amount of life insurance in force.

4. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Company during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Company's financial growth during the period under review:

	December 31, 1996	December 31, 1999	Increase
Admitted assets	$721,128,714	$788,456,004	$67,327,290
Liabilities	$647,048,058	$678,082,139	$31,034,081
Common capital stock	$ 3,000,550	$ 3,000,550	$ 0
Gross paid in and contributed surplus	300,471	300,471	0
Aggregate write-ins for special surplus funds	66,581	76,372	9,791
Unassigned funds (surplus)	70,713,054	106,996,472	36,283,418
Total capital and surplus	$ 74,080,656	$110,373,865	$36,293,209
Total liabilities, capital and surplus	$721,128,714	$788,456,004	$67,327,290

The Company's invested assets as of December 31, 1999, were mainly comprised of bonds (82.8%) and stocks (7.5%). The majority (97.5%) of the Company's bond portfolio as of December 31, 1999, was comprised of investment grade obligations.

The following is the net gain (loss) from operations by line of business after federal income taxes but before realized capital gains (losses) reported for each of the years under examination in the Company's filed annual statements:

	1997	1998	1999
Ordinary:			
Life insurance	$3,807,609	$3,369,152	$4,182,986
Individual annuities	3,189,273	3,694,394	1,446,436
Supplementary contracts	113,226	432,573	324,950
Total ordinary	$7,110,108	$7,496,119	$5,954,372
Group:			
Life	$ 83,083	$ 17,827	$ 63,755
Annuities	103,267	287,426	213,283
Total group	$ 186,350	$ 305,253	$ 277,038
Accident and health:			
Group	$ 12,724	$ (22,325)	$ (15,477)
Other	626,517	651,661	402,709
Total accident and health	$ 639,241	$ 629,336	$ 387,232
Total	$7,935,699	$8,430,708	$6,618,642

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital, surplus and other funds as of December 31, 1999, as contained in the Company's filed 1999 annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 1999 filed statement.

A. ASSETS, LIABILITIES, CAPITAL, SURPLUS AND OTHER FUNDS AS OF DECEMBER 31, 1999

Admitted Assets

Bonds	$635,146,106
Stocks:	
Preferred stocks	5,241,113
Common stocks	52,600,389
Mortgage loans	
First liens	26,219,772
Real estate:	
Properties occupied by the company	6,291,973
Investment real estate	175,900
Policy loans	30,838,538
Cash and short term investments	3,892,382
Other invested assets	6,522,062
Reinsurance ceded	
Amounts recoverable from reinsurers	42,973
Electronic data processing equipment	2,696,771
Federal income tax recoverable	460,076
Life insurance premiums and annuity considerations deferred and uncollected on in force business	5,498,150
Accident and health premiums due and unpaid	70,327
Investment income due and accrued	12,759,472
Total admitted assets	$788,456,004

Liabilities, Capital, Surplus and Other Funds

Aggregate reserve for life policies and contracts	$581,108,742
Aggregate reserve for accident and health policies	6,153,369
Supplementary contracts without life contingencies	11,469,860
Policy and contract claims:	
Life	1,868,616
Accident and health	96,373
Policyholders' dividend and coupon accumulations	41,037,676
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts	
Dividends apportioned for payment	10,406,297
Premiums and annuity considerations received in advance	214,525
Liability for premium and other deposit funds	
Policyholder premiums	856,485
Policy and contract liabilities not included elsewhere	
Interest maintenance reserve	4,780,957
Commissions to agents due or accrued	546,658
General expenses due or accrued	1,860,934
Taxes, licenses and fees due or accrued	388,286
Unearned investment income	678,045
Amounts withheld or retained by company as agent or trustee	4,060
Remittances and items not allocated	283,941
Miscellaneous liabilities:	
Asset valuation reserve	15,600,267
Payable to parent, subsidiaries and affiliates	682,420
Uncashed check reserve	44,628
Total liabilities	$678,082,139
Common capital stock	$ 3,000,550
Gross paid in and contributed surplus	300,471
Group life contingency reserve	76,372
Unassigned funds (surplus)	106,996,472
Total capital, surplus and other funds	$110,373,865
Total liabilities, capital, surplus and other funds	$788,456,004

B. CONDENSED SUMMARY OF OPERATIONS

	1997	1998	1999
Premiums and considerations	$ 63,544,996	$ 64,654,649	$115,814,074
Investment income	53,649,376	55,012,499	53,932,797
Commissions and expense allowance on reinsurance ceded	232,690	255,755	437,379
Miscellaneous income	448,775	343,557	337,857
Total income	$117,875,837	$120,266,460	$170,522,107
Benefit payments	$ 63,444,932	$ 71,598,718	$119,197,119
Increase in reserves	15,141,127	8,371,530	11,782,324
Commissions	3,409,879	3,694,103	3,957,947
General expenses and taxes	13,162,647	13,996,763	14,105,368
Increase in loading and cost of collection	(59,351)	175,699	(19,375)
Total deductions	$ 95,099,234	$ 97,836,813	$149,023,383
Net gain	$ 22,776,603	$ 22,429,647	$ 21,498,724
Dividends	10,302,338	9,747,818	10,228,811
Federal income taxes	4,538,566	4,251,121	4,651,271
Net gain from operations before net realized capital gains	$ 7,935,699	$ 8,430,708	$ 6,618,642
Net realized capital gains (losses)	2,170,028	(21,378)	1,224,015
Net income	$ 10,105,727	$ 8,409,330	$ 7,842,657

The significant increase in premium and benefit payments in 1999 is a result of a single premium deferred annuity product marketed by the Company that year. The Company initiated a special marketing plan that targeted existing annuity contract owners, whose contracts were beyond the surrender charge period, to surrender their existing annuities for new annuities with higher initial crediting rates and new surrender charges.

C. CAPITAL AND SURPLUS ACCOUNT

	1997	1998	1999
Capital and surplus, December 31, prior year	$74,080,656	$ 92,237,358	$103,827,876
Net income	$10,105,727	$ 8,409,330	$ 7,842,657
Change in net unrealized capital gains (losses)	5,920,696	4,874,672	(2,302,373)
Change in nonadmitted assets and related items	207,082	342,477	224,839
Change in reserve valuation basis	0	(829,941)	227,191
Change in asset valuation reserve	2,844,568	(680,722)	1,121,893
Dividends to stockholders	(480,088)	(480,088)	(480,088)
Adjustment of prior year's income tax	266,101	223,432	0
Shareholder committee expenses	(707,384)	(268,642)	(88,130)
Net change in capital and surplus	$18,156,702	$ 11,590,518	$ 6,545,989
Capital and surplus, December 31, current year	$92,237,358	$103,827,876	$110,373,865

6. MARKET CONDUCT ACTIVITIES

The examiner reviewed various elements of the Company's market conduct activities affecting policyholders, claimants, and beneficiaries to determine compliance with applicable statutes and regulations and the operating rules of the Company.

A. Advertising and Sales Activities

The examiner reviewed a sample of the Company's advertising files and the sales activities of the agency force including trade practices, solicitation and the replacement of insurance policies.

> Section 215.5(c)(5) of Department Regulation No. 34 states, in part:
>
> "An advertisement of a policy shall contain in a prominent place and style the appropriate statement for the coverage provided . . . as follows . . .
>
> (5) This policy provides disability income insurance only. It does NOT provide basic hospital, basic medical or major medical insurance as defined by the New York State Insurance Department. The expected benefit ratio for this policy is _____ percent. This ratio is the portion of future premiums which the company expects to return as benefits, when averaged over all people with this policy. . . . "

In six advertisements, the Company did not include the required statement for its disability income insurance products. The Company violated Section 215.5(c)(5) of Department Regulation No. 34 by not including the required statements in its disability income advertisements.

Section 215.6(b) of Department Regulation No. 34 states, in part:

> "(1) When an advertisement refers to either a dollar amount, a period of time for which any benefit is payable, the cost of the policy, a specific policy benefit, or the loss for which such benefit is payable, it shall also disclose those exceptions, reductions and limitations affecting the basic provisions of the policy . . .
> (2) When a policy contains a waiting, elimination, probationary or similar time period between the effective date of the policy and the effective date of coverage under the policy or a time period between the date a loss occurs and the date benefits begin to accrue for such loss, an advertisement which is subject to the requirements of the preceding paragraph shall disclose the existence of such periods. . . . "

Section 215.6(c)(1) of Department Regulation No. 34 states:

> "An advertisement which is subject to the requirements of section 215.6(b) of this Part shall, in negative terms, disclose the extent to which any loss is not covered if the cause of such loss is traceable to a condition existing prior to the effective date of the policy. The term preexisting condition without an appropriate definition or description shall not be used."

Three of the Company's advertisements for its disability income product referred to the dollar amount of a benefit and a period of time for which the benefit is payable, without disclosing the exceptions, reductions and limitations affecting the basic policy provisions as required by Section 215.6(b)(1) of Department Regulation No. 34. The policies in question have a pre-existing condition limitation, normal pregnancy exception, injury sustained outside the United States exception, and conditions under which the Company will pay only a reduced benefit. In addition, the three advertisements did not disclose the waiting period between the effective date of the policy and the effective date of coverage under the policy as required by Section 215.6(b)(2) of Department Regulation No. 34. Also, these advertisements did not, in negative terms, disclose the extent to which losses traceable to pre-existing conditions are not covered as is required by Section 215.6(c)(1) of Department Regulation No. 34.

The Company violated Sections 215.6(b)(1) and (2) and Section 215.6(c)(1) of Department Regulation No. 34 by not including the required information in three advertisements.

Section 215.17(a) of Department Regulation No. 34 states, in part:

> "Each insurer shall maintain at its home or principal office a complete file containing every printed, published or prepared advertisement of its individual policies . . . hereafter disseminated in this or any other State whether or not licensed in such other State, with a notation attached to each such advertisement which shall indicate the manner and extent of distribution and the form number of any policy advertised. . . . "

The Company did not maintain in its advertising file the manner and extent of distribution of six prospecting letters given to its agents for dissemination, even though these letters were extensively distributed.

The Company violated Section 215.17(a) of Department Regulation No. 34 by not indicating the manner and extent of distribution for six prospecting letters. The Company was cited for a similar violation in the prior report on examination. (See item 8B of this report)

Section 219.4(p) of Department Regulation No. 34-A states, in part:

> "In all advertisements made by an insurer, or on its behalf, the name of the insurer shall be clearly identified, together with the name of the city, town or village in which it has its home office in the United States. . . . If a specific policy or policy series is being advertised, the form or series number or other appropriate description shall be shown. . . . "

During the period under examination, the Company distributed six advertisements that did not contain the name of the city of the Company's home office.

The Company violated Section 219.4(p) of Department Regulation No. 34-A by not including required information in six advertisements.

Section 219.5(a) of Department Regulation No. 34-A states, in part:

> "Each insurer shall maintain at its home office a complete file containing a specimen copy of every printed, published or prepared advertisement hereafter disseminated in this state . . . "

The Company's advertising file did not contain specimen copies of six advertisements.

The Company violated Section 219.5(a) of Department Regulation No. 34-A by not maintaining specimen copies of six advertisements in its advertising file.

B. Underwriting and Policy Forms

The examiner reviewed a sample of new underwriting files, both issued and declined, and the applicable policy forms.

Section 3207(c) of the New York Insurance Law states, in part:

> "An insurer may deliver or issue for delivery in this state a policy or policies of life insurance upon the life of a minor under the age of fourteen years and six months . . . provided that . . . an insurer shall not knowingly issue such a policy or policies for an amount which, together with the amount of life insurance under any other policy or policies then in force upon the life of such minor, is in excess of the limit of ten thousand dollars or the limit of fifty per centum (five thousand dollars or the limit of twenty-five per centum in the case of a minor under the age of four years and six months) of the amount of life insurance in force upon the life of the person effectuating the insurance at the date of issue of the policy on the life of such minor, whichever limit is greater . . . "

A sample of 20 juvenile policies revealed six cases where the amounts of insurance issued by the Company were in excess of the maximum allowed by law. Three of these policies were in excess of the limit by at least seventy-five thousand dollars, while the other three were in excess of the limit by at least twenty-five thousand dollars.

The Company violated Section 3207(c) of the New York Insurance Law by issuing policies to juveniles with face amounts in excess of the maximum allowed.

C. Treatment of Policyholders

The examiner reviewed a sample of various types of claims, surrenders, changes and lapses. The examiner also reviewed the various controls involved, checked the accuracy of the computations and traced the accounting data to the books of account.

Based upon the sample reviewed, no significant findings were noted.

7. LIMITATION OF POLICYHOLDER SURPLUS

The Company's participating surplus for 1999 was close to the limit allowed under Section 4219 of the New York Insurance Law. The Company has initiated the following plan to ensure that their participating surplus does not exceed this limit in the future:

1. Decrease the spread on participating annuities by 100 basis points (effective January 15, 2001);
2. Decrease the spread on certain universal life closed blocks by 50 basis points (effective January 1, 2001); and
3. Defer a reduction of the dividend scale for participating life products in 2001.

In addition to implementing this plan, it is recommended that the Company monitor its participating surplus on an on-going basis and be prepared to take additional action(s) as may be deemed necessary.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violations, recommendations and comments contained in the prior report on examination and the subsequent actions taken by the Company in response to each citation:

Item	Description
A	The Company violated Section 219.4(p) of Department Regulation No. 34-A by using advertisements in New York which referenced specific policies, but did not include the policy form number. The Company also used advertisements which did not clearly identify the insurer. A review of the Company's advertising files revealed that the Company has improved its oversight in these areas.
B	The Company violated Section 219.5(a) of Department Regulation No. 34-A by not including in its advertising file a notation indicating the manner and extent of distribution of advertisements used during the period under examination. A review of the Company's advertising file revealed that the Company is still not including a notation indicating the manner and extent of distribution for some of its advertisements. (See item 6A of this report)
C	The examiner recommends that all automatic premium loans processed on policies since January 1, 1991 (the start of the prior examination period) be reviewed to determine if the automatic premium loan option had been selected prior to the processing of the automatic premium loan or if no more than four consecutive automatic premium loans had been processed. The examiner also recommends that where automatic premium loans were erroneously applied, corrective action be taken by the Company. The Company filed with the Department an acceptable plan of remedial action. A review of a sample of policy loan files revealed that the Company is following its filed plan.
D	The Company violated Department Regulation No. 50 by appointing experienced agents under an agent training allowance payment plan. A sample review indicated no instances of training allowance payments to experienced agents.

9. SUMMARY AND CONCLUSIONS

Following are the violations and the recommendation contained in this report:

Item	Description	Page No(s).
A	It is recommended that the Company immediately file its service agreements in effect affiliates, as well as any future amendments to such agreements or new agreements, pursuant to Section 1505 of the New York Insurance Law.	6
B	The Company violated Section 215.5(c)(5) of Department Regulation No. 34 by not including the required statement in its disability income product advertisements.	17
C	The Company violated Sections 215.6(b)(1) and (2) and Section 215.6(c)(1) of Department Regulation No. 34 by not including the required information in three advertisements.	18
D	The Company violated Section 215.17(a) of Department Regulation No. 34 by not indicating the manner and extent of distribution for six prospecting letters.	19
E	The Company violated Section 219.4(p) of Department Regulation No. 34-A by not including the name of the city of the Company's home office in six advertisements.	19
F	The Company violated Section 219.5(a) of Department Regulation No. 34-A by not maintaining specimen copies of six advertisements in its advertising file.	20
G	The Company violated Section 3207(c) of the New York Insurance Law by issuing policies to juveniles with face amounts in excess of the amount allowed by law.	20
H	Recommendation that the Company monitor its participating surplus on an on-going basis and be prepared to take additional action(s) as may be deemed necessary.	21

Respectfully submitted,

/s/
Victor U. Agbu
Senior Insurance Examiner

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

Victor Agbu, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

/s/
Victor U. Agbu

Subscribed and sworn to before me

this__________ day of ____________________2000.

APPOINTMENT NO. 21564

STATE OF NEW YORK

INSURANCE DEPARTMENT

I, NEIL D. LEVIN, Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:

VICTOR AGBU

as a proper person to examine into the affairs of the

FARM FAMILY LIFE INSURANCE COMPANY

and to make a report to me in writing of the condition of the said

COMPANY

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed by name
and affixed the official Seal of the Department
at the City of New York

this 21th day of July ,2000

NEIL D. LEVIN
Superintendent of Insurance

*by **GREGORY V. SERIO***
First Deputy Superintendent