STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON FINANCIAL CONDITION EXAMINATION

OF THE

FARM FAMILY LIFE INSURANCE COMPANY

CONDITION: DECEMBER 31, 2007

DATE OF REPORT: MARCH 11, 2009

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EXAMINER: EDEN M. SUNDERMAN

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

David Paterson
Governor

Eric R. Dinallo
Superintendent

May 18, 2009

Honorable Eric R. Dinallo
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 22803, dated July 28, 2008 and annexed hereto, an examination has been made into the financial 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 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, 2007 filed annual statement. (See item 5 of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2002. This examination covers the period from January 1, 2003 through December 31, 2007. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2007 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, 2007 to determine whether the Company's 2007 filed 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
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 the financial condition recommendations and comments contained in the prior report on examination. The results of the examiner's review are contained in item 6 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 was formerly sponsored and entirely owned by ten farm bureaus.

On July 26, 1996, pursuant to a Plan of Reorganization and Conversion, Farm Family Mutual Insurance Company, an affiliated 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 United Farm Family Insurance Company ("UFFIC"), all domiciled in New York, 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 an option to acquire the Company through an exchange of stock. FFH acquired the Company in 1999.

On April 10, 2001, American National Insurance Company ("ANICO"), a Texas domiciled insurance company, acquired FFH. The Farm Family group of companies retained its brand identity and has continued to focus on expanding the delivery of a wide array of financial services in its territory.

Prior to December 2004, the Company owned 100% of the outstanding shares of stock of UFFIC. On December 1, 2004, the Company transferred all of its outstanding shares of UFFIC to FFH in exchange for $3,435,239.

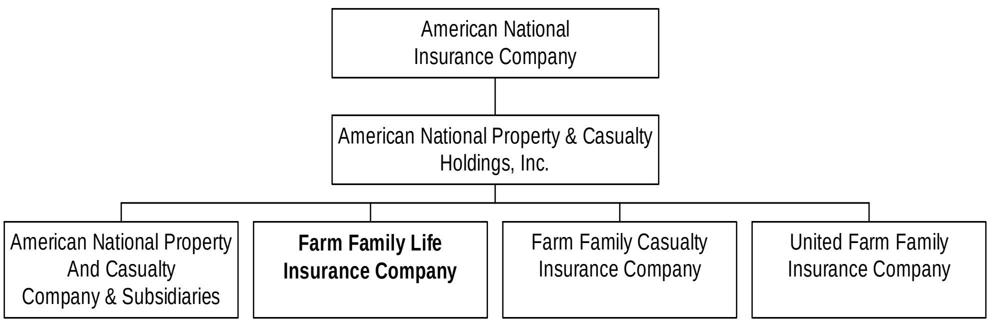
On August 23, 2007, American National Property and Casualty Holding Company, LLC merged into FFH and FFH changed its name to American National Property & Casualty Holdings, Inc. ("ANPAC Holdings").

B. Holding Company

The Company is a wholly owned subsidiary of ANPAC Holdings. All of the outstanding common stock of ANPAC Holdings is directly owned by ANICO, whereas all of the outstanding preferred stock is owned by Comprehensive Investment Services, Inc., an investment services company that is wholly owned by ANICO.

ANICO is owned by: (i) The Moody Foundation (23.22%) and (ii) The Libbie Shearn Moody Trust (37.22%). The remaining ownership interest in ANICO is publicly traded on the Nasdaq stock exchange.

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2007 follows:



The Company had 6 service agreements in effect with affiliates during the examination period.

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Investment Management Agreement (#29206A) Amended and Restated Investment Management Agreement (#35694)	August 1, 2001 November 7, 2006	ANICO	The Company	Investment advisor and manager of investment portfolio	2003: ($104,497) 2004: ($89,939) 2005: ($100,000) 2006: ($95,000) 2007: ($175,000)

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Mortgage Loan and Real Estate Investment Services Agreement (#29206A)	June 1, 2001	ANICO	The Company	Manager of mortgage loans and real estate investments	2003: ($1,814) 2004: ($2,733) 2005: ($3,264) 2006: ($3,225) 2007: ($3,951)
Administrative Services Agreement (#29206A)	April 10, 2001	ANICO	The Company	General insurance, operations support and administration; data processing consulting; information maintenance; accounting; tax; actuarial; legal; corporate secretarial; printing; underwriting, claim and policy administration; payroll	2003: ($166,000) 2004: ($314,000) 2005: ($208,000) 2006: ($247,000) 2007: ($410,000)
Administrative Services Agreement (#29206A)	April 10, 2001	American National Property and Casualty Company	The Company	Telecommunications, mail, internet and intranet; agent licensing and training; data processing; information maintenance; accounting; printing; payroll	2003: $0 2004: $0 2005: ($7,000) 2006: ($7,000) 2007: ($66,000)

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Amended and Restated Expense Sharing Agreement (#29629)	Oct. 30, 2001	The Company or FFCIC	The Company or FFCIC	Provides for sharing of certain expenses and defines methods of allocating such expenses	2003: ($6,353,330) 2004: ($6,047,480) 2005: ($5,875,722) 2006: ($6,415,000) 2007: ($6,319,000)
Lease (#29630) Amendment No. 1 to Lease (#29630G) Amendment No. 2 to Lease (#29630H) Amendment No. 3 to Lease (#33270)	Jan. 1, 1999 Dec. 1, 2002 Jan. 1, 2004 Jan. 1, 2005	The Company	FFCIC	Lease of office and storage space in the Glenmont, NY home office	2003: $955,537 2004: $1,005,706 2005: $1,383,000 2006: $1,454,000 2007: $1,516,000

* Amount of Income or (Expense) Incurred by the Company

The Company participates in a federal income tax allocation agreement with its parent and affiliates. The Company filed its federal tax return separately from its parent and affiliates through 2006. In 2007, the Company received approval from the Department to execute a tax sharing agreement among ANICO, ANPAC Holdings and the Company. The Company filed a consolidated tax return with its parent and affiliates for 2007.

Section 1505(d)(1) of the 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:
>
> (1) sales, purchases, exchanges, loans or extensions of credit, or investments, involving more than one-half of one percent but less than five percent of the insurer's admitted assets at last year-end;"

Pursuant to an Investment Management Agreement between the Company and ANICO, ANICO's wholly-owned subsidiary, Securities Management and Research, Inc. ("SMR"), handles the Company's portfolio transactions. On March 16, 2005, SMR advised the Company that $17,606,637 would be due the next day to settle certain securities that had been purchased on behalf of the Company by SMR. The settlement amount exceeded the Company's available short-term cash position. Upon review of the situation, SMR advised the Company that its large purchase of securities on behalf of the Company had been an error caused by SMR's failure to post certain transactions that had been settled earlier in the month. To correct the trading error, ANICO purchased the excess securities from the Company on March 17, 2005. The price of the securities purchased by ANICO from the Company totaled $5,930,092.

Subsequent to the date of the transaction, on April 12, 2005 the Company notified the Department of the sale of securities to its parent.

The Company violated Section 1505(d)(1) of the New York Insurance Law by failing to provide notice to the Superintendent, at least thirty days prior, of its intent to enter into the sale of $5,930,092 worth of securities to its parent.

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 one year at the annual meeting of the stockholders held in May of each year. As of December 31, 2007, the board of directors consisted of 13 members. Meetings of the board were held quarterly during the examination period.

The 13 board members and their principal business affiliation, as of December 31, 2007, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
G. Richard Ferdinandtsen Galveston, TX	Director, President and Chief Operating Officer American National Insurance Company	2001
Stephen J. George* Gladstone, NJ	President Friendship Business Ventures, LLC	1989
Irwin M. Herz, Jr. Galveston, TX	Partner/Attorney Greer, Herz, Adams, LLP	2001
Clark W. Hinsdale III* Charlotte, VT	Director Yankee Farm Credit	1993
John W. Lincoln* Bloomfield, NY	President and Director New York Farm Bureau	1984
A. Ingrid Moody* Kemah, TX	Volunteer worker and former farmer	2001
Ross R. Moody* Austin, TX	President and Director National Western Life Insurance Company	2001
Edward J. Muhl* Bonita Springs, FL	Retired Partner Pricewaterhouse Coopers, LLP.	2000
Gregory V. Ostergren Springfield, MO	Director, Chairman, President and Chief Executive Officer American National Property And Casualty Company	2001

Name and Residence	Principal Business Affiliation	Year First Elected
James E. Pozzi Galveston, TX	Senior Executive Vice President, Corporate Planning, Systems, and Life Administration American National Insurance Company	2001
Victoria M. Stanton Glenmont, NY	Executive Vice President, General Counsel and Secretary Farm Family Life Insurance Company	2004
Timothy A. Walsh W. Coxsackie, NY	President & Chief Executive Officer Farm Family Life Insurance Company	2001
Ronald J. Welch Galveston, TX	Senior Executive Vice President, Chief Actuary, and Chief Corporate Risk Management Officer American National Insurance Company	2001

* Not affiliated with the Company or any other company in the holding company system

In May 2008, Alexander P. Dowse replaced Clark W. Hinsdale III.

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.

Section 1202(b)(2) of the New York Insurance Law states, in part:

> “The board of directors of a domestic life insurance company shall establish one or more committees comprised solely of directors who are not officers or employees of the company or of any entity controlling, controlled by, or under common control with the company and who are not beneficial owners of a controlling interest in the voting stock of the company or any such entity. Such committee or committees shall have responsibility for . . . evaluating the performance of officers deemed by such committee or committees to be principal officers of the company and recommending to the board of directors the selection and compensation of such principal officers and in the case of a domestic stock life insurance company, recommending to its board of directors any plan to issue options to its officers and employees for the purchase of shares of stock, pursuant to section one thousand two hundred seven of this article.”

Section 4230(c) of the New York Insurance Law states, in part:

> "No principal officer or employee . . . who is paid a salary for his services shall receive any other compensation, bonus or emolument from such company, directly or indirectly, except in accordance with a plan recommended by a committee of the board pursuant to subsection (b) of section one thousand two hundred two of this chapter and approved by the board of directors."

Article V, Section 1 of the Company's by-laws state, in part:

> "The board of directors shall establish one or more committees comprised solely of directors who are not officers (as defined in Section 107 of the New York Insurance Law) or employees of the company or any entity controlling, controlled by, or under common control with the company and who are not beneficial owners of a controlling interest in the voting stock of the company or any such entity to have responsibility for the functions set forth in Section 1202(b)(2) of the New York Insurance Law . . ."

The examiner reviewed the minutes of the board of directors and the governance committee (the Company's audit committee) for the period under examination. During the examination period, it was common for non-members, including principal officer directors, to attend the governance committee meetings. The minutes of the governance committee document that non-member principal officers were present when the evaluation of principal officers and the recommendation to the board of the selection and compensation of such principal officers were discussed. The practice of senior officers participating or being present at meetings of the governance committee is inconsistent with the purpose of establishing and maintaining an independent committee of the board whose responsibilities include evaluating the performance of officers deemed by such committee or committees to be principal officers of the Company and recommending to the board of directors the selection and compensation of such principal officers; and, in the case of a domestic stock life insurance company, recommending to its board of directors any plan to issue options to its officers and employees for the purchase of shares of stock.

The examiner recommends that Company officers and affiliated directors attending meetings of the Governance Committee for the purposes of briefing such independent committee members, recuse themselves from such meeting during actions on matters involving the following:

- Recommending the selection of independent certified public accountants;
- Nominating candidates for director for election by shareholders;
- Evaluating the performance of the Company's principal officers and recommending the selection and compensation of such principal officers;
- Recommending any plan of additional compensation (other than salary) for principal officers and employees whose salary is "equal to or greater than" principal officers; and
- Reviewing the scope of independent and internal audits.

It is further recommended that the minutes of the meetings reflect the absence of Company officers and affiliated directors during such times.

The following is a listing of the principal officers of the Company as of December 31, 2007:

Name	Title
Timothy A. Walsh	President and Chief Executive Officer
Victoria M. Stanton*	Executive Vice President, General Counsel and Secretary
Michele M. Bartowski	Senior Vice President, Chief Financial Officer and Treasurer
William T. Conine	Senior Vice President, Marketing Services
Lewis E. Dufort	Senior Vice President, Marketing
Patrick A. Wejrowski	Senior Vice President, Information Services

* 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 to transact business in 12 states, located mainly in the Northeast United States. In 2007, 44.1% of life premiums, 38.1% of accident and health premiums, 27.0% of annuity considerations and 83.8% of deposit type funds were received from New York. Policies are written on a participating and non-participating basis.

The Company primarily offers whole, term and universal life policies, annuity contracts, and disability income products. Single premium life sales increased over the past five years. The Company's individual fixed annuity products, which include single premium deferred annuities (“SPDA”), single premium immediate annuities (“SPIA”), and a flexible premium deferred annuity product (“FPDA”), are offered on a qualified and non-qualified basis. The group annuities are deposit fund type products. The individual accident and health (“A&H”) segment is comprised of four guaranteed renewable disability income (“DI”) products. The Farmers Disability Income product is designed for full-time, self-employed farmers. The Business Owners Policy and Business Overhead Expense Policy are designed for full-time self-employed persons. The general product is for employees.

The Company’s agency operations are conducted on a general agency basis.

E. Reinsurance

As of December 31, 2007, the Company had reinsurance treaties in effect with 4 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, 2007 was $1,716,490,663, which represents 29.25% of the total face amount of life insurance in force. The Company does not assume reinsurance business.

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 (decline) during the period under review:

	December 31, 2002	December 31, 2007	Increase (Decrease)
Admitted assets	$866,400,803	$1,014,954,775	$148,553,972
Liabilities	$740,009,760	$ 889,827,891	$149,818,131
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	85,608	105,738	20,130
Unassigned funds (surplus)	123,004,414	121,720,125	(1,284,289)
Total capital and surplus	$126,391,043	$ 125,126,884	$ (1,264,159)
Total liabilities, capital and surplus	$866,400,803	$1,014,954,775	$148,553,972

The Company's invested assets as of December 31, 2007, were mainly comprised of bonds (79.9%), stocks (8.9%), and mortgage loans (4.7%).

The majority (95.6%) of the Company's bond portfolio, as of December 31, 2007, was comprised of investment grade obligations.

The Department's Real Estate Specialist reviewed the Company's real estate and mortgage loan portfolio and the Company's management of these assets over the examination period. The Specialist reviewed documentation relating to ten mortgage loans originated since the last examination.

In conjunction with the review, the Company was asked to provide a brief written explanation of the rating system that it uses to service its mortgage loans. In response, the Company advised that no rating system is used.

The examiner recommends that the Company employ a mortgage rating system model with consideration to loan to value at maturity, debt service coverage, lease rollover, refinancing risk and borrower credit enhancement parameters.

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:

	2003	2004	2005	2006	2007
Ordinary:					
Life insurance	$ 6,523,663	$5,231,824	$ 5,323,306	$5,583,766	$5,394,928
Individual Annuities	4,062,818	3,927,630	3,867,721	3,176,089	3,296,855
Supplementary contracts	214,508	(87,862)	107,583	198,718	173,354
Total ordinary	$10,800,989	$9,071,592	$ 9,298,610	$8,958,573	$8,865,137
Group:					
Life	$ 72,073	$ 41,744	$ 102,428	$ 42,366	$ 56,491
Annuities	250,995	176,072	166,682	124,742	76,579
Total group	$ 323,068	$ 217,816	$ 269,110	$ 167,108	$ 133,070
Accident and health:					
Group	$ (15,482)	$ (1,728)	$ (20,728)	$ 15,362)	$ 1,653
Other	(1,832)	(76,868)	791,648	481,269	104,474
Total accident and health	$ (17,314)	$ (78,596)	$ 770,920	$ 465,907	$ 106,127
Total	$11,106,743	$9,210,812	$10,338,640	$9,591,588	$9,104,334

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2007, as contained in the Company's 2007 filed 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, 2007 filed annual statement.

A. ASSETS, LIABILITIES, CAPITAL AND SURPLUS AS OF DECEMBER 31, 2007

Admitted Assets

Bonds	$ 788,007,533
Stocks:	
Preferred stocks	2,715,488
Common stocks	84,671,680
Mortgage loans on real estate:	
First liens	45,945,264
Real estate:	
Properties occupied by the company	4,778,820
Properties held for the production of income	149,500
Cash, cash equivalents and short term investments	17,988,543
Contract loans	37,838,061
Other invested assets	4,488,761
Receivable for securities	165,402
Investment income due and accrued	12,298,533
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	624,613
Deferred premiums, agents' balances and installments booked but deferred and not yet due	6,392,794
Reinsurance:	
Amounts recoverable from reinsurers	179,971
Current federal and foreign income tax recoverable and interest thereon	1,182,777
Net deferred tax asset	4,747,429
Electronic data processing equipment and software	2,322,966
Pension plan intangible asset	456,640
Total admitted assets	$1,014,954,775

Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$ 769,578,103
Aggregate reserve for accident and health contracts	11,841,323
Liability for deposit-type contracts	68,863,657
Contract claims:	
Life	1,986,218
Accident and health	106,313
Policyholders' dividends and coupons due and unpaid	202
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts	
Dividends apportioned for payment	8,810,179
Premiums and annuity considerations for life and accident and health contracts received in advance	220,082
Interest maintenance reserve	5,180,772
Commissions to agents due or accrued	867,529
General expenses due or accrued	736,664
Taxes, licenses and fees due or accrued, excluding federal income taxes	474,338
Unearned investment income	1,302,685
Amounts withheld or retained by company as agent or trustee	36,939
Remittances and items not allocated	216,054
Miscellaneous liabilities:	
Asset valuation reserve	16,608,944
Payable to parent, subsidiaries and affiliates	494,164
Payable for securities	54,449
Pension plan minimum liability	2,365,376
Post-retirement health plan liability	83,424
Uncashed check reserve	476
Total liabilities	$ 889,827,891
Common capital stock	$ 3,000,550
Gross paid in and contributed surplus	300,471
Group life contingency reserve	105,738
Unassigned funds (surplus)	121,720,125
Total capital and surplus	$ 125,126,884
Total liabilities, capital and surplus	$1,014,954,775

B. CONDENSED SUMMARY OF OPERATIONS

	2003	2004	2005	2006	2007
Premiums and considerations	$ 68,818,705	$ 61,149,240	$ 64,921,890	$ 61,564,849	$ 66,050,265
Investment income	56,808,132	56,529,658	56,411,068	57,602,428	56,814,481
Commissions and reserve adjustments on reinsurance ceded	604,308	677,350	750,157	860,890	870,025
Miscellaneous income	135,599	259,589	288,006	882,148	430,872
Total income	$126,366,744	$118,615,837	$122,371,121	$120,910,315	$124,165,643
Benefit payments	$ 41,680,002	$ 48,984,504	$ 53,525,034	$ 63,243,054	$ 66,915,088
Increase in reserves	43,230,033	30,181,168	28,135,354	15,692,327	15,574,203
Commissions	4,829,689	4,798,901	5,355,924	5,285,701	5,723,601
General expenses and taxes	11,853,233	11,488,242	11,693,754	12,438,823	13,300,213
Increase in loading on deferred and uncollected premiums	23,258	3,570	43,189	(57,035)	12,460
Total deductions	$101,616,215	$ 95,456,385	$ 98,753,255	$ 96,602,870	$101,525,565
Net gain (loss)	$ 24,750,529	$ 23,159,452	$ 23,617,866	$ 24,307,445	$ 22,640,078
Dividends	10,075,893	9,792,591	8,758,062	8,975,895	8,550,259
Federal and foreign income taxes incurred	3,567,893	4,156,049	4,521,164	5,739,962	4,985,485
Net gain (loss) from operations before net realized capital gains	$ 11,106,743	$ 9,210,812	$ 10,388,640	$ 9,591,588	$ 9,104,334
Net realized capital gains (losses)	(1,328,507)	(7,611,324)	5,060,518	3,852,601	2,434,742
Net income	$ 9,778,236	$ 1,599,488	$ 15,399,158	$ 13,444,189	$ 11,539,076

The decrease in net income from operations between 2003 and 2004 was mainly attributable to lower annuity sales and higher annuity surrenders and annuity benefits paid in 2004 as compared to 2003. Annuity considerations decreased from $19.1 million in 2003 to $11.7 million in 2004. In addition, the net realized losses had a negative impact on net income in 2004 due to the write-downs for other than temporary impairments on securities.

The increase in net income between 2004 and 2005 is due to a reduction in the dividend scale in 2005. In addition, net realized losses due to write-downs for other than temporary impairments decreased from 2004. Further impacting income was the sale of common stock in 2005, which more than offset the other than temporary impairments for that year, and resulted in an overall net realized capital gain.

C. CAPITAL AND SURPLUS ACCOUNT

	2003	2004	2005	2006	2007
Capital and surplus, December 31, prior year	$126,391,043	$121,054,245	$120,495,716	$120,923,502	$125,749,387
Net income	9,778,236	1,599,488	15,399,158	13,444,189	11,539,076
Change in net unrealized capital gains (losses)	2,129,895	9,821,978	(1,969,842)	2,988,480	(910,702)
Change in net deferred income tax	963,685	274,092	(1,232,926)	(25,108)	(707,185)
Change in non-admitted assets and related items	2,450,276	1,041,728	211	2,057,051	28,528
Change in asset valuation reserve	(4,457,946)	(1,894,791)	(2,205,338)	(3,873,504)	(1,689,652)
Cumulative effect of changes in accounting principles	606,252	0	0	0	0
Dividends to stockholders	(9,226,691)	(11,096,034)	(9,199,686)	(9,997,833)	(9,499,741)
Pension plan minimum liability	(238,190)	(304,990)	(363,791)	232,610	617,173
Adjustment for postretirement health/life plan	350,674	0	0	0	0
Adjustment for 2002 deferred tax asset	(7,692,989)	0	0	0	0
Net change in capital and surplus for the year	$ (5,336,798)	$ (558,529)	$ 427,786	$ 4,825,885	$ (622,503)
Capital and surplus, December 31, current year	$121,054,245	$120,495,716	$120,923,502	$125,749,387	$125,126,884

6. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the financial condition recommendation and comment contained in the prior report on examination and the subsequent actions taken by the Company in response to each citation:

Item	Description
A	The examiner recommends that the Company take greater care when allocating net gain (loss) by line of business in future annual statements. The examiner's review of the allocation of income to annual statement lines of business did not reveal any errors.
B	The Company erroneously reported a deferred tax asset as of December 31, 2002. As a result, the Company overstated its assets and surplus by $7,692,989. The Company reported the correction in the first quarterly statement of 2003. The examiner's review of the net deferred tax asset as of December 31, 2007 indicated that it was reported properly.

7. SUMMARY AND CONCLUSIONS

Following are the financial condition violation and recommendations contained in this report:

Item	Description	Page No(s).
A	The Company violated Section 1505(d)(1) of the of the New York Insurance Law by failing to provide notice to the Superintendent at least thirty days prior to its intent to enter into the sale of $5,930,092 worth of securities to its parent.	8
B	The examiner recommends that Company officers and affiliated directors attending meetings of the Governance Committee for the purposes of briefing such independent committee members, recuse themselves from such meeting during actions on matters involving the following: • Recommending the selection of independent certified public accountants; • Nominating candidates for director for election by shareholders; • Evaluating the performance of the Company's principal officers and recommending the selection and compensation of such principal officers; • Recommending any plan of additional compensation (other than salary) for principal officers and employees whose salary is "equal to or greater than" principal officers; and • Reviewing the scope of independent and internal audits. It is further recommended that the minutes of the meetings reflect the absence of Company officers and affiliated directors during such times.	11
C	The examiner recommends that the Company employ a mortgage rating system model with consideration to loan to value at maturity, debt service coverage, lease rollover, refinancing risk and borrower credit enhancement parameters.	14

Respectfully submitted,

_____________/s/_____
Eden M. Sunderman
Associate Insurance Examiner

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

Eden M. Sunderman, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

_____________/s/____________
Eden M. Sunderman

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. 22803

STATE OF NEW YORK

INSURANCE DEPARTMENT

*I, **ERIC R. DINALLO**, Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:*

EDEN SUNDERMAN

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 she 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 28th day of July, 2008

ERIC R. DINALLO
Superintendent of Insurance

Superintendent