REPORT ON EXAMINATION

OF THE

FARM FAMILY CASUALTY INSURANCE COMPANY

AS OF

DECEMBER 31, 2000

DATE OF REPORT: AUGUST 22, 2002

EXAMINER: FE ROSALES, CFE

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STATE OF NEW YORK
INSURANCE DEPARTMENT
25 Beaver Street
New York, NY 10004

August 22, 2002

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

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 21789 dated October 10, 2001, attached hereto, I have made an examination into the condition and affairs of the Farm Family Casualty Insurance Company as of December 31, 2000 and submit the following report thereon.

The examination was conducted at the Company's home office located at 344 Route 9W, Glenmont, New York 12077.

Wherever the designations "Company" or "FFCIC" appear herein without qualification, it should be understood to indicate the Farm Family Casualty Insurance Company.

Wherever the designation "Department" appears herein without qualification, it should be understood to indicate the New York Insurance Department.

1. SCOPE OF EXAMINATION

The previous examination was conducted as of June 30, 1995. This examination covered the five and a half-year period from July 1, 1995 through December 31, 2000. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

This examination comprised a complete verification of assets and liabilities as of December 31, 2000, a review of income and disbursements deemed necessary to accomplish such verification, and utilized, to the extent considered appropriate, work performed by the Company's independent certified public accountants. A review or audit was also made of the following items as called for in the Examiners Handbook of the National Association of Insurance Commissioners:

History of Company
Management and control
Corporate records
Fidelity bonds and other insurance
Territory and plan of operation
Market conduct activities
Growth of Company
Loss experience
Reinsurance
Accounts and records
Financial statements

A review was also made to ascertain what action was taken by the Company with regard to comments and recommendations made in the prior report on examination.

This report on examination is confined to financial statements and comments on those matters, which involve departures from laws, regulations or rules, or which are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

Farm Family Mutual Insurance Company ("FFMIC") was incorporated April 21, 1955 under the laws of New York and was licensed by the Department on November 14, 1956.

FFMIC was organized through the efforts and financial support of the State Farm Bureaus of New York, Maine, Massachusetts, Connecticut, Rhode Island, Pennsylvania, and Delaware. Farm Bureaus are the creation of private, independent non-governmental and non-profit county and local general farm organizations. State Farm bureaus furnished the initiative for the formation of the National American Farm Bureau Federation with which they are now affiliated. The aim of the Farm Bureau network is to service its farm community members and to promote their well-being.

On July 26, 1996, FFMIC converted from a mutual property and casualty insurance company to a stockholder owned property and casualty insurance company and became a wholly-owned subsidiary of Farm Family Holdings, Inc. ("FFH") pursuant to a Plan of Reorganization and Conversion ("the Plan"). As part of the Plan, FFH was formed and the FFMIC's policyholders received 2,237,000 shares of FFH's common stock and $11,735,000 in cash in exchange for their membership interest in FFMIC. In addition, FFMIC was renamed Farm Family Casualty Insurance Company.

The Company is a specialized insurance company that provides property and casualty insurance coverages to farms, agribusiness, other generally related businesses and residents of rural and suburban communities. The Company provides insurance to members of the State Farm Bureau organizations in New York, New Jersey, Delaware, West Virginia, and all of the New England states. Membership in a State Farm Bureau organization is a prerequisite for voluntary insurance coverage with the Company, except for employees of the Company and its affiliates. The largest line of business is personal auto, which comprises approximately 40% of the Company's business and is generally marketed in conjunction with other coverages.

As of December 31, 2000, the capital structure of the Company consisted of 2,253,878 shares of issued and outstanding common stock with a par value of $1.60 per share that resulted in paid in capital of $3,606,205.

The Company's paid-in surplus and unassigned surplus as of December 31, 2000 were $71,776,893, and $51,174,514, respectively.

A. Management

Pursuant to the Company's charter and by-laws, management of the Company is vested in a board of directors consisting of not less than thirteen nor more than twenty-five members. As of the examination date, the board was comprised of twenty-two directors. The board meets at least four times during each calendar year as required by Article IV, Section 6 of the Company's by-laws.

The directors as of December 31, 2000 were as follows:

Name and Residence	Principal Business Affiliation
Robert L. Baker Middletown, DE	Self-employed farmer and President & Director, Delaware Farm Bureau, Inc.
Wayne R. Bissonette Hinesburg, VT	Self-employed dairy farmer and First Vice President & Director, Vermont Farm Bureau, Inc.
Randolph C. Blackmer, Jr. No. Grosvenordale, CT	Self-employed farmer and President & Director, Connecticut Farm Bureau Association, Inc.
Joseph E. Calhoun Dagsboro, DE	Self-employed farmer and Past President & Director Delaware Farm Bureau, Inc.

Name and Residence	Principal Business Affiliation
James V. Crane Exeter, ME	Self-employed farmer and Director, Maine Farm Bureau Association
Sandra A. George Center Montville, ME	Self-employed farmer and President & Director, Maine Farm Bureau Association
Stephen J. George Gladstone, NJ	Self-employed farmer and Director, New Jersey Farm Bureau Service Company
Gordon H. Gowen Alstead, NH	Self-employed farmer and President & Director, New Hampshire Farm Bureau Federation
Jon R. Greenwood Canton, NY	Self-employed farmer and Vice President & Director, New York Farm Bureau, Inc.
Clark W. Hinsdale III Charlotte, VT	Self-employed farmer and President & Director, Vermont Farm Bureau, Inc.
Denzil D. Huff Cox Mills, WV	Self-employed farmer and Vice President, West Virginia Farm Bureau
Arthur D. Keown, Jr. Sutton, MA	Self- employed farmer and President & Director, Massachusetts Farm Bureau Federation, Inc.
W. Bruce Krenning Albion, NY	Self- employed farmer and Director, New York Farm Bureau, Inc.
John W. Lincoln Bloomfield, NY	Self- employed farmer and President & Director, New York Farm Bureau, Inc.
Wayne A. Mann Canterbury, NH	Self- employed farmer and First Vice President & Director, New Hampshire Farm Bureau Federation

Name and Residence	Principal Business Affiliation
Frank W. Matheson Littleton, MA	Self- employed farmer and Vice President, Director & Executive Committee, Massachusetts Farm Bureau Federation, Inc.
John P. Moskos Ipswich, MA	Senior Vice President, Private Clients Group of Fleet Boston Financial Corporation
Norma R. O'Leary Thompson, CT	Self- employed farmer and Past President, Connecticut Farm Bureau Association, Inc.
John I. Rigolizzo, Jr. Berlin, NJ	Self- employed farmer and President & Director, New Jersey Farm Bureau
William M. Stamp, Jr. Exeter, RI	Self- employed farmer and President & Director, Rhode Island Farm Bureau Federation, Inc.
Charles A. Wilfong Dunmore, WV	Self- employed farmer and President & Director, West Virginia Farm Bureau, Inc.
Tyler P. Young Little Compton, RI	Self- employed farmer and Vice President & Director, Rhode Island Farm Bureau Federation, Inc.

The minutes of all meetings of the board of directors and committees thereof held during the examination period were reviewed. The meetings were generally well attended.

The principal officers of the Company as of December 31, 2000 were as follows:

Name	Title
Philip P. Weber	President and Chief Executive Officer
Timothy A. Walsh	Executive Vice President, Chief Financial Officer & Treasurer
Victoria M. Stanton	Executive Vice President, General Counsel & Secretary
James J. Bettini	Executive Vice President – Operations

B. Territory and Plan of Operation

The Company is licensed to write business in the following states:

Connecticut	New Jersey
Delaware	New York
Maine	Rhode Island
Massachusetts	Vermont
New Hampshire	West Virginia

The following schedule shows the Company's direct premiums written, by calendar year within the examination period, the direct premiums written in New York State, and the percentage that the New York premiums bear to the countrywide premiums:

Calendar Year	New York Direct Written Premiums	Countrywide Direct Written Premiums	Percentage of New York Direct Written Premiums to Countrywide Direct Written Premiums
1995	$53,219,562	$135,963,326	39.14%
1996	56,487,098	146,408,387	38.58
1997	61,499,433	168,706,851	36.45
1998	64,361,053	185,138,296	34.76
1999	67,985,202	191,349,123	35.53
2000	81,065,679	218,601,819	37.08
Totals	$384,618,027	$1,046,167,802	36.76%

As of December 31, 2000, the Company was authorized to transact the kinds of insurance as defined in the following number paragraphs of Section 1113(a) of the New York Insurance Law:

Paragraph	Line of Business
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass

Paragraph	Line of Business
9	Boiler and machinery
10	Elevator
11	Animal
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers’ compensation and employee liability
16	Fidelity and surety
19	Motor vehicle and aircraft
20	Marine
21	Marine protection and indemnity

The Company is also empowered to transact such workers’ compensation insurance as may be incident to coverages contemplated under paragraphs 20 and 21 of Section 1113(a), including insurances described in the Longshoremen’s and Harbor Workers’ Compensation Act (Public Law No. 803, 69th Congress as amended).

Based upon the lines of business for which the Company is licensed, the Company’s current capital structure and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of $3,800,000.

The Company is a direct writer. All policies are issued on a non-assessable basis by more than two hundred captive agents and regional managers who are located in the rural and suburban communities that the Company serves.

C. Reinsurance

The Company assumes a relatively minor volume of business (approximately 5%) as compared to its direct writings. Approximately thirty percent of such assumptions reflect the Company’s participation in certain reinsurance pools and associations. In addition, approximately one-half of one percent of such assumptions stemmed from the Company's assumed reinsurance from its affiliate, United Farm Family Insurance Company.

The Schedule F data as contained in the Company's annual statements filed during the examination period was found to accurately reflect its reinsurance transactions.

The examiner reviewed all ceded reinsurance contracts in effect as of the examination date. These contracts all contained the required standard clauses including insolvency clauses meeting the requirements of Section 1308 of the New York Insurance Law.

As of December 31, 2000, the Company had the following excess of loss reinsurance program in place:

Type of Contract	Cession
Property (2 layers) 100% Authorized	\$3,700,000 in excess of \$300,000, each risk, each occurrence; maximum of \$8,100,000, all risks per occurrence.
Casualty (2 layers) 100% Authorized	\$2,700,000 in excess of \$300,000, each occurrence. (Including workers' compensation class of business.)
Pollution Liability (2 layers) 100% Authorized	\$2,700,000 in excess of \$300,000, each occurrence; \$2,100,000 annual aggregate on the first layer.
Multi-Line Clash (1 layer) 100% Authorized	\$600,000 in excess of \$300,000, in any one loss occurrence.
Casualty Clash (2 layers) 100% Authorized / Accredited	\$12,000,000 in excess of \$3,000,000, in any one loss occurrence, \$24,000,000 annual aggregate.

Relative to the workers' compensation class of business, the Company also maintained the following excess of loss reinsurance:

Type of Contract	Cession
Casualty Per Occurrence 100% Authorized	$7,000,000 in excess of $3,000,000, any one loss occurrence each employer, maximum of $600,000 per person, per loss occurrence; $14,000,000 annual aggregate.
Casualty Per Person (2 layers)*	$15,000,000 in excess of $5,000,000, per person, per occurrence; $35,000,000 annual aggregate.

*The first layer was placed 100% with authorized/accredited reinsurers. Approximately three percent of the second layer was with unauthorized reinsurers.

As of December 31, 2000, the Company also maintained catastrophe excess of loss coverage on a per occurrence basis:

Type of Contract	Cession
Property (4 layers)	$48,000,000 in excess of $3,000,000, each loss occurrence.

For each catastrophe property layer, 95% of the limit is ceded with 5% retained by the Company. It is noted that approximately eighteen percent of the first excess layer, thirty-two percent of the second excess layer, twenty-five percent of the third excess layer, and thirty percent of the fourth excess layer are ceded to unauthorized companies.

Relative to the umbrella classes of business, the Company maintains a quota share agreement with an authorized insurer, whereby it cedes 100% of its net liability, subject to a maximum cession of $3,000,000 (exclusive of loss in excess of policy limit and extra contractual obligations) as respects each policy, each coverage in excess of underlying limits of $2,000,000.

Also, the Company and its affiliate, United Farm Family Insurance Company (collectively called "Companies"), had in effect aggregate stop loss coverage for accident years 1998, 1999, and 2000 for a defined limit in excess of the Companies' specified loss ratio for each accident year.

Relative to its assumed property reinsurance business, the Company maintained the following retrocessional program:

Type of Contract	Cession
Assumed Property (3 layers)	$5,000,000 of ultimate net losses per any one occurrence in excess of $1,000,000, each loss occurrence.

For the first two layers, ninety percent of the limit is ceded with ten percent retained by the Company, and for the third layer, eighty percent is ceded with twenty percent retained by the Company. It is noted that eleven percent each of the first and second excess retrocession layer and twelve and one-half percent of the third layer are with unauthorized companies.

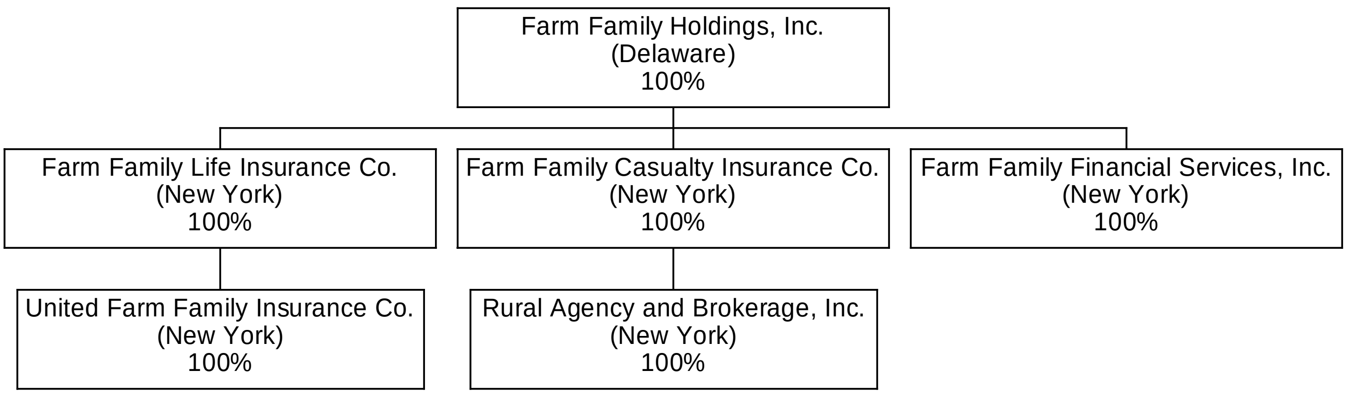
Relative to its property excess of loss business, as of December 31, 2000, the Company had in effect an excess surplus reinsurance contract whereby the Company retains not less than $25,000 nor more than $750,000 of its gross liability on each program, then cedes its first surplus liability, subject to a maximum cession of $150,000 any one layer, $300,000 any one program. It is noted that one hundred percent of this excess surplus reinsurance is ceded to an unauthorized company.

D. Holding Company System

The Company is a wholly-owned subsidiary of Farm Family Holdings, Inc., a holding company domiciled in the State of Delaware.

Pursuant to the requirements of Section 1503 of the New York Insurance Law, the Company registered with the Department as a controlled insurer and has filed annual reports in accordance with the requirements of Section 1504 of the New York Insurance Law and Department Regulation 52.

An organizational chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2000 is as follows:



Note: Subsequent to the examination date, on April 10, 2001, Farm Family Holdings, Inc. was acquired by American National Insurance Company. The acquisition was accomplished through the merger of Farm Family Holdings and American National Acquisition Company, a wholly-owned subsidiary of American National Insurance Company.

As of the examination date, the Company is a party to various agreements with affiliated parties, as follows:

1. Service Agreement with United Farm Family Insurance Company ("UFFIC")

Effective July 25, 1988, the Company entered into a service agreement with UFFIC. The agreement provides that the Company will perform certain administrative and special services for UFFIC and allows UFFIC to make use of its facilities. UFFIC reimburses the Company for all direct and directly allocable expenses, reasonably and equitably determined to be attributable to UFFIC, plus direct overhead cost determined periodically by the parties. The review of the allocation of expenses between the parties revealed that the charges are reasonable and in accordance with the requirements of Department Regulation No. 30.

This agreement predates April 6, 1999, the date Farm Family Life Insurance Company and UFFIC were acquired by Farm Family Holdings, Inc. and as such the agreement was not subject to the filing requirements of Section 1505 of the New York Insurance Law. The agreement was subsequently filed with this Department in July 2001.

2. Tax Payment Allocation Agreement

The Company participates in a tax allocation agreement with FFH for taxable years commencing January 1, 1996. The tax liability or refund under the agreement represents the amount the Company would pay or receive if it had filed a separate return with the Internal Revenue Service ("IRS"). This agreement was filed with the Department pursuant to Section 1505(d) of the New York Insurance Law. The review of this agreement revealed that it is in compliance with Circular Letter No. 33 (1979) of the New York Insurance Department.

It is noted that on December 14, 2001, the Company filed with the Department, pursuant to Circular Letter No. 33 (1979), an amendment, effective January 21, 2002. The amendment to the agreement delays all settlement payments from the Company to FFH of any amount in excess of the actual payment made by FFH to the IRS until such time as the permissible period for loss carrybacks have elapsed. The amended agreement is consistent with the protections provided in the original agreement for the Company in the event of future net losses but eliminates the need for an escrow account by delaying the settlement payment to a date coincident with the release date under the escrow account. It should be noted, however, that all settlements from FFH to the Company shall continue to be paid within thirty days of the filing of the applicable consolidated corporate income tax return with the IRS, except where a refund is due FFH, in which case, it may defer payment to the Company to within thirty days of receipt of such refund. This amendment was filed with the Department in accordance with Section 1505(d) of the New York Insurance Law and non-objected to by the Department.

3. Lease and Management Service Agreement

The Company entered into a lease and management service agreement with its subsidiary, Rural Agency and Brokerage, Inc. ("RAB") effective January 1, 1996. The agreement was revised per Amendment No. 1 effective January 1, 1997. Pursuant to the agreement, the Company provides office space and use of its property, equipment, and facilities for administering RAB's accounting, tax, auditing and investment, legal, and such other telecommunication and electronic data processing needs. Pursuant to Amendment No. 1 to the captioned agreement, the parties agreed that rent and service fees shall be determined each month on a fair and reasonable fee as RAB discontinues its brokerage activities. This agreement and its amendment were filed with the Department pursuant to Section 1505(d) of the New York Insurance Law and non-objected to by the Department.

4. Amended and Restated Expense Sharing Agreement

The Company is a party to an amended and restated expense sharing agreement with an affiliate, Farm Family Life Insurance Company ("FFLIC") and its parent, FFH, effective February 14, 1996. The agreement provides for the sharing of certain expenses among the parties and defines the methods to be used for allocating such expenses. The review of the allocation of expenses among the parties revealed that the charges are reasonable and in accordance with the requirements of Department Regulation No. 30. This agreement was filed with the Department pursuant to section 1505(d) of the New York Insurance Law and non-objected to by the Department.

5. Service Agreement

The Company entered into a service agreement with an affiliate, Farm Family Financial Services Inc. ("FFFS") effective October 1, 1997, whereby the Company performs certain administrative and special services for FFFS and makes available its facilities to FFFS as FFFS determines to be reasonably necessary in the conduct of its operations. This agreement was revised per Amendment No. 1, effective January 1, 1999, to change the fees to be charged by the Company to FFFS. This agreement and its amendment were filed with the Department pursuant to Section 1505(d) of the New York Insurance Law and non-objected to by the Department.

6. Asset Management Agreement

Effective October 16, 1998, the Company entered into an asset management agreement with FFFS. Pursuant to this agreement the Company appointed FFFS as the Company's investment manager. Under the terms of the agreement, FFFS performs investment advisory and portfolio management services for the Company, in accordance with the Company's investment guidelines as approved by the investment committee of the board of directors of the Company. The Company pays FFFS an annual fee of one tenth of one percent (.1%) of the market value of the assets in the investment account as of the last day of each calendar quarter. This agreement was filed with this Department in accordance with Section 1505(d) of the New York Insurance Law and implementation was non-disapproved. This agreement was terminated effective October 1, 2001.

7. Lease Agreement

The Company is a party to a lease agreement with FFLIC effective January 1, 1999 through December 31, 2000, with an Exercised Renewal Option effective January 1, 2001 through December 31, 2002. The lease stipulates that FFCIC rents both office and storage space at the Glenmont, New York location of the home office building of the lessor, FFLIC, at an annual base rental rate of $900,290 adjusted annually by the adjustment in the consumer price index.

This agreement predates April 6, 1999, the date Farm Family Life Insurance Company was acquired by Farm Family Holdings, Inc., and as such the agreement was not subject to the filing requirements of Section 1505 of the New York Insurance Law. Such agreement was continued after FFLIC and UFFIC were acquired by FFH and was subsequently filed with this Department in July 2001.

8. Aggregate Stop Loss Agreement

The Company entered into an aggregate stop loss agreement with UFFIC effective January 1, 2000. This reinsurance agreement provides that the Company shall assume the excess liability of UFFIC's losses accruing during each accident year during the term of the contract in excess of UFFIC's 75% loss ratio for the accident year. This agreement was non-objected to by the Department on April 6, 2000, pursuant to Section 1505(d) of the New York Insurance Law.

It is noted that the Company entered into another aggregate stop loss agreement with UFFIC effective January 1, 1999 until December 31, 1999. This reinsurance agreement provided that the Company shall assume the excess liability of UFFIC's losses accruing during each accident year during the term of the contract in excess of UFFIC's 70% loss ratio for the accident year. This reinsurance agreement was commuted August 31, 2000. Although the original agreement predates April 6, 1999, the date Farm Family Life Insurance Company and its wholly-owned subsidiary, United Farm Family Insurance Company became subject to the filing requirements of Section 1505 of the New York Insurance Law, the commutation of the reinsurance agreement was subject to the prior notification requirements of Section 1505(d)(2) of the New York Insurance Law. The Company did not provide prior notification to this Department for this commutation.

It is recommended that in the future, the Company comply with the prior notification requirements of Section 1505(d)(2) of the New York Insurance Law.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2000 based upon the results of this examination:

Net premiums written in 2000 to surplus as regards policyholders	1.7 to 1
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	72%
Premiums in course of collection to surplus as regards policyholders	10%

The above ratios fall within the benchmark ranges as set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners.

The underwriting ratios presented below are on an earned/incurred basis and encompass the five-and-a-half-year period covered by this examination:

	Amounts	Ratios
Loss and loss adjustment expenses	$663,998,845	73.313%
Other underwriting expenses	241,730,044	26.690
Net underwriting loss	(28,423)	(0.003)
Premiums earned	$905,700,466	100.0%

F. Abandoned Property Law

Section 1316 of the New York Abandoned Property Law requires the Company to file a report with the Office of the State Comptroller for any amount payable to the residents of New York State that are unclaimed for over three years. The Company recognized a liability for abandoned property and made the required filings with the Office of the State Comptroller during the examination period.

G. Accounts and Records

Uncollected Premiums Reports

The report that the Company used in the aging of uncollected premiums does not clearly show that all uncollected premium balances are included in the aging process. As a result, the examination was unable to verify that all of the uncollected premium balances were considered in the calculation of the non-admitted portion. In order to facilitate the examination of agents' balances or uncollected premiums and the aging of such balances on future examinations, it is recommended that the Company develop reports that will clearly show the aging status of all uncollected premium balances.

Moreover, the Company does not maintain a detailed deferred billing report. The Company runs a receivable program, which produces a one-page report with the totals for the split between premiums in course of collection and premiums deferred. Accordingly, the examiner could not easily ascertain whether correct balances were reported in the uncollected premium lines in the annual statement.

It is recommended that the Company maintain a detailed deferred billing report that can be provided upon examination in order that the correct balances for each of the uncollected premium lines in all future statements filed with the Department can be easily ascertainable.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as determined by this examination and as reported by the Company as of December 31, 2000:

Assets	Ledger Assets	Non-Ledger Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$324,350,655		$1,046,274	$323,304,381
Stocks:				
Preferred stocks	7,566,270	$13,811		7,580,081
Common stocks	2,810,028	1,997,479		4,807,507
Mortgage loans on real estate	526,196			526,196
Cash and short-term investments	20,762,130			20,762,130
Other invested assets	169,010			169,010
Premiums and agents' balances in course of collection	14,296,094		1,315,374	12,980,720
Premiums and agents' balances booked but deferred and not yet due	34,169,819			34,169,819
Reinsurance recoverable on loss and loss adjustment expense payments	1,787,470			1,787,470
Interest, dividends and real estate income due and accrued		5,679,910		5,679,910
Receivable from parent, subsidiaries and affiliates	1,349,444			1,349,444
Equities and deposits in pools and associations	163,836			163,836
Aggregation write-ins:				
NJ Guaranty Association surcharges receivable	65,918			65,918
Receivable from TPA	186,264			186,264
Due from broker	56,890			56,890
Employee balances	245,164		245,164	
Balances due from agents	123,694		123,694	
Sundry receivables	66,186		66,186	
Total assets	$408,695,068	$7,691,200	$2,796,692	$413,589,576

Liabilities

Losses and loss adjustment expenses		$170,127,615
Reinsurance payable on paid losses and loss adjustment expenses		337,567
Other expenses		5,421,192
Taxes, licenses and fees		1,735,135
Federal and foreign income taxes		1,979,650
Unearned premiums		92,030,015
Dividends declared and unpaid		112,500
Funds held by company under reinsurance treaties		6,366,050
Amounts withheld or retained by company for account of others		883,830
Excess of statutory reserves over statement reserves		7,957,000
Aggregate write-ins for liabilities:		
Uncashed check reserve		81,410
Total liabilities		$287,031,964
Surplus and Other Funds		
Common capital stock	$3,606,205	
Gross paid in and contributed surplus	71,776,893	
Unassigned funds (surplus)	51,174,514	
Surplus as regards policyholders		126,557,612
Total liabilities and surplus		$413,589,576

Note: The Internal Revenue Service has completed its audits of the Company's federal income tax returns covering tax years 1996 and 1997. All material adjustments, if any, made subsequent to the date of examination and arising from said audits, are reflected in the financial statements included in this report. There are no audits currently in progress. The examiner is unaware of any potential exposure of the Company to any further tax assessment and no liability has been established herein relative to such contingency.

B. Underwriting and Investment Exhibit

Surplus as regards policyholders increased $80,677,710 during the five-and-a-half-year examination period, July 1, 1995 through December 31, 2000, detailed as follows:

Statement of Income

Underwriting Income		
Premiums earned		$905,700,466
Deductions:		
Losses and loss adjustment expenses incurred	$663,998,845	
Other underwriting expenses incurred	241,730,044	
Total underwriting deductions		905,728,889
Net underwriting loss		$(28,423)
Investment Income		
Net investment income earned	$99,655,922	
Net realized capital gains	4,705,245	
Net investment gain		104,361,167
Other Income		
Net loss from agents' or premium balances charged off	$ (2,853,119)	
Finance and service charges not included in premiums	5,083,017	
Miscellaneous income	125,163	
Total other income		2,355,061
Net income before dividends to policyholders and federal income taxes		$106,687,805
Dividends to policyholders		1,200,565
Net income before federal income taxes		$105,487,240
Federal income taxes incurred		37,311,983
Net income		$68,175,257

Capital and Surplus Accounts

	Gains in Surplus	Losses in Surplus	
Surplus as regards policyholders per report on examination as of June 30, 1995			$45,879,902
Net income	$68,175,257		
Net unrealized capital gains or (losses)		$248,014	
Change in non-admitted assets		1,110,797	
Change in excess of statutory reserves over statement reserves		7,957,000	
Change in surplus (surplus notes repurchased)		2,716,500	
Capital changes	21,360,773		
Dividends to stockholders (cash)		518,392	
Extraordinary amounts of taxes for prior years	267,000		
Interest paid		510,172	
Anticipated salvage & subrogation for prior years	3,935,555		
Total gains and losses	$93,738,585	$13,060,875	
Net increase in surplus			$80,677,710
Surplus as regards policyholders, December 31, 2000, per report on examination			$126,557,612

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability of $170,127,615 is the same as the amount reported by the Company as of the examination date. The examination analysis was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Company's internal records and its filed annual statements.

In accordance with annual statement instructions, the Company is required to provide claims count data for claims reported, claims outstanding, and claims closed with payment in Schedule P of its filed annual statement. During the review of losses, errors were noted in the claims count data reported in Schedule P of the Company's filed annual statement. Although the errors detected were minor in scope, they were nonetheless erroneous. The prior report on examination noted problems with claims count data as well.

It is again recommended that the Company provide accurate claims count data in all future statements filed with the Department.

5. MARKET CONDUCT ACTIVITIES

In the course of this examination, a review was made of the manner in which the Company conducts its business and fulfills its contractual obligations to policyholders and claimants. The review was general in nature and is not to be construed to encompass the more precise scope of a market conduct investigation, which is the responsibility of the Market Conduct Unit of the Property Bureau of this Department.

The general review was directed at practices of the Company in the following major areas:

1) Sales and advertising
2) Underwriting
3) Rating
4) Treatment of policyholders and claimants.

No problem areas were encountered.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained two comments and recommendations. The current status of these matters is as follows (page numbers refer to the prior report):

ITEM	PAGE NO.
A. Reinsurance	
It was recommended that in the future the Company maintain reinsurance contracts containing the required standard clauses for all reinsurance assumptions to which it is a party.	10
The Company has complied with this recommendation.	
B. Losses and Loss Adjustment Expenses	
It was recommended that the Company provide accurate claims count data in all future statements filed with this Department.	18
The Company has not complied with this recommendation. The same recommendation is contained in this report.	

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Holding Company System	
	It is recommended that the Company comply with the prior notification requirements of Section 1505(d)(2) of the New York Insurance Law.	17
B.	Accounts and Records	
	Uncollected Premium Reports	
(1)	It is recommended that the Company develop reports that will clearly show the aging status of all uncollected premium balances.	18
(2)	It is recommended that the Company maintain a detailed deferred billing report that can be provided upon examination in order that correct balances for each of the Uncollected Premium lines in all future statements filed with the Department can be easily ascertainable.	18
C.	Losses and Loss Adjustment Expenses	
	It is recommended that the Company provide accurate claims count data in all future statements filed with this Department.	23

Respectfully submitted

_____________/S/_________________
Fe Rosales, CFE
Senior Insurance Examiner

STATE OF NEW YORK)
) ss:
COUNTY OF ALBANY)

FE ROSALES, being duly sworn, deposes and says that the foregoing report, subscribed by her is true to the best of her knowledge, information and belief.

_____________/S/_________________
Fe Rosales

Subscribed and sworn to before me

this _______ day of ____________ 1999.

Appointment No. 21789

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, GREGORY V. SERIO, *Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:*

Fe Rosales

as proper person to examine into the affairs of the

FARM FAMILY CASUALTY 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 the name and affixed the official Seal of this Department, at the City of New York,

this 10th *day of* October, 2001

GREGORY V. SERIO
Superintendent of Insurance