

REPORT ON EXAMINATION
OF THE
UNITED FARM FAMILY 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 21790 dated October 10, 2001, attached hereto, I have made an examination into the condition and affairs of the United Farm Family 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 "UFFIC" appear herein without qualification, they should be understood to indicate the United Farm Family 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 December 31, 1995. This examination covered the five-year period from January 1, 1996 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 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

The Company was incorporated February 25, 1988, under the laws of New York and commenced business January 1, 1989.

The Company is wholly-owned by Farm Family Life Insurance Company (“FFLIC”), which was acquired by Farm Family Holdings, Inc. (“FFH”) on April 6, 1999. Prior to the acquisition, the parent company was entirely owned by Farm Bureau Organizations located in ten eastern states.

As of December 31, 2000, the capital structure of the Company consisted of 10,000 shares of authorized, issued and outstanding \$100 par value per share common stock, that resulted in a paid in capital of \$1,000,000. The Company’s paid-in surplus and unassigned funds as of December 31, 2000, were \$4,200,000 and \$4,272,089, 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 met 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 ResidencePrincipal 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.

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.

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
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
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:

<u>Name</u>	<u>Title</u>
Philip P. Weber	President and Chief Executive Officer
Timothy A. Walsh	Treasurer
Victoria M. Stanton	General Counsel & Secretary

B. Territory and Plan of Operation

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

Maryland
New York
Pennsylvania

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

DIRECT PREMIUMS WRITTEN

<u>Calendar Year</u>	<u>New York State</u>	<u>Total United States</u>	<u>Percentage of New York State Direct Premiums Written to Countrywide Premiums</u>
1996	\$115,142	\$115,142	100.00%
1997	37,777	37,777	100.00
1998		364,291	0.00
1999		1,977,277	0.00
2000	_____	<u>8,706,165</u>	<u>0.00</u>
Totals	<u>\$152,919</u>	<u>\$11,200,652</u>	<u>1.37%</u>

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

<u>Paragraph</u>	<u>Line of Business</u>
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
11	Animal
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' 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 review of the Company's 1999 filed annual statement indicated that it did not comply with minimum surplus to policyholders' investment requirements set forth in Section 1402 of the New York Insurance Law. The Company is required to maintain the above-indicated surplus in the types of investments described in paragraphs (a) and (b) of Section 1402. It is noted that the Company subsequently complied with the above section of the law.

Effective January 1, 1989, the Company was licensed to do an insurance business only in New York State. The Company began writing a small volume of direct business during 1993. Prior to that, the Company assumed all of its business from its affiliate, Farm Family Casualty Insurance Company (“FFCIC”) and formerly known as Farm Family Mutual Insurance Company. Unlike its affiliate, membership in a state farm bureau organization is not a prerequisite for purchasing insurance coverage from United Farm Family Insurance Company.

Effective December 31, 1997, certain reinsurance assumption agreements with FFCIC were terminated. In 1998, the Company began to write business as a direct writer in the states of Pennsylvania and Maryland. During 2000, the Company continued its transition from a reinsurer of FFCIC to a direct writer. The Company’s primary products sold in these states are the Company’s special farm package policy which provides farm property and liability coverages, personal and commercial automobile, homeowners and businessowners. The Company’s target market is agribusiness and rural and suburban residents. The Company markets its insurance products through agents who are primarily located in the rural and suburban communities that it serves.

C. Reinsurance

Prior to 1998, the Company assumed reinsurance from FFCIC on an excess of loss basis. These agreements were terminated effective December 31, 1997 on a runoff basis. The Company has no other assumed reinsurance agreements.

The Schedule F data as contained in the Company’s annual statement filed as of the examination date 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:

<u>Type of Contract</u>	<u>Cession</u>
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. (Includes workers' compensation.)
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:

<u>Type of Contract</u>	<u>Cession</u>
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 is 100% placed with authorized/accredited reinsurers.

Approximately three percent of the second layer is with unauthorized reinsurers.

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

<u>Type of Contract</u>	<u>Cession</u>
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 and only 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 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. The agreement is with an authorized reinsurer.

In addition, the Company had in effect as of December 31, 2000 an aggregate stop loss contract with FFCIC equal to the lesser of \$800,000 or ten percent of the Company's net earned premium as respects any one accident year in excess of the Company's 75% loss ratio for the accident year. This agreement was submitted to the Department in accordance with Section 1505(d) of the New York Insurance Law and found to be non-objectionable.

Also, the Company and FFCIC (collectively called “Companies”) had in effect aggregate stop loss coverage, with external reinsurers, for accident years 1998, 1999 and 2000, for a defined limit in excess of the companies’ specified loss ratio for each accident year.

It is noted that effective January 1, 1999, the Company entered into an aggregate stop loss agreement with FFCIC for coverage of incurred ultimate net losses in excess of 70% of the Company’s net earned premium for the term of the contract, not to exceed \$350,000. This contract was commuted as of August 31, 2000. It is noted, however, that the commutation was not disclosed in the Notes to Financial Statements (Note #18) of the Company’s annual statement as of December 31, 2000.

It is recommended that the Company exercise greater care in when completing the Notes to Financial Statements included in all future annual statements filed with this Department.

It is further noted that the Company failed to provide prior notification to this Department of the commutation, in accordance with Section 1505(d)(2) of the New York Insurance Law.

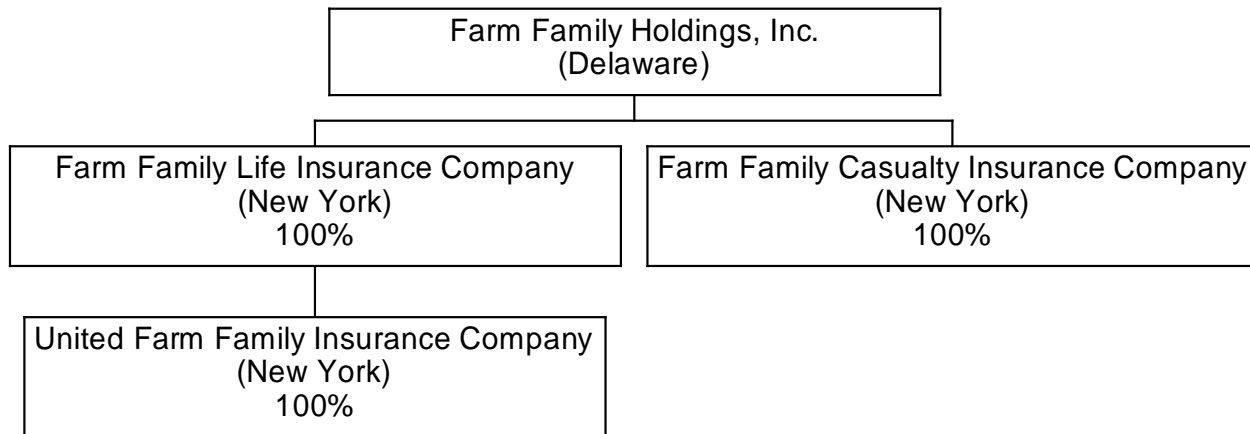
It is recommended that in the future the Company comply with the prior notification requirements of Section 1505(d)(2) of the New York Insurance Law.

D. Holding Company System

The Company is a wholly-owned subsidiary of Farm Family Life Insurance Company (“FFLIC”), a New York domiciled insurer, which in turn is wholly-owned by Farm Family Holdings, Inc. (“FFH”), a holding company domiciled in the State of Delaware.

The Company became a controlled insurer on April 6, 1999 when FFH acquired FFLIC. As such, 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 since 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, Inc. and American National Acquisition Company, a wholly-owned subsidiary of American National Insurance Company.

As of December 31, 2000, the Company is a party to various agreements with affiliated parties, as follows:

1. Service Agreement with Farm Family Casualty Insurance Co. ("FFCIC")

Effective July 25, 1998, the Company entered into a service agreement with FFCIC where FFCIC provides the Company certain administrative and special services, property, equipment and facilities

necessary for the Company's operations. The Company reimburses FFCIC for all direct allocable expenses reasonably and equitably determined to be attributable to the Company, plus direct overhead costs 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 the Company 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 the Department in July 2001.

2. Tax Payment Allocation Agreement with Farm Family Life Insurance Company ("FFLIC")

The Company participated in a tax payment allocation agreement for taxable years commencing January 1, 1992 through April 6, 1999. The tax liability or refund under the agreement represented the amount the Company would pay or receive if it had filed a separate return with the Internal Revenue Service ("IRS"). Commencing April 7, 1999, the Company's tax return is not combined with any other entity. The Company terminated this agreement effective December 7, 2001.

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	.88 to 1
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	64.8%
Premiums in course of collection to surplus as regards policyholders	4.4%

The above ratios fall within the benchmark ranges as set forth in the Insurance Regulatory Information System (“IRIS”) of the National Association of Insurance Commissioners. It is noted, however, that results of four other IRIS ratios for the Company as of December 31, 2000 were outside the benchmark ranges, as follows:

	<u>Company’s ratio result for 2000</u>	<u>Usual Range</u>
a) Change in writings	376%	-33% to 33%
b) Two-year operating ratio	146%	Under 100%
c) Change in surplus	-21%	-10% to 50%
d) Estimated reserve deficiency to surplus	406%	Under 25%

The unusual IRIS test results were due to the Company operating in a start-up phase since it began to write direct business in Maryland and Pennsylvania in 1998. Furthermore, the result of ratio (d) above is not an accurate measure for the Company because of its history as primarily a reinsurer prior to 1998.

The underwriting ratios presented below are on an earned/incurred basis and encompass the five-year period covered by this examination (January 1, 1996 to December 31, 2000):

	<u>Amounts</u>	<u>Ratios</u>
Loss and loss adjustment expenses	\$27,779,996	112.0%
Other underwriting expenses	6,279,695	25.3
Net underwriting loss	<u>(9,257,058)</u>	<u>(37.3)</u>
Premiums earned	<u>\$24,802,633</u>	<u>100.0%</u>

F. Abandoned Property Law

Section 1316 of the New York Abandoned Property Law requires the Company to file a report with the New York Office of the State Comptroller for certain unclaimed insurance proceeds. A filing is required regardless of whether the Company has any abandoned property to report.

During the examination period, the Company had no abandoned property to report; however, the Company failed to make the required negative filings with the Office of the State Comptroller.

It is recommended that the Company make the necessary abandoned property filings with the New York Office of the State Comptroller.

G. Accounts and Records

Uncollected Premium 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 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:

<u>Assets</u>	<u>Ledger Assets</u>	<u>Non-Ledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$19,671,017			\$19,671,017
Stocks:				
Preferred stocks	725,000		\$17,498	707,502
Common stocks				
Cash and short-term investments	2,287,333			2,287,333
Premiums and agents' balances in course of collection	142,146		39,693	102,453
Premiums and agents' balances booked but deferred and not yet due	2,126,166			2,126,166
Accrued retrospective premiums				
Federal income tax recoverable and interest thereon		\$204,724		204,724
Interest, dividends and real estate income due and accrued		320,825		320,825
Aggregate write-ins-				
Balances due from brokers	610			610
Balances due from agents	(8,725)		(8,725)	
Sundry receivables	<u>19,572</u>	<u> </u>	<u>19,572</u>	<u> </u>
Total assets	<u>\$24,963,119</u>	<u>\$525,549</u>	<u>\$68,038</u>	<u>\$25,420,630</u>

Liabilities and Surplus

Losses and loss adjustment expenses	\$10,525,891
Reinsurance payable on paid losses and loss adjustment expenses	121,115
Other expenses	19,264
Taxes, licenses and fees	200,520
Unearned premiums	4,115,839
Excess of statutory reserves over statement reserves	172,000
Payable to parent, subsidiaries and affiliates	<u>793,912</u>
 Total liabilities	 \$15,948,541

Surplus and Other Funds

Common capital stock	\$1,000,000
Gross paid in and contributed surplus	4,200,000
Unassigned funds (surplus)	<u>4,272,089</u>
 Total surplus as regards policyholders	 <u>9,472,089</u>
 Total liabilities, surplus and other funds	 <u>\$25,420,630</u>

Note: The Internal Revenue Service has never audited the Company's federal income tax returns through the examination date. 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 decreased \$4,721,667 during the five-year examination period, January 1, 1996 through December 31, 2000, detailed as follows:

STATEMENT OF INCOME

Underwriting Income

Premiums earned		\$24,802,633
Deductions:		
Losses and loss adjustment expenses incurred	\$27,779,996	
Other underwriting expenses incurred	<u>6,279,695</u>	
Total underwriting deductions		<u>\$34,059,691</u>
Net underwriting loss		\$(9,257,058)

Investment Income

Net investment income earned	\$9,727,968	
Net realized capital gains	<u>147,553</u>	
Net investment gain		9,875,521

Other Income

Net loss from agents' or premium balances charged off	\$(41,034)	
Finance and service charges not included in premiums	73,508	
Miscellaneous income	<u>18,784</u>	
Total other income		<u>51,258</u>
Net income before federal income taxes		\$669,721
Federal income taxes		<u>927,198</u>
Net income or (loss)		<u>\$(257,477)</u>

Capital and Surplus Account

Surplus as regards policyholders, December 31, 1995 per report on examination			\$14,193,756
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income or (loss)		\$257,477	
Net unrealized capital gains or (losses)		33,651	
Change in non-admitted assets		50,206	
Change in excess of statutory reserves over statement reserves		7,000	
Surplus notes repurchased		4,000,000	
Aggregate write-ins for gains and losses in surplus:			
Interest paid on surplus notes	_____	<u>373,333</u>	
Total gains and losses	_____	<u>\$4,721,667</u>	
Net loss in surplus			<u>(4,721,667)</u>
Surplus as regards policyholders, per report on examination as of December 31, 2000			<u>\$9,472,089</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability of \$10,525,891 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 the claims count data reported 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 practices 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 the 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 detailed as follows (page numbers refer to the prior report):

<u>ITEM</u>	<u>PAGE NO.</u>
<p>A. <u>Reinsurance</u></p> <p>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.</p> <p>The Company has complied with this recommendation.</p>	<p>7</p>
<p>B. <u>Losses and Loss Adjustment Expenses</u></p> <p>It was recommended that the Company provide accurate claims count data in all future statements filed with this Department.</p> <p>The Company has not complied with this recommendation. The same recommendation is contained in this report.</p>	<p>15-16</p>

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
<p>A. <u>Reinsurance</u></p> <p>It is recommended that the Company exercise greater care when completing the Notes to Financial Statements included in all future annual statements filed with this Department.</p> <p>It is further recommended that in the future, the Company comply with the prior notification requirements of Section 1505(d)(2) of the New York Insurance Law.</p>	<p>11</p> <p>11</p>
<p>B. <u>Abandoned Property Law</u></p> <p>It is recommended that the Company make the necessary filings with the New York Office of the State Comptroller.</p>	<p>15</p>

ITEMPAGE NO.C. Accounts and Records

It is recommended that the Company develop reports that will clearly show the aging status of all uncollected premium balances. 15

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. 15

D. Losses and Loss Adjustment Expenses

It is again recommended that the Company provide accurate claims count data in all future statements filed with this Department. 20

Appointment No. 21790

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

UNITED FARM FAMILY 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 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