NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

FARM FAMILY LIFE INSURANCE COMPANY

CONDITION:	DECEMBER 31, 2012
DATE OF REPORT:	MAY 19, 2014

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AS OF

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EXAMINER:	ANTHONY CHIAREL

TABLE OF CONTENTS

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

May 22, 2014

Honorable Benjamin M. Lawsky
Superintendent of Financial Services
New York, New York 10004

Sir:

In accordance with instructions contained in Appointment No. 30971, dated March 11, 2013 and annexed hereto, an examination has been made into the condition and affairs of Farm Family Life Insurance Company, hereinafter referred to as “the Company,” at its home office located at 344 Route 9W, Glenmont, New York 12077.

Wherever “Department” appears in this report, it refers to the New York State Department of Financial Services.

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

1. SCOPE OF EXAMINATION

The examination of the Company was a full scope examination as defined in the *NAIC Financial Condition Examiners Handbook, 2013 Edition* (the "Handbook"). The examination covers the five -year period from January 1, 2008 through December 31, 2012. The examination was conducted observing the guidelines and procedures in the Handbook and, where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2012, but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

The examination was conducted on a risk focused basis in accordance with the provisions of the Handbook published by the National Association of Insurance Commissioners ("NAIC"). The Handbook guidance provides for the establishment of an examination plan based on the examiner's assessment of risk in the insurer's operations and utilizing that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the current financial condition as well as identify prospective risks that may threaten the future solvency of the insurer. The examiner identified key processes, assessed the risks within those processes and evaluated the internal control systems and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, evaluating the overall financial statement presentation, and determining management's compliance with New York statutes, Department guidelines, Statutory Accounting Principles as adopted by the Department, and NYS annual statement instructions.

Information about the Company's organizational structure, business approach and control environment were utilized to develop the examination approach. The Company's risks and management activities were evaluated incorporating the NAIC's nine branded risk categories. These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational
- Strategic
- Credit
- Market
- Liquidity
- Legal
- Reputational

The Company was audited annually, for the years 2008 through 2012, by the accounting firm of KPMG LLP. The Company received an unqualified opinion in all years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. American National Insurance Company ("ANICO"), the Company's ultimate parent, has an internal audit department and is subject to the Sarbanes-Oxley Act of 2002 ("SOX"). ANICO shares, on an enterprise-wide basis, the services of its internal control department, which was given the task of assessing the internal control structure and compliance with SOX, for its holding company members. Where applicable, internal audit and SOX workpapers and reports were reviewed and portions were relied upon for this examination.

The examiner reviewed the corrective actions taken by the Company with respect to the violations and recommendations contained in the prior financial 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.

2. DESCRIPTION OF COMPANY

A. History

The Company was incorporated as a stock life insurance company under the laws of New York on October 20, 1953, and was licensed and commenced business on January 20, 1954. Initial resources of $600,000, consisting of common capital stock of $300,000 and paid in and contributed surplus of $300,000, were provided through the sale of 3000 shares of common stock (with a par value of $100 each) for $200 per share.

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.

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").

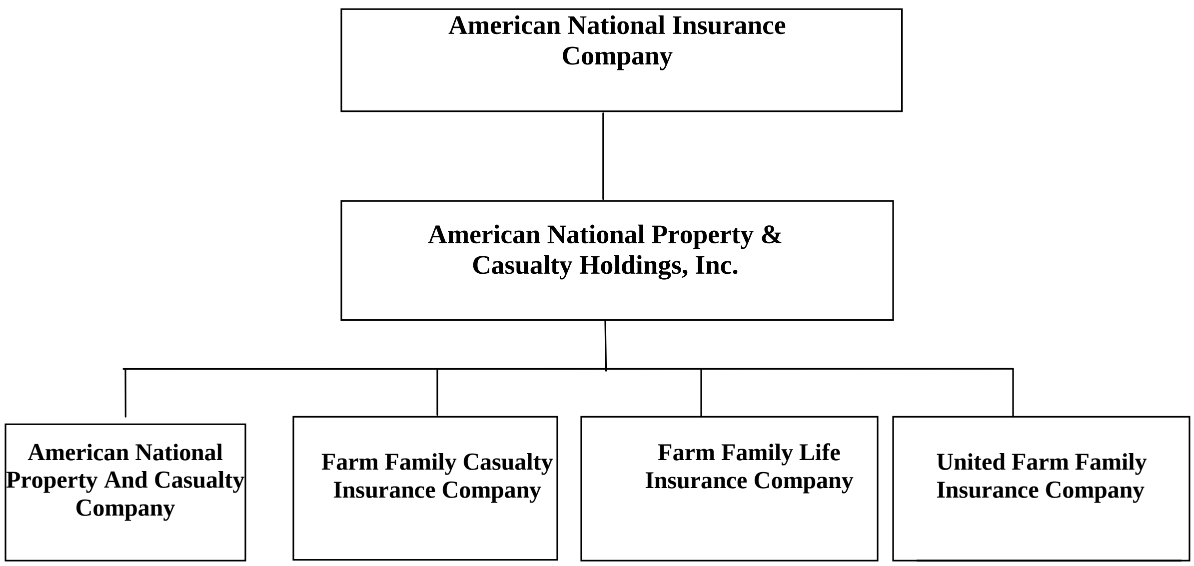
Capital stock and paid in and contributed surplus were $3,000,550 and $300,471, respectively, as of December 31, 2012.

B. Holding Company

The Company is a wholly owned subsidiary of ANPAC Holdings, a holding company organized under the laws of the state of Delaware. ANPAC Holdings is in turn a wholly owned subsidiary of ANICO, a Texas domiciled insurance company, which is the ultimate parent of the Company. The stock of ANICO is owned by The Moody Foundation (22.96%) and The Libbie Shearn Moody Trust (37.1%) while the remaining ownership interest in ANICO is traded on the NASDAQ stock exchange.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2012 follows:



D. Service Agreements

The Company had seven 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
Administrative Services Agreement Department File No. 29206A Amended and Restated Department File No. 41459	04/10/01 11/20/09	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 and human resources.	2008 - $ (831,599) 2009 - $ (804,542) 2010 - $ (730,945) 2011 - $ (861,713) 2012 - $(2,056,688)
Investment Management Agreement - Amended and Restated Department File No.35694 Amended and Restated Department File No.42294	11/07/06 07/01/10	ANICO	The Company	Investment advice and investment portfolio management	2008 - $(211,717) 2009 - $(224,745) 2010 - $(283,243) 2011 - $(284,366) 2012 - $(265,545)

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
Expense Sharing Agreement - Amended and Restated Department File No. 29629	10/30/01	The Company or FFCIC	The Company or FFCIC	Provides for sharing of certain expenses and defines methods of allocating such expenses.	2008 - $(6,107,078) 2009 - $(5,520,041) 2010 - $(6,079,019) 2011 - $(5,435,298) 2012 - $(6,128,524)
Mortgage Loan and Real Estate Investment Services Agreement Department File No. 29206A Amended and Restated Department File No. 42295	06/01/01 07/01/10	ANICO	The Company	Manager of mortgage loans and real estate investments.	2008 - $(4,674) 2009 - $(4,785) 2010 - $(3,005) 2011 - $(3,005) 2012 - $(6,913)
Administrative Services Agreement Department File No. 29206A	04/10/01	American National Property And Casualty Company	The Company	Telecommunications, mail, internet and intranet, agent licensing and training, data processing, information maintenance, accounting, printing, payroll and human resources.	2008 - $ (93,615) 2009 - $ (87,470) 2010 - $ (13,079) 2011 - $ (15,258) 2012 - $(121,545)

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
Lease - Amendment No. 3 Department File No. 33270 Amendment No. 4 Department File No.42251	01/01/05 01/01/10	The Company	FFCIC	Lease of office and storage space in the Glenmont, NY home office.	2008 - $1,594,453 2009 - $1,663,768 2010 - $1,657,912 2011 - $1,641,020 2012 - $1,633,058
Master Investment Participation Agreement Department File No.46360	11/8/12	ANICO	The Company	Administration of investment participations purchased from ANICO.	2008 - $ 0 2009 - $ 0 2010 - $ 0 2011 - $ 0 2012 - $(334)

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

The Company participates in a federal income tax allocation agreement with its parent and affiliates.

E. Management

As of December 31, 2012, 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, 2012, the board of directors consisted of 13 members. Meetings of the board are held quarterly.

The 13 board members and their principal business affiliation, as of December 31, 2012, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Alexander P. Dowse* Sherborn, MA	President, Treasurer and Clerk C. A. Dowse & Son, Inc.	2008
G. Richard Ferdinandtsen League City, TX	Advisory Director American National Insurance Company	2001
Stephen J. George* Gladstone, NJ	Retired Self-employed Farmer Retired President Friendship Business Ventures, LLC	1989
Irwin M. Herz, Jr. Galveston, TX	Attorney/Partner Greer, Herz & Adams, LLP	2001
John W. Lincoln* Bloomfield, NY	Owner/Operator Linholm Dairy Farm	1984
A. Ingrid Moody* Kemah, TX	Volunteer Worker and Former Farmer	2001
Ross R. Moody* Austin, TX	President, Chief Operating Officer and Director National Western Life Insurance Company	2001
Edward J. Muhl* Bonita Springs, FL	Retired Partner PricewaterhouseCoopers, LLP	2001
Gregory V. Ostergren Springfield, MO	Chairman, President and Chief Executive Officer American National Property And Casualty Company	2001
James E. Pozzi Galveston, TX	President and Chief Operating Officer 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 and Chief Executive Officer Farm Family Life Insurance Company	2001

Name and Residence	Principal Business Affiliation	Year First Elected
Ronald J. Welch League City, TX	Senior Executive Vice President, Corporate Risk Officer and Chief Actuary American National Insurance Company	2001

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

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

The following is a listing of the principal officers of the Company as of December 31, 2012:

Name	Title
Timothy A. Walsh	President and Chief Executive Officer
Victoria M. Stanton*	Executive Vice President, General Counsel and Secretary
Michele Bartkowski	Senior Vice President, Chief Financial Officer and Treasurer
William Conine	Senior Vice President – Marketing Services
Lewis Dufort	Senior Vice President – Marketing
Patrick Wejrowski	Senior Vice President – Information Services
John Cole	Vice President – Life Operations
Kathryn Lentivech	Vice President –Life Actuarial Services

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

3. TERRITORY AND PLAN OF OPERATIONS

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 13 states. Policies are written on a participating and non-participating basis.

The following tables show the percentage of direct premiums received, by state, and by major lines of business for the year 2012:

Life Insurance Premiums		Annuity Considerations	
New York	39.4%	New York	37.8%
New Jersey	17.4%	West Virginia	19.8%
West Virginia	8.6%	Massachusetts	12.6%
Massachusetts	5.6%	New Jersey	6.3%
Maine	5.3%	Vermont	5.7%
Subtotal	76.3%	Subtotal	82.1%
All others	23.7%	All others	17.9%
Total	100.0%	Total	100.0%

A. Statutory and Special Deposits

As of December 31, 2012, the Company had $500,000 (par value) of United States Treasury Bonds on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants and creditors of the Company. As per confirmation received from the following state which was reported in Schedule E of the 2012 filed annual statement an additional, $393,830 was being held by the State of Virginia.

B. Direct Operations

The Company has an agricultural niche market serving rural and suburban clientele. The Company primarily offers individual life products including: whole life, term life, and universal life policies; individual annuities and group annuity contracts; and individual accident and health policies, primarily disability income products. The Company's individual fixed annuity products, which include single premium deferred annuities, are offered on a qualified and non-qualified basis. The group annuities are deposit fund type products. The individual accident and health business is comprised of four guaranteed renewable disability income products. The General Disability Income product is designed to protect the income of wage earners. The Farmers Disability Income product is designed to protect full-time, self-employed farmers. The Business Owners Policy and Business Overhead Expense Policy are designed for the protection of full-time, self-employed persons.

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

C. Reinsurance

As of December 31, 2012 the Company had reinsurance treaties in effect with seven companies, of which six were authorized or accredited. The Company's life and accident and health business is reinsured 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 $600,000. The total face amount of life insurance ceded as of December 31, 2012, was $1,962,150,389, which represents 29.8% of the total face amount of life insurance in force. The Company did not take material reserve credit for reinsurance ceded to its ultimate parent, ANICO, which is the only unauthorized reinsurer to which it ceded business during the exam period. The Company has corrected this classification on its 2013 Annual Statement.

4. SIGNIFICANT OPERATING RESULTS

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

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

	December 31, 2007	December 31, 2012	Increase (Decrease)
Admitted assets	$ 1,014,954,775	$1,196,434,237	$181,479,462
Liabilities	$ 889,827,891	$1,062,206,718	$172,378,827
Common capital stock	$ 3,000,550	$ 3,000,550	$ 0
Gross paid in and contributed surplus	300,471	300,471	0
Group life contingency reserve	105,738	138,645	32,907
Unassigned funds (surplus)	121,720,125	130,787,853	9,067,728
Total capital and surplus	$ 125,126,884	$ 134,227,519	$ 9,100,635
Total liabilities, capital and surplus	$ 1,014,954,775	$1,196,434,237	$181,479,462

The Company's invested assets as of December 31, 2012, were mainly comprised of bonds (77.8%), stocks (9.4%) and mortgage loans (6.6%). The majority (95.4%) of the Company's bond portfolio, as of December 31, 2012, was comprised of investment grade obligations.

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

	2008	2009	2010	2011	2012
Ordinary:					
Life insurance	$ 6,245,158	$6,295,446	$ 6,468,143	$ 6,834,498	$4,672,274
Individual annuities	3,046,899	3,261,566	3,385,319	3,735,590	1,719,313
Supplementary contracts	102,180	(20,436)	8,948	379,623	18,878
Total ordinary	$ 9,394,237	$9,536,576	$ 9,862,410	$10,949,711	$6,410,465
Group:					
Life	$ 160,291	$ 196,200	$ 173,539	$ 194,666	$ 202,648
Annuities	73,897	80,886	25,907	51,243	53,509
Total group	$ 234,188	$ 277,086	$ 199,446	$ 245,909	$ 256,157
Accident and health:					
Group	$ 11,472	$ (27,954)	$ (17,204)	$ 25,349	$ 5,988
Other	587,805	(229,539)	244,212	245,351	5,068
Total accident and health	$ 599,277	$ (257,493)	$ 227,008	$ 270,700	$ 11,056
Total	$10,227,702	$9,556,169	$10,288,864	$11,466,320	$6,677,678

The decrease in the net gain from operations for ordinary life from 2011 to 2012 was due to an increase in death benefits during that time period.

The decrease in the net gain from operations for individual annuities from 2011 to 2012 was due to the Company increasing its actuarial reserves, as per its actuarial memorandum submitted to the NYS Department of Financial Services, in 2012, to support the annuity line of business.

The Company experienced a 20% reduction in earned premium for its individual accident and health business over the examination period. This line of business is comprised of the Company's four disability income products. The recession during the examination period had a major impact on the Company's target market which is primarily self-employed farmers, full-time self-employed persons, and their employees. The decrease in net gain from individual accident and health operations from 2008 to 2009 was mostly due to an increase in the number of claims incurred. The increase in net gain from individual accident and health operations from 2009 to 2010 was the result of an increase in investment income and fewer disability claims in 2010 resulting in a smaller increase in reserves. The decrease in net gain from individual accident and health operations from 2011 to 2012 was the result of a decrease in investment income, an increase in the amount of commissions paid on direct business and an increase in taxes, licenses and fees.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2012, as contained in the Company's 2012 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, 2012 filed annual statement.

A. Independent Accountants

The firm of KPMG LLP was retained by the Company to audit the Company's combined statutory basis statements of financial position as of December 31st of each year in the examination period and the related statutory-basis statements of operations, capital and surplus, and cash flows for the year then ended.

KPMG LLP concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

B. Net Admitted Assets

Bonds	$ 904,632,221
Stocks:	
Preferred stocks	602,058
Common stocks	109,293,344
Mortgage loans on real estate:	
First liens	76,933,767
Real estate:	
Properties occupied by the company	4,592,252
Properties held for the production of income	850,885
Cash, cash equivalents and short term investments	12,262,016
Contract loans	46,379,052
Other invested assets	6,299,935
Receivable for securities	1,073,758
Investment income due and accrued	12,972,797
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	995,919
Deferred premiums, agents' balances and installments booked but deferred and not yet due	8,798,402
Reinsurance:	
Amounts recoverable from reinsurers	300,662
Current federal and foreign income tax recoverable and interest thereon	651,853
Net deferred tax asset	8,361,199
Guaranty funds receivable or on deposit	675,742
Electronic data processing equipment and software	477,367
Pension plan intangible asset	$ 281,008
Total admitted assets	$ 1,196,434,237

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$ 925,808,667
Aggregate reserve for accident and health contracts	15,143,788
Liability for deposit-type contracts	69,429,872
Contract claims:	
Life	3,121,732
Accident and health	132,922
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts	
Dividends apportioned for payment	7,992,376
Premiums and annuity considerations for life and accident and health contracts received in advance	174,170
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	1,507,768
Interest maintenance reserve	4,151,793
Commissions to agents due or accrued	782,757
General expenses due or accrued	841,215
Taxes, licenses and fees due or accrued, excluding federal income taxes	1,402,969
Unearned investment income	1,679,969
Amounts withheld or retained by company as agent or trustee	77,294
Remittances and items not allocated	665,638
Miscellaneous liabilities:	
Asset valuation reserve	22,611,789
Payable to parent, subsidiaries and affiliates	572,691
Payable for Securities	98
Pension plan minimum liability	$ 5,762,358
Uncashed check reserve	285,013
Postretirement health plan liability	72,988
Miscellaneous investment liability	(11,149)
Total liabilities	$1,062,206,718
Common capital stock	3,000,550
Gross paid in and contributed surplus	300,471
Group life contingency reserve	138,645
Unassigned funds (surplus)	130,787,853
Surplus	$ 131,226,969
Total capital and surplus	$ 134,227,519
Total liabilities, capital and surplus	$1,196,434,237

D. Condensed Summary of Operations

	2008	2009	2010	2011	2012
Premiums and considerations	$ 70,586,137	$ 74,334,400	$ 78,130,081	$ 85,741,085	$ 78,689,807
Investment income	56,497,228	56,207,988	57,919,896	59,150,616	57,870,102
Commissions and reserve adjustments on reinsurance ceded	821,763	806,182	866,069	1,202,388	1,132,874
Miscellaneous income	286,038	390,380	497,154	293,901	205,120
Total income	$128,191,166	$131,738,950	$137,413,200	$146,387,990	$137,897,903
Benefit payments	$ 68,711,186	$ 64,635,810	$ 58,744,263	$ 62,812,191	$ 64,896,955
Increase in reserves	17,724,765	27,410,121	37,313,965	40,808,098	36,276,080
Commissions	5,869,692	5,805,075	5,854,810	5,902,725	5,745,268
General expenses and taxes	13,682,968	13,284,707	12,978,889	12,442,290	13,479,199
Increase in loading on deferred and uncollected premiums	[illegible]	(174,455)	(106,467)	(102,054)	(24,726)
Total deductions	$106,033,015	$110,961,258	$114,785,460	$121,863,250	$120,372,776
Net gain (loss)	$ 22,158,151	$ 20,777,692	$ 22,627,740	$ 24,524,740	$ 17,525,127
Dividends	7,509,084	7,616,901	7,950,739	8,201,173	7,696,323
Federal and foreign income taxes incurred	4,421,365	3,604,622	4,388,137	4,857,247	3,151,126
Net gain (loss) from operations before net realized capital gains	$ 10,227,702	$ 9,556,169	$ 10,288,864	$ 11,466,320	$ 6,677,678
Net realized capital gains (losses)	(22,744,514)	(7,650,322)	569,463	3,682,985	4,044,148
Net income	$ (12,516,812)	$ 1,905,847	$ 10,858,327	$ 15,149,305	$ 10,721,826

The increase in “Commission and reserve adjustments in reinsurance ceded” from 2010 to 2011 was due to a change in how the Company was booking the ceded commission for accident and health business. Prior to 2011, the ceded commission was booked net of the ceded premium on the premiums and consideration line. In 2011, the Company began booking the ceded premium gross of the commission with the commission being reported on the commission on reinsurance ceded line.

E. Capital and Surplus Account

	2008	2009	2010	2011	2012
Capital and surplus, December 31, prior year	$125,126,884	$ 91,289,541	$108,682,834	$122,731,139	$124,540,819
Net income	$ (12,516,812)	$ 1,905,847	$ 10,858,327	$ 15,149,305	$ 10,721,826
Change in net unrealized capital gains (losses)	(17,948,519)	15,203,640	8,993,732	(2,617,399)	5,780,360
Change in net deferred income tax	7,908,663	1,636,654	(535,146)	(533,600)	(251,353)
Change in non-admitted assets and related items	(19,035,877)	10,473,569	5,854,691	(669,504)	3,204,682
Change in asset valuation reserve	16,115,398	(13,515,172)	(5,321,588)	(1,262,029)	(2,019,454)
Cumulative effect of changes in accounting Principles	233,205	1,294,088			
Dividends to stockholders	(6,000,500)	0	(6,000,500)	(6,541,199)	(6,500,000)
Pension plan minimum liability	(2,592,901)	394,667	198,789	(1,715,894)	(1,249,361)
			0	0	0
Net change in capital and surplus for the year	(33,837,343)	17,393,293	14,048,305	1,809,680	9,686,700
Capital and surplus, December 31, current year	$ 91,289,541	$108,682,834	$122,731,139	$124,540,819	$134,227,519

The largest “Change in net deferred income tax” is in the 2008 to 2009 time period. This change was due to the investment basis differences created by the large “other then temporary impairment” write downs taken in 2008 at the height of the financial crisis.

The most significant difference in the “Change in non-admitted assets and related items” line occurs in 2008 and 2009. In 2008, the Company recognized unprecedented “other than temporary impairment” losses of $15.1 million in its bond portfolio and $9.2 million in its common stock portfolio. In 2009 the Company recognized an insignificant amount of “other than temporary impairment” losses in its bond portfolio, and $8.5 million in its common stock portfolio, which was offset by a rise in market prices.

6. PRIOR FINANCIAL REPORT SUMMARY AND CONCLUSIONS

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

Item	Description
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. The Company advised the Department of the sale shortly after it came to the attention of Company senior management. The examiner did not note any similar violations during the examination period.
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, recues 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. A procedure has been implemented to have a separate session at each meeting of the Company's Governance Committee with only the Governance Committee members present to take action on the matters listed above.
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. ANICO, the Company's investment manager, prepares and provides a report to the Company's board of directors on the results of its quarterly evaluation of mortgage loans in the Company's portfolio. The report includes relevant facts and comments about the Company's mortgage loans and identifies those on the watch list.

Respectfully submitted,

_____________/s/____________
Anthony Chiarel
Associate Insurance Examiner

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

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

_____________/s/____________
Anthony Chiarel

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. 30971

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **BENJAMIN M. LAWSKY**, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

ANTHONY CHIAREL

as a proper person to examine the affairs of the

FARM FAMILY LIFE INSURANCE COMPANY

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

COMPANY

with such other information as he shall deem requisite.

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

this 11th day of March, 2013

*BENJAMIN M. LAWSKY
Superintendent of Financial Services*

By:

*MICHAEL MAFFEI
ASSISTANT DEPUTY SUPERINTENDENT
AND CHIEF OF THE LIFE BUREAU*