

STATE OF INDIANA)
) SS: BEFORE THE INDIANA
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
United Farm Family Mutual Insurance Company)
225 South East Street)
Indianapolis, IN 46202-4056)

Examination of: **United Farm Family Mutual Insurance Company**


NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of United Farm Family Mutual Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on March 31, 2017, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of United Farm Family Mutual Insurance Company shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

4/27/2017
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7016 2070 0001 1479 8575

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225 South East Street)
Indianapolis, IN 46202-4056)

Examination of : **United Farm Family Mutual Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the United Farm Family Mutual Insurance Company (hereinafter "Company") for the time period January 1, 2011 through December 31, 2015.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on December 6, 2016.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on March 31, 2017 and was received by the Company on April 4, 2017.

The Company did not file any objections.

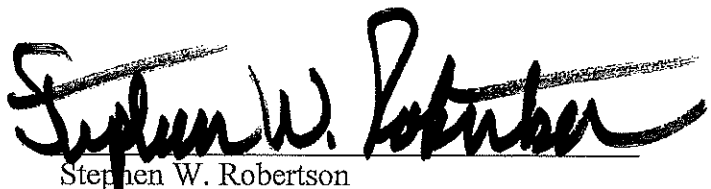
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the United Farm Family Mutual Insurance Company as of December 31, 2015.
2. That the Examiner's Recommendations are reasonable and necessary in order for the United Farm Family Mutual Insurance Company to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed this 27th day of
April, 2017.



Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

UNITED FARM FAMILY MUTUAL INSURANCE COMPANY

NAIC Co. CODE 15288

NAIC GROUP CODE 542

As of

December 31, 2015

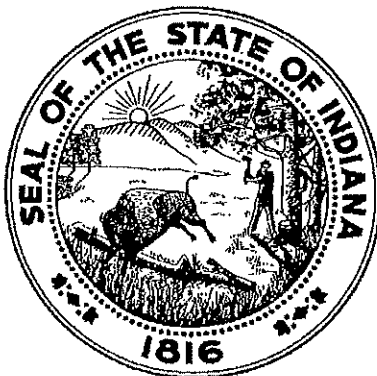


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STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Stephen W. Robertson, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-2385
Fax: 317-232-5251
Website: in.gov/idoi

December 6, 2016

Honorable Stephen W. Robertson, Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3894, an examination has been made of the affairs and financial condition of:

United Farm Family Mutual Insurance Company
225 South East Street
Indianapolis, Indiana 46202

hereinafter referred to as the "Company", or "UFFMIC", an Indiana domestic property and casualty mutual insurance company. The examination was conducted at the corporate offices of the Company in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2015, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES 317-232-2413 COMPANY COMPLIANCE 317-232-3495 CONSUMER SERVICES 317-232-2395/1-800-622-4461 FINANCIAL SERVICES 317-232-2390 MEDICAL MALPRACTICE 317-232-2402 COMPANY RECORDS 317-232-5692 STATE HEALTH INSURANCE PROGRAM 1-800-452-4800

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI), and covered the period from January 1, 2006 through December 31, 2010. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2011 through December 31, 2015, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

David M. Shepherd, FCAS, MAAA of Merlinos & Associates, Inc., was appointed by the INDOI to conduct a review of the Company's statutory reserves as of December 31, 2015. There were no actuarial adjustments from the review performed by Mr. Shepherd.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein

This examination report includes significant findings of fact, as defined in Indiana Code (IC) 27-1-3.1-10 and general information about the insurer and its financial condition. Other items were identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), were not included within the examination report but separately communicated to the Company.

HISTORY

The Company was incorporated under the laws of the state of Indiana on October 17, 1934, under the name Farm Bureau Mutual Insurance Company of Indiana, Inc. The Company commenced business on February 26, 1935. Effective May 1, 1948, the Farm Bureau Fire & Tornado Insurance Company was merged into the Company. The Company became known as United Farm Bureau Mutual Insurance Company effective January 1, 1966, and on May 30, 1996, the Company adopted its current name.

The Company's ultimate controlling person is Indiana Farm Bureau, Inc. (IFBI), an Indiana not-for-profit agricultural membership cooperative. UFFMIC's affiliates, United Farm Family Life Insurance Company (UFFLIC), UFB Casualty Insurance Company (UFBCIC), and United Home Life Insurance Company (UHLIC) provide insurance to IFBI members and other consumers in Indiana and are collectively known as Indiana Farm Bureau Insurance.

CAPITAL AND SURPLUS

The Company is a mutual insurance company and has no capital stock authorized, issued, or outstanding.

TERRITORY AND PLAN OF OPERATION

The Company is a licensed insurer in the states of Indiana and Ohio, but during the examination period premiums were only written in Indiana. The Company is a multiple line carrier with a primary focus on personal auto, homeowners, farm owners, and workers' compensation coverages. Commercial products such as coverage for apartments, business owners, churches, offices, service organizations, and others smaller commercial risks such as contractors, restaurants, and retail stores are also written.

The Company utilizes a common multi-line agency force shared with its life and health affiliate, UFFLIC. This field force includes approximately 419 agents throughout Indiana. The Company's products are available only to members of IFBI.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results, (in 000s), of the Company during the examination period:

Year	Admitted Assets	Liabilities	Surplus and Other Funds	Premiums Earned	Net Income (Loss)
2015	\$ 1,015,184	\$ 600,744	\$ 414,440	\$ 528,649	\$ 55,904
2014	956,835	599,708	357,127	506,774	46,852
2013	914,953	591,272	323,681	493,325	35,784
2012	877,496	636,061	241,435	508,126	(56,222)
2011	890,873	576,152	314,721	494,980	(10,552)

Changes to Capital and Surplus during the exam period were primarily the result of underwriting gains and losses. In addition, the Company adopted *SSAP No. 102, Accounting for Pensions, A replacement of SSAP No. 89*, effective January 1, 2013. The Company elected to recognize the entire transition surplus impact resulting from the initial adoption of this accounting guidance. The impact of this change in accounting principle is a decrease to surplus of \$12.7 million.

MANAGEMENT AND CONTROL

Policyholders

As a mutual insurer, every policyholder of the Company, except the holder of a policy or contract of reinsurance, shall be a member and have the right to one vote at each policyholders' or members meeting regardless of the number of policies or amount of insurance he or she may have with the Company.

Directors

The Bylaws provide that the business affairs of the Company are to be managed by a Board of Directors (Board) consisting of thirteen (13) directors, each of whom shall be a citizen of the United States and a policyholder of the Company whose policy shall not be encumbered by any liens, and a majority of whom shall be residents of the state of Indiana, and serve for three (3) year terms. The policyholders, at each annual meeting, elect approximately one-third of the members of the Board.

The following is a listing of persons serving as directors at December 31, 2015, and their principal occupations as of that date:

<u>Name and Address</u>	<u>Principal Occupation</u>
Mark Ellis Bacon Milroy, Indiana	Farmer Self-Employed
Isabella Franziska Chism Galveston, Indiana	Farmer Self-Employed
Jeffrey Allen Gormong Farmersburg, Indiana	Farmer Self-Employed
Randall Charles William Kron ^A Evansville, Indiana	Vice President Indiana Farm Bureau, Inc.
Steven Alan Maple Kokomo, Indiana	Farmer Self-Employed
Kevin Lee Ousley Columbia City, Indiana	Farmer Self-Employed
Harold Thomas Parker ^B LaPorte, Indiana	Farmer Self-Employed
Robert Leo Schickel Lanesville, Indiana	Farmer Self-Employed
Philip Herbert Springstun Boonville, Indiana	Farmer, Construction Self-Employed
Scott Thomas Trennepohl Middletown, Indiana	Farmer Self-Employed
Kevin Leonard Underwood West Lafayette, Indiana	Farmer Self-Employed
Donald Bruce Villwock ^C Edwardsport, Indiana	President Indiana Farm Bureau, Inc.
David Lee Wyeth North Salem, Indiana	Farmer Self-Employed

^A Effective January 1, 2016, Randall Kron assumed the position of President and Director of the Company. Mr. Kron's previous position as Vice President was assumed by Kendell Culp.

^B Effective November 17, 2015 Harold Parker was appointed to fill the unexpired term of Larry Jernas.

^C Effective December 31, 2015, Donald Villwock retired as President and Director.

Officers

The Bylaws state that the elected officers of the Company shall consist of a President, a non-operating Vice President who is a Director, an Executive Vice President, one (1) or more operating Vice Presidents, a Treasurer, a Secretary, a General Counsel, and such other officers as may be chosen by the Board. Each of these officers is elected by the Board and shall hold office until the next annual meeting, until his death, resignation or removal by the President, or resolution of the Board prior to such meeting date.

The following is a list of key officers and their respective titles as of December 31, 2015:

<u>Name</u>	<u>Office</u>
Donald Bruce Villwock ^D	President
Lynn Brundage Jongleux ^E	Senior Vice President, General Counsel, and Secretary
Joseph Alan Martin	Executive Vice President and Chief Executive Officer
Richard Jay Kuster, Jr.	Senior Vice President - Marketing and Chief Operating Officer
Gregory James Clancy	Senior Vice President - Information Services
Kevin Thomas Murphy	Senior Vice President - Property & Casualty
Mark Richard Miske	Senior Vice President, Chief Financial Officer, and Treasurer
Kristin Bierlein Keltner ^F	Vice President, Assistant General Counsel
Mark Richard Sigler	Assistant Secretary
Randall Charles William Kron ^G	Vice President

CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. It was determined that all directors and officers listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of December 31, 2015.

OATH OF OFFICE

IC 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the Company and will not knowingly violate any of the laws applicable to such Company. It was determined that all directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of December 31, 2015.

^D Effective December 31, 2015, Donald Villwock retired as President and Director.

^E Effective December 31, 2015, Lynn Jongleux retired as Senior Vice President, General Counsel, and Secretary.

^F Effective January 1, 2016, Kristin Keltner assumed the position of Senior Vice President, General Counsel, and Secretary.

^G Effective January 1, 2016, Randall Kron assumed the position of President and Director of the Company. Mr. Kron's previous position as Vice President was assumed by Kendell Culp.

CORPORATE RECORDS

Articles of Incorporation

There were no amendments made to the Articles of Incorporation during the examination period.

Bylaws

There were no amendments made to the Bylaws during the examination period.

Minutes

The Board and policyholders meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during each meeting were noted.

IC 27-1-7-7(b) states an annual meeting of shareholders, members, or policyholders shall be held within five (5) months after the close of each fiscal year of the Company and at such time within that period as the Bylaws may provide. For each year under review, the annual meeting of policyholders was held as required.

The Company committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the following committees: Audit Committee, Budget Committee, Investment Committee, and Compensation Committee. There were no Executive Committee meeting minutes to document during the examination period per the General Counsel.

AFFILIATED COMPANIES

Organizational Structure

The following is an abbreviated organizational chart, which shows the Company's parent and subsidiaries as of December 31, 2015:

	<u>NAIC Co. Code</u>	<u>Domiciliary State/Country</u>
Indiana Farm Bureau, Inc.		
United Farm Family Life Insurance Company	69892	IN
UFB Development Corporation ^H		IN
UFB Properties ^I		IN
United Home Life Insurance Company^J	69922	IN
United Farm Family Mutual Insurance Company^K	15288	IN
UFB Casualty Insurance Company	23868	IN
Rural Insurance Agency, Inc.		IN

^H 75% Owned by UFFMIC, 25% owned by UFFLIC

^I 65% Owned by UFFMIC, 35% owned by UFFLIC

^J 75% Owned by UFFLIC, 25% owned by UFFMIC

^K IFBI is the ultimate controlling person of UFFMIC and its subsidiary companies. UFFMIC was created and organized by IFBI to provide property and casualty insurance to its members. As a mutual company, UFFMIC is owned by its policyholders.

Affiliated Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed with the INDOI, as required, in accordance with IC 27-1-23-4.

Indemnity Reinsurance and Management Agreement

The Company has an Indemnity Reinsurance and Management Agreement whereby the Company assumes 100% of the business of UFBCIC. Under this agreement, the Company indemnifies UFBCIC for all lines of insurance written. In 2015, UFBCIC paid a management fee of \$2.9 million to the Company for services rendered under this agreement. In addition, the Company paid UFBCIC a ceding commission of \$2.9 million in 2015.

Service Agreement

The Company has a Service Agreement whereby IFBI agrees to sponsor the insurance programs, permit the use of its name, make available its membership lists, and conduct research to determine the insurance needs of its members. In return for the performance of these services, the Company reimburses IFBI for the estimated costs of performing such services and providing the required information. Costs are estimated annually. In 2015, the Company paid \$2.4 million for services provided pursuant to this agreement.

Intercompany Services Agreement

Effective December 31, 2007, UFFMIC and certain of its affiliates and subsidiary companies entered into an Intercompany Services Agreement whereby UFFMIC agrees to perform services on behalf of UFFLIC and the affiliates. UFFMIC is not entitled to compensation for these services except for its actual cost where it incurs expenses on behalf of UFFLIC and the affiliates. In 2015, pursuant to the Intercompany Services Agreement, UFFMIC incurred \$37.8 million in expenses on behalf of UFFLIC for which UFFLIC reimbursed it. Additionally UFFMIC incurred \$51,833 expenses on behalf of UHLIC for which UFFMIC was reimbursed.

Consolidated Tax Allocation Agreements

The Company has separate consolidated tax allocation agreements with UFBCIC and Rural Insurance Agency, Inc., whereby each of the Company's affiliates are filed on a consolidated federal income tax return. Under the agreements, the subsidiary is charged or refunded the amount that the subsidiary would be entitled to if it had filed separately. Also, the agreements establish an escrow account, maintained by the Company, in an amount equal to the amount actually paid by the Company, and the amount due to/from subsidiaries if unconsolidated returns had been filed. Settlement under this agreement occurs within thirty (30) days of filing, except where a refund is due; in this case, the Company may defer settlement until thirty (30) days after receipt of the refund.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by Travelers Casualty and Surety Company of America. The bond has a single loss coverage limit of \$3,000,000 (\$6,000,000 aggregate limit), with a \$50,000 deductible. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force at December 31, 2015, including but not limited to corporate and county liability, directors' and officers' liability, employed lawyers' professional liability, excess liability, umbrella, and workers' compensation.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company participates in a qualified, noncontributory defined benefit plan, covering substantially all employees of Indiana Farm Bureau Insurance. The plan is sponsored and administered by an affiliated company, UFFLIC. The plan has met ERISA minimum funding requirements. As of December 31, 2015, the Company accrued in accordance with actuarially determined amounts with an offset to the pension cost accrual for the incremental asset amortization.

The amount of the accumulated benefit obligation for defined benefit pension plans was \$280.8 million for the current year.

The Company and UFFLIC implemented a qualified, noncontributory defined contribution plan beginning January 1, 2004. This plan covered substantially all employees of Indiana Farm Bureau Insurance sponsored by UFFLIC. The contribution is determined based on age and date of employment. Current year contributions are generally paid the following February. Contributions in 2015 were \$6.3 million.

The Company and UFFLIC implemented a nonqualified, noncontributory defined contribution plan beginning January 1, 2004. The plan covered its independent contractor agents hired before April 1, 2004. The contribution is based on age. Current year contributions are generally paid the following February. Contributions in 2015 were \$3.2 million.

The Company also participates in a defined contribution plan sponsored by UFFLIC, which covers all employees with at least six (6) months of employment. Employer matching and other contributions are discretionary. The Company matches 50% of the first 4% of employee contributions. Contributions in 2015 were \$1.0 million.

SPECIAL AND STATUTORY DEPOSITS

The Company reported the following special and statutory deposits at December 31, 2015:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For the Benefit of All Policyholders:		
Indiana	\$ 101,846	\$ 102,239
Total Deposits	<u>\$ 101,846</u>	<u>\$ 102,239</u>

REINSURANCE

Assumed Reinsurance

The Company assumes business from two (2) primary insurers, UFBCIC, an affiliated member of IFBI and American Agricultural Insurance Company (AAIC).

The Company assumes 100% of the business written by its subsidiary, UFBCIC. Total premiums reported under this arrangement total \$11.6 million, which represents 43.7% of the total assumed premiums in 2015.

An additional 55.6% of total reinsurance premiums assumed by the Company involve participation in several insurance pools managed by AAIC. The most significant assumed pools involve participations in AAIC's Occurrence Property Catastrophe pool, the Farm Bureau Loss Sharing Pool, and domestic and international reinsurance assumed pools operated by AAIC.

In the aggregate, the Company assumed total premiums of \$14.7 million from AAIC during 2015, and as of December 31, 2015 reported payables to AAIC of \$5.3 million for known case losses and loss adjustment expenses.

In addition to the reinsurance activity described above, the Company had other small participations on various pools and treaties. None of these arrangements involved financially significant amount of premiums or know case reserves in 2015.

Ceded Reinsurance

The Company utilizes reinsurance to limit its maximum per-risk exposure at not more than \$800,000 per loss. In addition, the Company utilizes catastrophe reinsurance which is designed to limit the Company's overall loss arising from a single event. In 2015, catastrophe reinsurance provided 100% of \$220 million in excess of \$18 million per catastrophe retention.

The Company's primary reinsurer is AAIC which accounted for over 99% of the Company's ceded premiums and reinsurance recoverable during 2015.

The primary ceded contracts with AAIC were:

- Aggregate Property and Auto PD catastrophe reinsurance – qualifying events over \$5 million contract retention \$32.5 million
- Farm Bureau Loss Sharing Pool
- Liability excess of loss
- Multi-Peril Crop Insurance 50% quota share with AAIC
- Property and Auto PD catastrophe reinsurance
- Property per-risk excess of loss
- Property per-risk excess of loss
- Property surplus share
- Umbrella liability quota share
- Workers Compensation excess of loss

In 2015, the Company ceded \$67.1 million to AAIC in connection with the above described reinsurance plans and reported total reinsurance recoverable due from AAIC totaling \$44.5 million. AAIC is an authorized reinsurer in Indiana and thus all reinsurance recoverable qualify as admitted assets.

The Company also participates in other minor ceded pools and plans, which are not material. There were no significant new reinsurance ceded relationships added during the period covered by this examination.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balance prepared from the Company's general ledger for the year ended December 31, 2015 was agreed to the respective Annual Statement. The Annual Statements for the years ended December 31, 2011 through December 31, 2015, were agreed to each year's independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

UNITED FARM FAMILY MUTUAL INSURANCE COMPANY

Assets

As of December 31, 2015

(in 000s)

	<u>Per Examination*</u>
Bonds	\$ 630,918
Stocks:	
Preferred stocks	2,830
Common stocks	84,782
Mortgage loans on real estate:	
First liens	97,899
Other than first liens	1,000
Real estate:	
Properties occupied by the company	1,146
Cash, cash equivalents and short-term investments	11,824
Other invested assets	15,658
Subtotals, cash and invested assets	<u>846,057</u>
Investment income due and accrued	7,864
Premiums and considerations:	
Uncollected premiums and agents' balances in course of collection	3,184
Deferred premiums, agents' balances and installments booked but deferred and not yet due	117,020
Reinsurance:	
Amounts recoverable from reinsurers	2,637
Net deferred tax asset	34,198
Guaranty funds receivable or on deposit	19
Electronic data processing equipment and software	1,945
Receivables from parent, subsidiaries and affiliates	1,656
Aggregate write-ins for other than invested assets	604
TOTALS**	<u>\$ 1,015,184</u>

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

** The balance includes immaterial rounding differences.

UNITED FARM FAMILY MUTUAL INSURANCE COMPANY
 Liabilities, Surplus and Other Funds
 As of December 31, 2015
 (in 000s)

	Per Examination*
Losses	\$ 219,082
Loss adjustment expenses	32,549
Commissions payable, contingent commissions and other similar charges	3,698
Other expenses	9,359
Taxes, licenses and fees	1,776
Current federal and foreign income taxes on realized capital gains (losses)	685
Unearned premiums	224,093
Advance premium	7,566
Ceded reinsurance premiums payable	17,008
Funds held by company under reinsurance treaties	236
Amounts withheld or retained by company for account of others	3,142
Remittances and items not allocated	1,060
Payable to parent, subsidiaries and affiliates	3,317
Aggregate write-ins for liabilities	77,173
Total liabilities	600,744
Unassigned funds (surplus)	414,440
Surplus as regards policyholders	414,440
TOTALS**	\$ 1,015,184

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

** The balance includes immaterial rounding differences.

UNITED FARM FAMILY MUTUAL INSURANCE COMPANY
Statement of Income
For the Year Ended December 31, 2015
(in 000s)

	Per Examination*
UNDERWRITING INCOME	
Premiums earned	\$ 528,649
DEDUCTIONS	
Losses incurred	302,097
Loss adjustment expenses incurred	46,182
Other underwriting expenses incurred	141,886
Total underwriting deductions	490,165
Net underwriting gain (loss)	38,484
INVESTMENT INCOME	
Net investment income earned	25,055
Net realized capital gains (losses) less capital gains tax	784
Net investment gain (loss)	25,839
OTHER INCOME	
Finance and service charges not included in premiums	3,892
Aggregate write-ins for miscellaneous income	404
Total other income	4,296
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	68,619
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	68,619
Federal and foreign income taxes incurred	12,715
Net income**	\$ 55,904

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

** The balance includes immaterial rounding differences.

UNITED FARM FAMILY MUTUAL INSURANCE COMPANY
 Capital and Surplus Account Reconciliation
 (in 000s)

	2015	2014	2013	2012	2011
Surplus as regards policyholders, December 31 prior year	\$ 357,127	\$ 323,681	\$ 241,435	\$ 314,721	\$ 333,470
Net income	55,904	46,852	35,784	(56,222)	(10,552)
Change in net unrealized capital gains or (losses) less capital gains tax	1,065	3,314	6,798	3,405	2,190
Change in net deferred income tax	(13,020)	(5,816)	(18,632)	26,003	2,443
Change in nonadmitted assets	(3,523)	35,829	49,665	(40,735)	(8,026)
Cumulative effect of changes in accounting principles	-	-	(11,470)	610	-
Aggregate write-ins for gains and losses in surplus	16,887	(46,733)	20,101	(6,347)	(4,804)
Change in surplus as regards policyholders for the year	57,313	33,446	82,246	(73,286)	(18,749)
Surplus as regards policyholders, December 31 current year **	<u>\$ 414,440</u>	<u>\$ 357,127</u>	<u>\$ 323,681</u>	<u>\$ 241,435</u>	<u>\$ 314,721</u>

** The balances include immaterial rounding differences.

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2015, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

There were no other significant issues as of December 31, 2015, based on the results of this examination.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of fieldwork which were considered material events requiring disclosure in this Report of Examination.

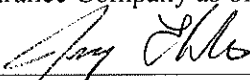
AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from Noble Consulting Services, Inc., and actuarial assistance from Merlinos & Associates, Inc., performed an examination of United Farm Family Mutual Insurance Company, as of December 31, 2015.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of condition of United Farm Family Mutual Insurance Company as of December 31, 2015, as determined by the undersigned.




Jerry Ehlers, CFE
Noble Consulting Services, Inc.

State of: Indiana
County of: Marion

On this 16 day of December 2016, before me personally appeared, Jerry Ehlers, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires _____
 _____
Notary Public

