

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

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

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

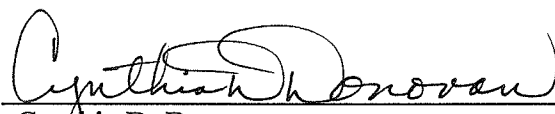
NOTICE OF ENTRY OF ORDER

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 October 7, 2011, 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.

11/2/2011
Date


Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4443 8806

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

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

**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, 2006 through December 31, 2010.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on September 7, 2011.

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 October 7, 2011 and was received by the Company on October 12, 2011.

The Company did not file any objections.

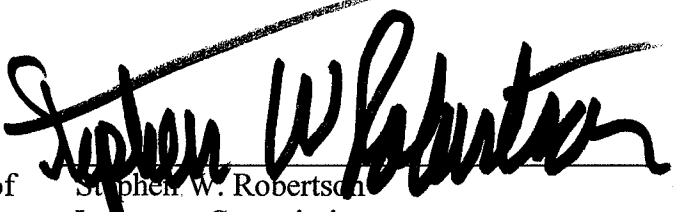
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

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, 2010.
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 and Sealed this 2nd day of
November, 2011.


Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

UNITED FARM FAMILY MUTUAL INSURANCE COMPANY

NAIC Co. CODE 15288

As of

December 31, 2010

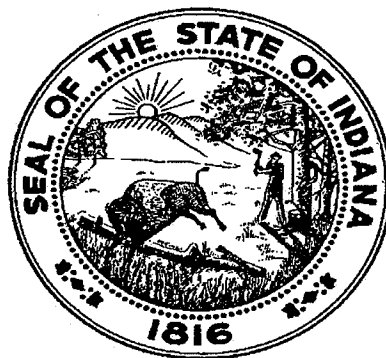


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STATE OF INDIANA

MITCHELL E. DANIELS, JR., Governor

IDOI

INDIANA DEPARTMENT OF INSURANCE

311 W. WASHINGTON STREET, SUITE 300

INDIANAPOLIS, INDIANA 46204-2787

TELEPHONE: (317) 232-2385

FAX: (317) 232-5251

Stephen W. Robertson, Commissioner

September 7, 2011

Honorable Joseph Torti, III
Chair, NAIC Financial Condition (E) Committee, NAIC
Superintendent, State of Rhode Island
Department of Business Regulation
Division of Insurance
1511 Pontiac Avenue, Building 69-2
Cranston, Rhode Island 02920

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

Dear Superintendent and Commissioner:

Pursuant to the authority vested in Appointment Number 3670, 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 Company's corporate offices in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2010, is hereby respectfully submitted.

ACCREDITED BY THE
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
(317) 232-2413

COMPANY COMPLIANCE
(317) 233-0697

CONSUMER SERVICES
(317) 232-2395
In-State 1-800-622-4461

EXAMINATIONS / FINANCIAL SERVICES
(317) 232-2390

MEDICAL MALPRACTICE
(317) 232-2402

SECURITIES / COMPANY RECORDS
(317) 232-1991

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (IDOI) as of the period ending December 31, 2005. The present risk-focused examination covered the period from January 1, 2006 through December 31, 2010, and was conducted by Noble Consulting Services, Inc., on behalf of the State of Indiana. This examination was conducted in conjunction with the examinations of United Farm Family Life Insurance Company (UFFLIC), UFB Casualty Insurance Company (UFBCIC), and United Home Life Insurance Company (UHLIC).

David M. Shepherd, FCAS, MAAA of Merlinos & Associates, Inc. was appointed by the IDOI to conduct a review of the Company's statutory reserves as of December 31, 2010. There were no actuarial adjustments from the review performed by Mr. Shepherd.

We conducted our risk-focused examination pursuant to and 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 and identify prospective risks of the Company by obtaining information about the Company, evaluating system controls, and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles, and Annual Statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The workpapers prepared by Deloitte & Touche, LLP, the Company's independent auditors, in their audit of the Company's accounts for the year ended December 31, 2010, were reviewed. A portion of the auditor's workpapers have been incorporated into the examination workpapers and have been utilized for the purposes of this examination in accordance with the provisions contained in the Handbook.

HISTORY

UFFMIC 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, UFFLIC, UFBCIC, and 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. No dividends were paid to policyholders during the examination period.

TERRITORY AND PLAN OF OPERATION

UFFMIC 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 business owners, churches, service organizations, offices, and apartments, as well as 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 475 agent accounts throughout Indiana. The Company's products are available only to members of IFBI.

GROWTH OF THE COMPANY

The following exhibit, shown in thousands, summarizes the financial results of the Company, as reported during the examination period:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital & Surplus</u>	<u>Premiums Earned</u>	<u>Net Income (Loss)</u>
2010	\$ 879,893	\$ 546,422	\$ 333,470	\$ 483,296	\$ 28,583
2009	873,011	574,420	298,591	476,694	(2,319)
2008	837,560	558,353	279,207	477,203	(26,237)
2007	869,921	509,960	359,961	477,206	21,544
2006	828,496	496,579	331,918	481,273	24,106

The largest decline in income came with the economic stress experienced in 2008. During this period, assets declined and liabilities increased as a result of investment impairment and an increase in pension liability. Significant storm activity during 2008 increased claim underwriting losses, which are reflected in the decline in capital and surplus. A recovery was experienced in 2009 through a decrease in losses as compared to 2008.

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

UFFMIC is governed by a Board of Directors. Board members are elected by the policyholders and serve three (3) year terms. The Company's Bylaws state that the Board of Directors shall consist of thirteen (13) members. The following is a listing of persons serving as directors as of December 31, 2010:

<u>Name and Address</u>	<u>Principal Occupation</u>
Mark Ellis Bacon Milroy, IN	Farmer Self-Employed
Steven Alan Maple Kokomo, IN	Farmer Self-Employed
Randell Charles William Kron Evansville, IN	Vice President Indiana Farm Bureau, Inc.
Donald Bruce Villwock Edwardsport, IN	President Indiana Farm Bureau, Inc.
Philip Herbert Springstun Boonville, IN	Farmer, Construction Self-Employed
Kerry James Goshert Mentone, IN	Farmer Self-Employed
David Lee Wyeth North Salem, IN	Farmer Self-Employed
Kendell Culp Rensselaer, IN	Farmer Self-Employed
Isabella Franziska Chism Galveston, IN	Farmer Self-Employed
Jeffrey Allen Gormong Farmersburg, IN	Farmer Self-Employed
Scott Thomas Trennepohl Middletown, IN	Farmer Self-Employed
Larry John Jernas Knox, IN	Farmer Self-Employed
Robert Leo Schickel Lanesville, IN	Farmer Self-Employed

Officers

The Company's Bylaws state that the principal officers of the Company shall consist of the President, Executive Vice President, Secretary, Treasurer, General Counsel, and non-operating Vice President who is a Director and may consist of one (1) or more Vice Presidents. The following is a listing of key officers and their respective titles as of December 31, 2010:

<u>Name</u>	<u>Office</u>
Donald Bruce Villwock	President
Lynn Brundage Jongleux	Senior Vice President/General Counsel/Secretary
Joseph Alan Martin	Chief Operating Officer
Joseph Jerry Canada	Executive Vice President/Chief Executive Officer
Gregory James Clancy	Senior Vice President, Information Systems
Kevin Thomas Murphy	Senior Vice President, P&C Operations
Thomas Jefferson Faulconer	Senior Vice President, Marketing
Mark Richard Miske	Senior Vice President/CFO/Treasurer

CONFLICT OF INTEREST

The Company requires officers and directors to review and sign Conflict of Interest statements on an annual basis. The officers and directors have reviewed and signed their statements as of December 31, 2010.

OATH OF OFFICE

Indiana Code 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 corporation and will not knowingly violate any of the laws applicable to such corporation. As of December 31, 2010, all directors had completed Oaths of Office.

CORPORATE RECORDS

Articles of Incorporation and Bylaws

There were no amendments made to the Company's Articles of Incorporation or Bylaws during the examination period.

Minutes

The Board of Directors, Shareholder, and Audit Committee meeting minutes were reviewed for the period under examination through the fieldwork date and significant actions taken during each meeting were noted. The annual meetings and other regular Board meetings were held in accordance with the Company's Bylaws.

AFFILIATED COMPANIES

Organizational Structure

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.

UFFLIC and UFFMIC own 75% and 25% respectively, of UHLIC. UFBCIC is a wholly-owned subsidiary of UFFMIC.

Affiliated Agreements

The following affiliated agreements were disclosed as part of the Form B – Holding Company Registration statement and were filed and not disapproved with the IDOI as required by Indiana Code 27-1-23-4.

Service Agreement

The Company maintains 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 Farm Bureau for the estimated costs of performing such services and providing the required information. Costs are estimated annually. In 2010, the Company paid \$1.5 million under this agreement.

Indemnity Reinsurance and Management Agreement

The Company maintains 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 2010, UFBCIC paid a management fee of \$3.6 million to the Company for services rendered under this agreement. In addition, the Company paid UFBCIC a ceding commission of \$3.6 million in 2010.

Inter-Company Services Agreement

Effective December 31, 2007, UFFMIC and certain of its affiliates and subsidiary companies entered into an Inter-Company Services Agreement in which 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 expense. In 2010, pursuant to the Inter-Company Services Agreement, UFFMIC incurred \$35.3 million of expenses for which UFFLIC reimbursed it. Additionally, UFFMIC incurred \$2.5 million in expenses for which UHLIC reimbursed it (these expenses were incurred prior to the effective date of the revised UFFLIC-UHLIC Management Agreement).

Tax Allocation Agreements

Separate tax allocation agreements exist between the Company, UFBCIC and Rural Insurance Agency, Inc. whereby each of the Company's affiliates are filed on a consolidated federal income tax return. Under the agreement, the subsidiaries are charged or refunded the amounts that the subsidiary would be entitled to if it had filed separately. Also, the agreement establishes 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 its employees through a fidelity bond issued by Saint Paul Fire and Marine Insurance Company. The bond has blanket coverage of \$6.0 million with a deductible of \$50,000. The fidelity bond is adequate to meet the prescribed minimum coverage specified by NAIC.

The Company had additional types of coverage in-force as of December 31, 2010, including but not limited to auto, property and liability, workers' compensation, umbrella liability, and directors and officers liability.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company and its subsidiaries, UFFLIC and its subsidiaries participate in a noncontributory, qualified single-employer defined benefit retirement plan, which is sponsored by the Company. The plan covers substantially all employees of the Indiana Farm Bureau Group and provides for retirement and survivor benefits. Effective March 31, 2004 the plan was frozen, and participants are not accruing additional benefit service.

The Company and its subsidiaries, as well as UFFL and its subsidiaries, participate in a qualified defined contribution plan sponsored by the Company, which covers all employees. Employees are permitted to make salary deferral contributions pursuant to IRC Section 401(k). Employer matching and other contributions are discretionary.

The 401(k) plan mentioned above also includes a qualified, noncontributory defined contribution plan covering substantially all employees. Contributions are determined based on age and date of employment.

Employee group benefits are provided through a cafeteria plan in accordance with IRS Section 125. The cafeteria plan includes medical, dental, vision, life, long-term disability, long-term care insurance as well as flexible spending accounts for medical and dependent care expenses.

In addition to pension benefits, the Company provides certain group life and health care benefits for retired employees.

STATUTORY DEPOSITS

The Company reported a statutory deposit for the benefit of all policyholders with a book value of \$99,956 and a fair value of \$103,979. The deposit was comprised of United States Treasury Bonds at December 31, 2010.

REINSURANCE

Reinsurance Assumed

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

UFFMIC assumes 100% of the business written by its subsidiary, UFBCIC. Total premiums reported under this arrangement total \$14.6 million, which represents 51% of the total assumed premiums of UFFMIC in 2010.

An additional 49% of total reinsurance premium assumed by UFFMIC involves participation in several agricultural related insurance pools managed by AAIC. The most significant assumed pools involve participations in AAIC's Occurrence Property Catastrophe pool, the Multi-peril Crop Insurance Pool, and domestic and international reinsurance assumed pools operated by AAIC. In the aggregate, UFFMIC assumed total premium of \$13.9 million from AAIC during 2010, and as of December 31, 2010 reported payables to AAIC of \$7.7 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 known case reserves in 2010.

Reinsurance Ceded

The Company utilizes reinsurance to limit its maximum per-risk exposure at not more than \$750,000 per loss. In addition, they maintain catastrophe reinsurance which is designed to limit the Company's overall loss arising from a single event. In 2010, catastrophe reinsurance was maintained providing 95% of \$185 million in excess of \$18 million per catastrophe retention.

The Company's primary reinsurer is AAIC, which accounted for over 99% of UFFMIC's ceded premiums and reinsurance recoverable during 2010.

The primary ceded contracts with AAIC were:

- Property per-risk excess of loss
- Property surplus share
- Property and Auto PD catastrophe reinsurance
- Aggregate Property and Auto PD catastrophe reinsurance – loss ratio basis
- Liability excess of loss
- Umbrella liability quota share
- Workers Compensation excess of loss

In 2010, the Company ceded \$42.9 million to AAIC in connection with the above described reinsurance plans and reported total reinsurance recoverable due from AAIC totaling \$24.4 million. AAIC is an authorized reinsurer in Indiana and thus all reinsurance recoverable qualify as admitted assets.

The Company also participates in other minor reinsurance 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 balances prepared from the Company's general ledger for the years ended December 31, 2009 and 2010, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2006, through December 31, 2010, were agreed to each year's independent audit report with no material exceptions noted. The Examiners determined the Company's accounting procedures, practices, and account records were satisfactory.

UNITED FARM FAMILY MUTUAL INSURANCE COMPANY
FINANCIAL STATEMENTS

Assets
(shown in 000's)

As of December 31, 2010

	<u>Per Annual Statement</u>	<u>Exam Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Assets:				
Bonds	\$ 528,428	\$ -	\$ 528,428	\$ 491,496
Stocks				
Preferred stocks	2,000	-	2,000	2,000
Common Stocks	107,104	-	107,104	102,363
Mortgage loans on real estate:				
First liens	89,347	-	89,347	78,644
Real estate:				
Properties occupied by the company	779	-	779	826
Cash, cash equivalents and short-term investments	(1,746)	-	(1,746)	14,736
Other invested assets	10,167	-	10,167	9,056
Subtotals, cash and invested assets	736,079	-	736,079	699,121
Investment income due and accrued	7,880	-	7,880	6,857
Premiums and considerations:				
Uncollected premiums and agents' balances in course of collection	3,921	-	3,921	4,967
Deferred premiums, agents' balances and installments booked but deferred and not yet due	89,789	-	89,789	111,348
Reinsurance:				
Amounts recoverable from reinsurers	2,180	-	2,180	3,226
Current federal and foreign income tax recoverable and interest thereon	6,619	-	6,619	7,641
Net deferred tax asset	27,608	-	27,608	31,138
Guaranty funds receivable or on deposit	95	-	95	189
Electronic data processing equipment and software	1,628	-	1,628	1,933
Receivables from parent, subsidiaries and affiliates	2,613	-	2,613	3,432
Miscellaneous assets	1,482	-	1,482	3,158
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	879,893	-	879,893	873,011
TOTALS	\$ 879,893	\$ -	\$ 879,893	\$ 873,011

UNITED FARM FAMILY MUTUAL INSURANCE COMPANY
FINANCIAL STATEMENTS
Liabilities, Surplus and Other Funds
(shown in 000's)

As of December 31, 2010

	<u>Per Annual Statement</u>	<u>Exam Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Liabilities:				
Losses	\$ 212,435	\$ -	\$ 212,435	\$ 204,516
Loss adjustment expenses	26,513	-	26,513	25,822
Commissions payable, contingent commissions and other similar charges	3,394	-	3,394	3,178
Other expenses	6,227	-	6,227	6,371
Taxes, licenses and fees due or accrued	1,650	-	1,650	1,603
Unearned premiums	187,356	-	187,356	183,320
Advance premium	5,978	-	5,978	23,878
Ceded reinsurance premiums payable (net of ceding commissions)	10,928	-	10,928	17,129
Funds held under reinsurance treaties	518	-	518	455
Amounts withheld or retained by company for account of others	7,902	-	7,902	8,645
Remittances and items not allocated	1,544	-	1,544	2,418
Payable to parent, subsidiaries and affiliates	100	-	100	369
Payable for securities	-	-	-	2,967
Pension liabilities	81,876	-	81,876	93,749
Total liabilities	<u>546,422</u>	<u>-</u>	<u>546,422</u>	<u>574,420</u>
Aggregate write-ins for special surplus funds	5,650	-	5,650	7,847
Unassigned funds (surplus)	327,821	-	327,821	290,744
Surplus as regards policyholders	333,470	-	333,470	298,591
TOTALS	<u>\$ 879,893</u>	<u>\$ -</u>	<u>\$ 879,893</u>	<u>\$ 873,011</u>

UNITED FARM FAMILY MUTUAL INSURANCE COMPANY
FINANCIAL STATEMENTS

Statement of Income
(shown in 000's)

	As of December 31, 2010			December 31, Prior Year
	Per Annual	Exam Adjustment	Per Examination	
Premiums earned	\$ 483,296	\$ -	\$ 483,296	\$ 476,694
Losses incurred	311,480	-	311,480	355,367
Loss adjustment expenses incurred	42,948	-	42,948	41,249
Other underwriting expenses incurred	127,722	-	127,722	121,837
Net underwriting gain (loss)	1,146	-	1,146	(41,760)
Net investment income earned	25,420	-	25,420	23,896
Net realized capital gains (losses)	(201)	-	(201)	3,094
Net investment gain (loss)	25,219	-	25,219	26,990
Finance and service charges not included in premiums	5,668	-	5,668	3,457
Aggregate write-ins for miscellaneous income	90	-	90	154
Total other income	5,758	-	5,758	3,610
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	32,123	-	32,123	(11,159)
Federal and foreign income taxes incurred	3,540	-	3,540	(8,840)
Net income	\$ 28,583	\$ -	\$ 28,583	\$ (2,319)

UNITED FARM FAMILY MUTUAL INSURANCE COMPANY
FINANCIAL STATEMENTS
Capital and Surplus Reconciliation
(shown in 000's)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Capital and Surplus Account:					
Surplus as regards policyholders, December 31, prior year	\$ 301,591	\$ 331,918	\$ 359,961	\$ 279,207	\$ 298,591
Net income (loss)	24,106	21,544	(26,237)	(2,319)	28,583
Change in net unrealized capital gains or (losses)					
less capital gains	1,749	5,832	(21,141)	8,569	3,085
Change in net deferred income tax	140	1,739	16,749	1,533	(14,933)
Change in nonadmitted assets	2,425	(3,566)	(20,331)	990	6,641
Cumulative effect of changes in accounting principles	(25)	-	-	-	-
Aggregate write-ins for gains and losses in surplus	1,933	2,494	(29,793)	10,610	11,504
Change in surplus as regards policyholders for the year	<u>30,327</u>	<u>28,043</u>	<u>(80,754)</u>	<u>19,384</u>	<u>34,879</u>
Surplus as regards policyholders, December 31, current year	<u>\$ 331,918</u>	<u>\$ 359,961</u>	<u>\$ 279,207</u>	<u>\$ 298,591</u>	<u>\$ 333,470</u>

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2010, based on the results of this examination.

SUBSEQUENT EVENTS

On May 11, 2011, the UFFMIC sold 100% of the outstanding shares of Countryway Insurance Company for \$22.6 million to the Virginia Farm Bureau Insurance Company.

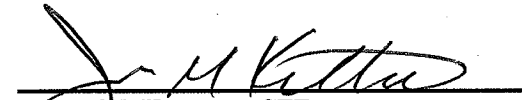
AFFIDAVIT

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., hereinafter collectively referred to as the "Examiners", performed an examination of **United Farm Family Mutual Insurance Company**, as of **December 31, 2010**.

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, 2010**, as determined by the undersigned.


James M. Kattman, CFE
Noble Consulting Services, Inc.

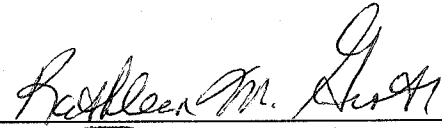
State of:

County of:


On this 6th day of October, 2011, before me personally appeared, James M. Kattman, to sign this document.

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

My commission expires: _____



Notary Public

 KATHLEEN M. GROTE
Notary Public, State of Ohio
My Commission Expires
May 28, 2016