

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

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

Examination of: **United Farm Family Life 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 Life 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 Life 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.

4/17/2017  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Roy Eft  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 7016 2070 0001 1479 8582**

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225 South East Street )  
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Examination of : **United Farm Family Life Insurance Company**

### **FINDINGS AND FINAL ORDER**

The Indiana Department of Insurance conducted an examination into the affairs of the United Farm Family Life 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 Life Insurance Company as of December 31, 2015.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the United Farm Family Life 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 27<sup>th</sup> 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**

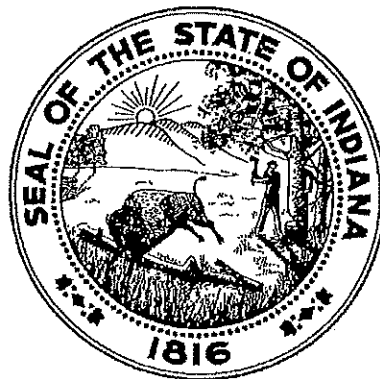
**OF**

**UNITED FARM FAMILY LIFE INSURANCE COMPANY**

NAIC Co. CODE 69892  
NAIC GROUP CODE 542

As of

December 31, 2015



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# STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

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## 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](http://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 3896, an examination has been made of the affairs and financial condition of:

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

hereinafter referred to as the "Company", or "UFFLIC", an Indiana domestic, stock life 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.

Mark Alberts, FSA, MAAA, of Alberts Actuarial Consulting, LLC, 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 resulting from the review performed by Mr. Alberts.

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 required in the Indiana Code (IC) 27-1-3.1-10 and general information about the insurer and its financial condition. There were other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report, but were separately communicated to the Company.

## HISTORY

The Company was incorporated on March 18, 1964, under the laws of the state of Indiana and began business on May 1, 1964, under the name of Farm Bureau Life Insurance Company. Effective July 1, 1964, the Company merged with Hoosier Farm Bureau Life Insurance Company, the Company being the surviving entity. On December 31, 1987, the Company merged with UFB Insurance Company. The Company's current name was adopted on May 30, 1996. The Company operates under the sponsorship of Indiana Farm Bureau, Inc. (IFBI), which owns all outstanding Class A common shares.

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

## CAPITAL AND SURPLUS

IFBI owned 100% of the Company's issued and outstanding stock as of the examination date. There were 10,000 authorized shares of common stock with a par value of \$625 per share, of which 4,000 shares were issued and outstanding throughout the examination period. The Company has no preferred stock.



## DIVIDENDS TO STOCKHOLDERS

The Company paid the following dividends, (in 000s), to IFBI during the examination period:

<u>Year</u>	<u>Total</u>	<u>Ordinary Dividends</u>	<u>Extraordinary Dividends</u>
2015	\$ 1,250	\$ 1,250	\$ -
2014	750	750	-
2013	750	750	-
2012	750	750	-
2011	750	750	-
Total	<u>\$ 4,250</u>	<u>\$ 4,250</u>	<u>\$ -</u>

In accordance with IC 27-1-23-4(h), the payment of dividends to holding companies or affiliated insurers may not exceed the greater of 10% of the prior year's surplus or the net gain from operations of such insurer of the prior year. Dividends paid during the examination period were ordinary in nature and did not require prior regulatory approval. In accordance with IC 27-1-23-1.5, the Company notified the INDOI of all declared dividends to the parent during the examination period.

## TERRITORY AND PLAN OF OPERATION

The Company is licensed and authorized to write insurance in Indiana and eleven (11) other states. Since the prior examination, the Company became licensed in New Hampshire. Currently, the Company is writing new business in eight (8) states. The Company writes individual life and annuity business including term, universal life, and whole life.

The Company utilizes a common multi-line agency force shared with its property & casualty affiliate, UFFMIC. This field force includes approximately 419 agent accounts throughout Indiana. The Company primarily targets UFFMIC's policyholders who are members of IFBI, but also distributes insurance products to Indiana residents who are not Farm Bureau members. The level of sales is expected to increase as the Company has initiated various strategies to maximize cross-selling opportunities such as expansion into urban areas, through its captive agency distribution system, digital strategy - expanded online application capabilities, and United Home Life Insurance Company's field force. In 2009, UFFLIC started licensing independent agents outside the state of Indiana that were writing business for UHLIC. Premium generated by that producer group, from outside Indiana, increased from \$7.0 million in 2014 to \$8.2 million in 2015.

## GROWTH OF THE COMPANY

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

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Surplus and Other Funds</u>	<u>Premiums and Annuities</u>	<u>Net Income</u>
2015	\$ 2,203,515	\$ 1,902,027	\$ 301,488	\$ 136,529	\$ 16,562
2014	2,145,262	1,858,706	286,556	141,775	16,903
2013	2,087,018	1,811,783	275,235	144,337	12,833
2012	2,006,619	1,764,190	242,429	145,252	14,551
2011	1,923,783	1,688,028	235,755	154,999	12,055

The increase in capital and surplus during the examination period has been consistent. The Company's strategy is to have profitable revenue growth (goal of 3% increase in 2016) as well as growth in surplus.

The Company has seen consistent growth in net income and surplus in spite of the low interest rate environment. The Company continues to expand into additional states utilizing the agents of its affiliate, UHLIC.

Effective January 1, 2013, the Company also adopted *SSAP No. 102, Accounting for Pensions, A replacement of SSAP No. 89*. The Company elected to recognize the entire transition surplus impact resulting from the initial adoption of this accounting guidance in 2013. The impact of this change in accounting principle was a decrease to capital and surplus of \$1.4 million in 2013.

### MANAGEMENT AND CONTROL

#### Directors

The Bylaws provide that the business affairs of the Company are to be managed by a Board of Directors (Board) which shall consist of thirteen (13) directors each of whom shall be a citizen of the United States and a majority of whom shall be residents of the state of Indiana. The shareholders, at each annual meeting, elect 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 <sup>A</sup> 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 <sup>B</sup> LaPorte, Indiana	Farmer Self-Employed

<sup>A</sup> Effective December 31, 2015, Donald Villwock retired as President and Director. Effective January 1, 2016, Randall Kron assumed the position of President and Director of the Companies. Randall Kron's position as Vice President and Director of the Companies was assumed by Kendell Culp.

<sup>B</sup> Effective November 17, 2015, Larry Jernas resigned as Director. Effective November 17, 2015, Harold Parker was appointed to fill the unexpired term of Larry Jernas.

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 <sup>C</sup> Edwardsport, Indiana	President Indiana Farm Bureau, Inc.
David Lee Wyeth North Salem, Indiana	Farmer Self-Employed

### 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 of the Board, or until his death, resignation or removal.

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 <sup>C</sup>	President
Lynn Brundage Jongleux <sup>D</sup>	Senior Vice President, General Counsel, and Secretary
Joseph Alan Martin	Executive Vice President and Chief Executive Officer
Thomas Martin Bower <sup>E</sup>	Senior Vice President - Life
Gregory James Clancy	Senior Vice President - Information Systems
Mark Richard Miske	Senior Vice President, Chief Financial Officer, and Treasurer
Randall Charles William Kron <sup>F</sup>	Vice President
Richard Jay Kuster, Jr.	Senior Vice President - Chief Marketing Officer
Kristin Bierlein Keltner	Vice President - Assistant General Counsel

<sup>C</sup> Effective December 31, 2015, Donald Villwock retired as President and Director. Effective January 1, 2016, Randall Kron assumed the position of President and Director of the Companies. Randall Kron's position as Vice President and Director of the Companies was assumed by Kendell Culp.

<sup>D</sup> Effective December 31, 2015, Lynn Jongleux retired as Senior Vice President, General Counsel, and Secretary. Effective January 1, 2016, Kristin Keltner assumed the position of Senior Vice President, General Counsel, and Secretary.

<sup>E</sup> Thomas Bower serves in a dual role as Senior Vice President and Agency Director, as noted by the General Counsel.

<sup>F</sup> Effective December 31, 2015, Donald Villwock retired as President and Director. Effective January 1, 2016, Randall Kron assumed the position of President and Director of the Companies. Randall Kron's position as Vice President and Director of the Companies was assumed by Kendell Culp.

## 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.

## 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 shareholders 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 shareholders was held as noted above.

The committee meeting minutes for the examination period and through the fieldwork date were reviewed for the following committees: Audit Committee, Budget Committee, Compensation Committee, and Investment 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:

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

### 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. The affiliated reinsurance agreement is discussed in the Reinsurance Section of this Report of Examination.

#### *Management Agreement*

The Company has a Management Agreement with its affiliate UHLIC whereby the Company provides use of certain facilities and services. In 2015, the Company incurred \$4.1 million of management fees for services provided pursuant to this agreement.

#### *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 established annually. In 2015, the Company paid \$0.6 million for services provided pursuant to this agreement.

#### *Intercompany Services Agreement*

Effective December 31, 2007, the Company and certain of its affiliates and subsidiary companies have an Intercompany Services Agreement whereby UFFMIC agrees to perform services on behalf of the affiliates. UFFMIC is not entitled to compensation for these services except for the reimbursement of its actual cost. In 2015, pursuant to the Inter-Company Services Agreement, UFFMIC incurred \$37.8 million of expenses, which were reimbursed by UFFLIC.

<sup>H</sup> 75% Owned by UFFMIC, 25% owned by UFFLIC

<sup>I</sup> 65% Owned by UFFMIC, 35% owned by UFFLIC

<sup>J</sup> 75% Owned by UFFLIC, 25% owned by UFFMIC

<sup>K</sup> 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.

## 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 million (\$6 million 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, sponsored and administered by the Company. Benefits under the plan were frozen as of March 31, 2004. The plan has met the 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 plans was \$76.6 million in 2015.

Beginning January 1, 2004, the Company participates in a qualified, noncontributory defined contribution plan, covering substantially all employees of Indiana Farm Bureau Insurance, sponsored by the Company. The contribution is determined based on age and date of employment. Current year contributions are generally paid the following February. Contributions were \$1.7 million in 2015.

Beginning January 1, 2004, the Company participates in a nonqualified, noncontributory defined contribution plan, covering independent contractors hired before April 1, 2004, sponsored by the Company. The contribution is determined based on age. Current year contributions are generally paid the following February. Contributions were \$0.6 million in 2015.

The Company participates in a defined contribution plan sponsored by the Company, which covers all employees with at least six (6) months of employment. Employer matching and other contributions are discretionary. The Company currently matches 50% of the first 4% of employee contributions. Contributions were \$0.2 million in 2015.

## SPECIAL AND STATUTORY DEPOSITS

The Company reported the following special and statutory deposits, (in 000s), at December 31, 2015:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
Deposits For the Benefit of All Policyholders:		
Indiana	\$ 1,500	\$ 1,549
All Other Special Deposits:		
Massachusetts	110	127
New Hampshire	500	501
North Carolina	400	438
Total Deposits	<u>\$ 2,510</u>	<u>\$ 2,615</u>

## REINSURANCE

### Assumed Reinsurance

Since July 2003, the Company has maintained a reinsurance relationship with its affiliate, UHLIC.

Currently new term business is coinsured on an 85% quota-share basis. The Company retains the remainder of the policy up to a maximum retention of \$100,000 per insured life.

Whole life business written since 2005 is ceded from UHLIC to UFFLIC. Currently, all UHLIC new business that is reinsured by UFFLIC is ceded First-Dollar Quota Share at 75% to 85% on a coinsurance basis. Prior to 2012, reinsurance was written on either an YRT or coinsurance basis (beginning in 2012, all new business was reinsured only on a coinsurance basis) and based on percentages that varied from 60% to 85%. However, in 2014, the product reinsured at 60% ceased being sold, therefore eliminating the 60% coverage on new business. In 2015, premiums and reserve credits from these two (2) agreements totaled \$19.2 million (94% of assumed premiums) and \$47.3 million (98% of assumed reserves) respectively.

The Company also assumes 50% of a block of Variable Universal Life business written through Equitrust Life Insurance Company (Equitrust). This product is offered by the Company's agency force and underwritten by Equitrust with the Company then assuming 50% of the business. The arrangement has been in effect since 2000 and involves modified co-insurance reserves assumed totaling \$10.5 million at December 31, 2015.

### Ceded Reinsurance

The Company maintains several primary reinsurance arrangements. Reinsurance is used to control risk, primarily mortality risk arising from exposure above a maximum of \$250,000 for issue ages through age 60 and \$150,000 for ages 61 & up retention on any one life. At December 31, 2015, the Company reported reinsurance cessions to various reinsurers involving ceded reserve credits totaling \$81.4 million and ceded premiums of \$31.6 million. Most of the Company's reinsurers have an A.M. Best rating of "A" or better. As of December 31, 2015, the Company has no financially significant counterparty exposure with any reinsurer rated lower than "A-" by A.M. Best.

For Annual Renewal Term plans, the Company reinsures amounts over the limits above. For Graded Benefit Whole Life, the Company retains 25% of the insured amounts up to the limits above. For all other plans, the Company retains 15% up to the limits above.

UFFLIC also has reinsurance on its health lines with Swiss Re Life & Health and SCOR Life Re. The minimal accident and health insurance in-force is reinsured with Lincoln National Life Insurance Company and SCOR Global USA Life Insurance Reassurance Company. No new accident and health business is being written.

## 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 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 LIFE INSURANCE COMPANY

Assets

As of December 31, 2015

(in 000s)

	<u>Per Examination*</u>
Bonds	\$ 1,576,244
Stocks:	
Preferred stocks	8,933
Common stocks	52,332
Mortgage loans on real estate:	
First liens	350,160
Other than first liens	6,575
Real estate:	
Properties occupied by the company	88
Properties held for the production of income	4,017
Cash, cash equivalents and short-term investments	10,941
Contract Loans	97,133
Other invested assets	27,440
Subtotals, cash and invested assets	2,133,861
Investment income due and accrued	21,968
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	3,026
Deferred premiums, agents' balances and installments booked but deferred and not yet due	28,058
Reinsurance:	
Amounts recoverable from reinsurers	569
Other amounts receivable under reinsurance contracts	826
Current federal and foreign income tax recoverable and interest thereon	8
Net deferred tax asset	14,855
Guaranty funds receivable or on deposit	72
Electronic data processing equipment and software	1
Receivables from parent, subsidiaries and affiliates	271
Health care and other amounts receivable	1
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	2,203,515
Total**	\$ 2,203,515

\* 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 LIFE INSURANCE COMPANY  
Liabilities, Surplus and Other Funds  
As of December 31, 2015  
(in 000s)

	Per Examination*
Aggregate reserve for life contracts	\$ 1,755,746
Aggregate reserve for accident and health contracts	2,771
Liability for deposit-type contracts	55,660
Contract claims:	
Life	5,720
Accident and health	217
Policyholders' dividends and coupons due and unpaid	42
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts:	
Dividends apportioned for payment	13,433
Premiums and annuity considerations for life and accident and health contracts received in advance less discount; including accident and health premiums	466
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	73
Other amounts payable on reinsurance, including assumed and ceded	3,440
Interest Maintenance Reserve	11,751
Commissions to agents due or accrued	905
Commissions and expense allowances payable on reinsurance assumed	855
General expenses due or accrued	2,830
Taxes, licenses and fees due or accrued, excluding federal income taxes	483
Unearned investment income	2,533
Amounts withheld or retained by company as agent or trustee	426
Amounts held for agents' account, including agents' credit balances	102
Remittances and items not allocated	213
Liability for benefits for employees and agents if not included above	25,816
Miscellaneous liabilities:	
Asset valuation reserve	17,782
Payable to parent, subsidiaries and affiliates	326
Aggregate write-ins for liabilities	437
Total liabilities excluding Separate Accounts business	1,902,027
Total liabilities	1,902,027
Common capital stock	2,500
Gross paid in and contributed surplus	1,000
Unassigned funds (surplus)	297,988
Surplus	298,988
Totals	301,488
Totals**	\$ 2,203,515

\* 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 LIFE INSURANCE COMPANY  
Summary of Operations  
For the Year Ended December 31, 2015  
(in 000s)

UNDERWRITING INCOME	<u>Per Examination*</u>
Premiums and annuity considerations for life and accident and health contracts	\$ 136,529
Considerations for supplementary contracts with life contingencies	565
Net investment income	101,304
Amortization of Interest Maintenance Reserve	2,539
Commissions and expense allowances on reinsurance ceded	8,265
Miscellaneous Income:	
Aggregate write-ins for miscellaneous income	716
Totals	<u>249,918</u>
Death benefits	42,453
Matured endowments (excluding guaranteed annual pure endowments)	53
Annuity benefits	15,828
Disability benefits and benefits under accident and health contracts	1,540
Surrender benefits and withdrawals for life contracts	48,590
Interest and adjustments on contract or deposit-type contract funds	173
Payments on supplementary contracts with life contingencies	1,502
Increase in aggregate reserves for life and accident and health contracts	52,154
Totals	<u>162,293</u>
Commissions on premiums, annuity considerations and deposit-type contract funds (direct business only)	13,104
Commissions and expense allowances on reinsurance assumed	9,085
General insurance expenses	28,047
Insurance taxes, licenses and fees, excluding federal income taxes	2,395
Increase in loading on deferred and uncollected premiums	(243)
Aggregate write-ins for deductions	5
Totals	<u>214,686</u>
Net gain from operations before dividends to policyholders and federal income taxes	35,233
Dividends to policyholders	12,350
Net gain from operations after dividends to policyholders and before federal income taxes	22,883
Federal and foreign income taxes incurred	7,180
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	15,703
Net realized capital gains (losses)	859
Net income**	<u>\$ 16,562</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 LIFE INSURANCE COMPANY  
 Capital and Surplus Account Reconciliation  
 (in 000s)

	2015	2014	2013	2012	2011
Capital and surplus, December 31, prior year	\$ 286,556	\$ 275,235	\$ 242,429	\$ 235,755	\$ 234,376
Net income	16,562	16,903	12,833	14,551	12,055
Change in net unrealized capital gains (losses) less capital gains tax	(568)	1,673	5,363	3,094	(393)
Change in net deferred income tax	(413)	1,465	(2,940)	(733)	3,162
Change in nonadmitted assets	(3,866)	3,797	7,855	(1,326)	(5,257)
Change in asset valuation reserve	(585)	944	6,117	(5,860)	(3,228)
Cumulative effect of changes in accounting principles	-	-	(1,408)	-	-
Dividends to stockholders	(1,250)	(750)	(750)	(750)	(750)
Aggregate write-ins for gains and losses in surplus	5,053	(12,711)	5,734	(2,302)	(4,209)
Net change in capital and surplus for the year	14,932	11,321	32,806	6,674	1,380
Capital and surplus, December 31, current year*	\$ 301,488	\$ 286,556	\$ 275,235	\$ 242,429	\$ 235,755

\*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 Alberts Actuarial Consulting, LLC, performed an examination of United Farm Family Life 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 Life Insurance Company as of December 31, 2015, as determined by the undersigned.

  
\_\_\_\_\_  
Brad Neff, CFE  
Noble Consulting Services, Inc.

State of: Indiana  
County of: Marion

On this 6 day of December 2016, before me personally appeared, Brad Neff, 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

