# REPORT ON EXAMINATION

of the

# TENNESSEE FARMERS LIFE INSURANCE COMPANY

147 BEAR CREEK PIKE
COLUMBIA, TENNESSEE

as of

DECEMBER 31, 2010

RECEIVED
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Dept. of Commerce & Insurance
Company Examinations

DEPARTMENT OF COMMERCE AND INSURANCE

STATE OF TENNESSEE

NASHVILLE, TENNESSEE

EXHIBIT
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Columbia, Tennessee
June 15, 2012

Honorable Julie Mix McPeak
Commissioner
State of Tennessee
Department of Commerce and Insurance
Nashville, Tennessee 37243

Dear Commissioner:

Pursuant to your instructions and in accordance with Tennessee Insurance Laws, regulations, and resolutions adopted by the National Association of Insurance Commissioners (NAIC), a financial examination and a market conduct review was made of the condition and affairs of the

**TENNESSEE FARMERS LIFE INSURANCE COMPANY**

**147 BEAR CREEK PIKE**
**COLUMBIA, TENNESSEE 38401**

hereinafter and generally referred to as the "Company," and a report thereon is submitted as follows:

## INTRODUCTION

This examination was called by the Department of Commerce and Insurance of the state of Tennessee ("TDCI") on January 24, 2011. On-site examination work commenced on June 6, 2011. With the Company having authority to write business only in the state of Tennessee, the examination was not classified as an Association Examination under NAIC Guidelines. The examination was performed by duly authorized representatives of the TDCI. It was conducted simultaneously with the examination of two (2) other insurance companies in the Tennessee Farmers Group, all based in Columbia, Tennessee as follows:

- Tennessee Farmers Mutual Insurance Company
- Tennessee Farmers Assurance Company

## SCOPE OF EXAMINATION

This examination report covers the period from January 1, 2006 to the close of business on December 31, 2010, and includes any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

The examination was conducted in accordance with the NAIC Financial Condition Examiners Handbook. The examination was planned and performed to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and annual statement instructions.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Independent actuaries were used in the review of the Company's reserves.

In addition, the following topics were reviewed:

Company History
Charter and Bylaws
Management and Control
Holding Company System
Pecuniary Interest TENN. CODE ANN. § 56-3-103
Corporate Records
Fidelity Bonds and Other Insurance
Retirement Plan and Other Employee Benefits
Territory (includes inforce/premium by state)
Plan of Operation
Market Conduct Activities
Mortality and Loss Experience
Reinsurance
Commission Equity
Agreements with Parent, Subsidiaries and Affiliates
Statutory Deposits
Dividends or Distributions
Accounts and Records
Litigation and Contingent Liabilities
Financial Statement

The previous examination was conducted as of December 31, 2005 by authorized representatives of the TDCI and made no changes to surplus. No recommendations were made as a result of the examination; however, two comments were included which are addressed under the caption, "COMMENTS – PREVIOUS EXAMINATION."

## COMMENTS –PREVIOUS EXAMINATION

The Company amended its custodial agreements with The Northern Trust Company and First Farmers and Merchants Bank during the course of the examination in order to amend some technical language pursuant to Tennessee Regulations.

The Company also obtained more current appraisals on some real estate holdings in order that the timeline complied with NAIC Accounting Practices and Procedures SSAP 40, paragraph 12.

## HISTORY AND ORGANIZATION

On April 6, 1973, the Tennessee Farmers Mutual Insurance Company ("TFMIC") and the Tennessee Farm Bureau Federation ("Federation") subscribed to purchase 950,000 and 150,000 shares, respectively, of the authorized common capital stock of the Company. The subscription price was $2.00 per share for a total of $2,200,000 in the form of $1,100,000 capital paid in and $1,100,000 gross paid in and contributed surplus. As of December 31, 2010, the Company had 19,804,786 shares of common capital stock issued and outstanding for total capital paid in of $19,804,786 with total gross paid in and contributed surplus of $8,101,303.

The Company was issued a Certificate of Authority by the TDCI on April 30, 1973 to transact the business of Life, Disability and Credit Insurance as defined by TENN. CODE ANN. § 56-2-210. The Certificate remains in force.

On October 31, 1980, the Company acquired 1,000 shares in the Tennessee Farmers Insurance Agency, Inc., a wholly owned subsidiary of the company, for $1,000. The Company made a paid in capital contribution of $39,000 to the Agency on August 18, 1981 following Board authorization. On October 11, 1991, the Board of Directors authorized the sale of the Agency to TFMIC for $133,235.

Effective October 5, 1980, the Company formed and incorporated a wholly owned subsidiary, Tennessee Farmers Capital Corporation, ("Capital"). Capital was formed as a for profit corporation for the main purpose of leasing automobile, furniture and computer equipment to all of the Company's affiliated companies. The Company leased from Capital up through June 30, 2002. Capital was dissolved and merged back into the Company.

The Company owned 100% of the common stock of Capital, which owned 100% of the stock of TF Investment Corporation, a Nevada corporation. TF Investment Corporation was incorporated on September 1, 1993 as an investment subsidiary to facilitate the purchase of tax exempt municipal bonds rated "1" by the NAIC's Securities Valuation Office. By permission granted by the TDCI, the Company provided funds necessary to capitalize and purchase the portfolio of bonds. All investments held by this subsidiary are for the benefit of the Company; however, all of the investment income is retained

with TF Investment Corporation, and does not flow upstream into the Company's books. As of December 31, 2010, the book value of the investments held by the Company in TF Investment Corporation was $253,221,010.

The Company additionally owns 100% of A Total Travel Agency, Inc., 50% of TF Properties Inc. and 5.1% of TFHC, Inc. TFHC, Inc. is a holding company which owns 90.8% of Tennessee Farmers Assurance Company.

On September 25, 2007, a hearing was held before the Commissioner to consider the Agreement and Plan of Merger between the Company and its subsidiary, Tennessee Farmers Life Reassurance Company. The Order approving the merger was signed on October 4, 2007. Tennessee Farmers Life Reassurance Company was therefore merged out of existence and all of its business, assets and liabilities were assumed by the Company.

At December 31, 2010, the Company has 100,000,000 shares of common stock authorized and 19,804,786 shares of common stock issued at one dollar ($1) par value per share.

At December 31, 2010, the Company was licensed in one state, Tennessee.

The Company's capital structure appears in the 2010 Annual Statement as follows:

| | |
|---|---|
| Common capital stock | $ 19,804,786 |
| Gross paid in and contributed surplus | 8,101,303 |
| Unassigned funds (surplus) | 228,652,667 |
| Total capital and surplus | $256,558,756 |

The following exhibit depicts certain aspects of the growth and financial history of the Company since the previous examination, according to annual statements filed with the TDCI.

| Date | Admitted Assets | Net Premium Written | Capital and Surplus | Death Benefits Paid | A&H Benefits Paid | Net income after taxes |
|---|---|---|---|---|---|---|
| 12/31/2006 | $1,021,503,436 | $53,282,573 | $181,332,852 | $53,478,166 | $0 | $5,358,393 |
| 12/31/2007 | 1,072,384,304 | 78,088,790 | 196,029,788 | 77,431,806 | 0 | 9,655,369 |
| 12/31/2008 | 1,295,962,522 | 138,366,992 | 202,244,822 | 88,819,085 | 783,000 | (5,725,665) |
| 12/31/2009 | 1,399,780,476 | 147,006,569 | 228,637,606 | 88,074,379 | 581,500 | 12,075,888 |
| 12/31/2010 | 1,528,137,702 | 183,821,646 | 256,558,756 | 90,398,459 | 586,500 | 39,424,602 |

## CHARTER AND BYLAWS

The original Charter of the Company was filed and recorded with the Secretary of State, state of Tennessee effective March 27, 1973. The Charter provided for the operation of a for profit corporation with a perpetual existence and established its location in Columbia, Maury County, Tennessee.

The Charter in effect at the examination date states that the purposes of the Company are as follows:

"to insure the lives of persons and engage in the general business of life insurance, including all forms of life insurance, credit life insurance, credit accident and health insurance and disability insurance; and to grant, sell and administer annuities and all forms of retirement and pension plans, including variable annuities and plans; and to insure against all accidents to persons in traveling or otherwise and against all disabilities to persons by disease or sickness or bodily infirmities; and to engage in any other business pursuit approved for life insurance companies under the law of this state, as amended from time to time"

The Charter additionally recites other general and specific powers which are usual and consistent with statute.

Pursuant to the provisions of TENN. CODE ANN. § 48-20-106 of the Tennessee Business Corporation Act, the Company filed articles of amendment to the Charter with the Secretary of State on July 14, 2005. The amendment increased authorized common capital stock from 10,000,000 shares to 100,000,000 shares. This amendment was duly adopted at the Annual Meeting of the shareholders on April 25, 2005 and was effective as of the same date.

Bylaws:

The restated Bylaws of the Company in effect at December 31, 2010 were enacted effective April 9, 1992 in order to comply with Tennessee Corporation Act of 1986 and alleviate any technical deficiencies that may have accumulated since the Company was incorporated.

The Bylaws provide for annual stockholders meeting at which a Board of Directors is elected. Officers are elected by the Board annually at the first board meeting after the annual meeting of stockholders. The Bylaws charge the Board of Directors with managing the business and affairs of the Company.

The current Bylaws are such as are generally found in corporations of this type and contain no unusual provisions. No amendments have been enacted during the period of examination.

## MANAGEMENT AND CONTROL

Board of Directors:

Management of the Company is vested in a Board of Directors elected annually. In accordance with the Bylaws, the Board shall consist of not less than five nor more than 25 members. The composition of the board has been identical for all three companies comprising the Tennessee Farmers Group. The following persons had been duly elected and were serving as members of the Company's Board of Directors at December 31, 2010:

| Name, Address and County | Principal Occupation |
|---|---|
| Lacy Upchurch<br>Crossville, TN (Cumberland) | President & Chairman of the Board/Farmer |
| Jeff Aiken<br>Telford, TN (Washington) | Farmer |
| Willard Brown<br>Cookeville, TN (Putnam) | Farmer |
| Malcolm Burchfiel<br>Newbern, TN (Dyer) | Farmer |
| Martin Davis<br>Shelbyville, TN (Bedford) | General Manager, Bedford County Utility District; Farmer |
| Robert Earhart<br>Bristol, TN (Sullivan) | County Executive |
| Charles Hancock<br>Bumpus Mills, TN (Stewart) | Farmer |
| Dan Hancock<br>Smithville, TN (DeKalb) | Farmer |
| James Haskew, Jr.<br>South Pittsburg, TN (Marion) | Farmer |
| Jason Luckey<br>Humboldt, TN (Gibson) | Farmer |
| William Eric Mayberry<br>Hurricane Mills, TN (Humphreys) | Farmer |

| | |
|---|---|
| Jane May<br>Newbern, TN (Dyer) | State FB Women's Chairman/Farmer |
| David Mitchell<br>Blaine, TN (Grainger) | Farmer |
| William Danny Rochelle<br>Nunnelly, TN (Hickman) | Farmer |
| Jack Sanders<br>Charleston, TN (Bradley) | Farmer |
| Catherine Via<br>Bells, TN (Crockett) | Farmer/Homemaker |

The Board of Directors is charged with managing the business and affairs of the Company. Each director must be a member in good standing of the Tennessee Farm Bureau Federation, which in turn requires membership in good standing of a county Farm Bureau. Though not required by the Charter or Bylaws of the Company, historically 11 members of the Board have also served on the Federation Board of Directors.

Officers:

The Bylaws of the Company provide that the Board of Directors shall elect annually a president, a first vice president, a chief executive officer, a secretary, a treasurer, and such additional officers as the chief executive officer may propose and the Board of Directors approve. The following officers were duly elected and were serving in the positions indicated for the Company at December 31, 2010:

| | |
|---|---|
| Lacy Upchurch | President & Chairman of the Board |
| William Danny Rochelle | First Vice President |
| Matthew M. Scoggins, Jr. | Chief Executive Officer |
| Dennis Stephen | Chief Operating Officer, Life Operations |
| Wayne Harris | Treasurer |
| Edward Lancaster | General Counsel, Secretary |
| Neal Townsend | Chief Marketing Officer |

The Board of Directors has given authority to the Chief Executive Officer (CEO) to

appoint such other officers as needed to operate the Company. The following officers were appointed by the CEO and serving in positions indicated for the Company at December 31, 2010:

| | |
|---|---|
| Wayne Merrill | Vice President, Accounting/Controller |
| Steve Burt | Chief Information Officer |

The President functions as the Chairman of the Board of Directors and presides over all meetings of the stockholders and the Board of Directors. The President also serves as a conduit to the executive personnel concerning policy established by the Board of Directors. Subject to the control of the Board of Directors, the Chief Executive Officer shall have general management and control of the affairs and business of the Company, and shall perform all other duties and exercise all other powers commonly incident to his office, or which are required by law.

The Company's Investment Committee at December 31, 2010 is as follows:

| Name | Title |
|---|---|
| Wayne Merrill | Controller, Chairman of Committee |
| Lacy Upchurch | President |
| Matthew M. Scoggins, Jr. | Chief Executive Officer |
| Wayne Harris | Treasurer/Chief Financial Officer |
| Dennis Stephen | Chief Operating Officer – Life Operations |
| Edward Lancaster | Secretary/General Counsel |
| Non Voting Members | |
| Randy Maxwell | Investment Portfolio Manager |
| David Williamson | Investment Portfolio Manager |

The Company's Audit Committee at December 31, 2010 is as follows:

| Name | Title |
|---|---|
| Jeff Aiken | Director |
| Martin Davis | Director |
| Eric Mayberry | Director |
| William Danny Rochelle | Director |
| Jack Sanders | Director |
| Non Voting Members | |
| Matthew M. Scoggins, Jr. | Chief Executive Officer |
| Wayne Harris | Treasurer/Chief Financial Officer |
| Edward Lancaster | Secretary/General Counsel |
| Wayne Merrill | Controller/Vice President Accounting |

The administrative and executive functions of the Company are performed by the home

office staff. The Company has its own marketing division located in the home office in Columbia, Tennessee. The Company is a direct writer marketing insurance products through captive agents. Offices are typically located in county farm bureau offices throughout Tennessee. These offices are staffed by licensed agents who operate as independent contractors. Underwriting activities are also performed by home office staff.

Certain services are purchased from outside contractors if needed and are not available from in house personnel. Such services include actuarial analysis and independent audit.

| | |
|---|---|
| Actuarial Services: | Ralph Sayre, FSA, MAAA<br>Actuarial Resources Corporation of Georgia, Inc.<br>4080 McGinnis Ferry Road, Suite 901<br>Alpharetta, Georgia |
| Product Design Services: | Terry Long, FSA, MAAA<br>Lewis & Ellis, Inc.<br>11225 College Boulevard, Suite 320<br>Overland Park, Kansas |
| Auditing Services: | Johnson Lambert & Co., LLC<br>700 Spring Forest Road, Suite 115<br>Raleigh, North Carolina |

## HOLDING COMPANY SYSTEM

The Company is a member of an insurance company holding system as defined by TENN. CODE ANN. § 56-11-101, and as such, is subject to the "Insurance Company Holding Company System Act of 1986," set forth in TENN. CODE ANN. § 56-11-101, et seq.

The Company's immediate and ultimate parent is Tennessee Farmers Mutual Insurance Company, a Tennessee domicile property and casualty insurance company which is the flagship of the Tennessee Farmers Insurance Group. Mutual maintains a 47.77% interest in the Company as of 12/31/2010. Additional owners of the Company are as follows: Tennessee Farm Bureau approximately 6.54%, Tennessee Rural Health Improvement Association approximately 1.60% and individual stockholders approximately 44.09%.

The Company owns 100% of two subsidiaries, TF Investment Corporation and A Total Travel Agency, Inc. The Company owns 50% of TF Properties, Inc. with Tennessee Farmers Assurance Company owning the other 50%. The Company also owns a 5.1% stake in TFHC, Inc.

The companies are Tennessee corporations with the exception of Total Travel and TF Investment which are Nevada corporations.

The same management and Board of Directors provide leadership for the insurance companies. Having the same Directors is not required by any of the companies' bylaws.

Tennessee Farmers Mutual Insurance Company files a Holding Company Registration Statement annually as required by TENN. CODE ANN. § 56-11-105. An organizational chart is included at the end of this report.

## PECUNIARY INTEREST TENN. CODE ANN. § 56-3-103

The Company established a conflict of interest policy for its directors and officers to attest to compliance with TENN. CODE ANN. § 56-3-103, prohibiting officers and directors from having pecuniary interest in investment or disposition of Company funds. The officers and directors file annual conflict of interest statements.

## CORPORATE RECORDS

Minutes of meetings of the shareholders and Board of the Company were reviewed for the period under examination. In general, such minutes appear to be in proper order and accurately report the proceedings of each respective meeting.

## FIDELITY BOND AND OTHER INSURANCE

Minimum fidelity bond coverage of $1,500,000 to $1,750,000 is suggested by guidelines published in the NAIC Financial Condition Examiners Handbook.

Presently, the Company self insures any employee dishonesty coverage (fidelity).

The Company is presently a named insured under a policy issued to its parent, Tennessee Farmers Mutual Insurance Policy as follows:

| Type of Coverage | Coverage Limits |
|---|---|
| Executive Liability and Entity Security Liability Policy Including Directors', Officers', Insured Entity and Employment Practices Liability Insurance | |
| Limit of Liability (inclusive of costs of Defense) | $10,000,000 |

Coverage is underwritten by Federal Insurance Company which is licensed in

Tennessee as a "Foreign Property and Casualty Insurer." The following retention amounts apply: $100,000 retention per claim applies to Employment Practices Claims; $10,000 retention per claim applies to Fiduciary Claims; and $100,000 retention applies to other specific defined claims outlined in sections of the policy.

The Company's administrative and other services are performed under a Management Service Agreement with TFMIC. Therefore, any workers' compensation coverage would be provided under coverages issued to TFMIC.

The Company is additionally covered under a Commercial General Liability Policy issued by its parent, Tennessee Farmers Mutual Insurance Company with coverage as follows:

| Type of Coverage | Coverage Limits |
|---|---|
| Commercial General Liability | |
| Each occurrence | $2,000,000 |
| General aggregate | $2,000,000 |
| Products-Completed operations aggregate limit | $2,000,000 |
| Personal & advertising limit | $2,000,000 |
| Damage to premises rented | $50,000 |
| Medical expense limit (any one person) | $5,000 |

## RETIREMENT PLAN AND OTHER EMPLOYEE BENEFITS

The Company has no employees. Any services performed on behalf of the Company are provided by employees of TFMIC under recitals of a Management Services Agreement. This agreement is discussed under the caption, "AGREEMENTS WITH PARENT, SUBSIDIARIES AND AFFILIATES."

## TERRITORY

As of December 31, 2010, and as of the date of this examination report, the Company was licensed to transact business in the state of Tennessee. The Certificate of Authority for that jurisdiction was reviewed.

During 2010, the Company had net written premium as follows:

| State | Amount |
|---|---|
| Tennessee | $189,400,383 |
| Total | $189,400,383 |

## PLAN OF OPERATION

The Company markets traditional life insurance plans, individual interest-sensitive universal life insurance plans and a variety of individual annuity plans primarily to members of the Tennessee Farm Bureau Federation. Life insurance polices are issued with medical examination requirements or on non-medical examination basis. The annuities are issued on both a qualified and non-qualified basis. The annuity plans include flexible premium deferred annuities, single premium deferred annuities and single premium immediate annuities. Policy plans currently offered and in force include:

| Description of Insurance Contracts | Ages |
|---|---|
| LP100<br>Plan Codes: 10500, 10501 | 0-40<br>41+ |
| Senior Plus II P/S<br>Plan Codes: 10402, 10403 | 50-85 |
| Secure Life II<br>Plan Codes: 11401 | 25-80 |
| Annual Renewable Term Plus<br>Plan Codes: 30107, 30108 | ALL |
| 20 Yr Money Back Term<br>Plan Codes: 52000, 52001, 52002, 520003, 52004 | 20-60 |
| 10 Yr Premier Term<br>Plan Codes: 31110, 31111,31112, 31113, 31114, 31115, 31116, 31117, 31118, 31119, 31120, 31121, 31122, 31123, 31124, 31125 | ALL |
| 20 Yr Premier Term<br>Plan Codes: 32010, 32011, 32012, 32013, 32014, 32015, 32016, 32017, 32018, 32019, 32020, 32021, 32022, 32023, 32024, 32025 | ALL |
| 30 Yr Premier Term<br>Plan Codes: 33010, 33011, 33012, 33013, 33014, 33015, 33016, 33017, 33018, 33019, 33020, 33021, 33022, 33023, 33024, 33025 | ALL |
| Flexible Premium Annuities<br>Plan Codes: 90000, 90500, 90600, (h)<br>90003, 90503, 90603 (h) (i) | ALL |

| | |
|---|---|
| Single Premium Annuity Non-Qualified<br>Plan Code: 91700, 91701, 91703 (i) | ALL |
| Single Premium Annuities<br>Plan Codes: 91000, 91800, 92100<br>91003, 91803 (i) | ALL |

Additional optional riders can be attached to the universal life plans. They include the following:

Family Plan
Spouse term insurance,
Children's term insurance
Guaranteed insurability option
Waiver of cost of insurance upon disability
Accidental death and dismemberment benefit

The accidental death benefits are 100% reinsured.

The insurance business of the Company was produced by a sales and production staff under the supervision of a Chief Marketing Officer assisted by Regional Agency Managers. The Company's 441 captive agents at December 31, 2010 are independent contractors serving as either Agency Managers or Agents. These agents also market business for the affiliated companies; Tennessee Farmers Assurance Company and Tennessee Farmers Mutual Insurance Company.

The production offices are primarily located in local Farm Bureau offices in the 95 counties of the state of Tennessee. Historically, the Agency Managers have authorized the Company to withhold certain prescribed amounts from earned commissions and fees in order to reimburse the individual county Farm Bureau for the cost of facilities and services used by the agents in the production of business. During 2009, a county office restructuring program was begun, whereby the actual operating costs of the local office insurance operations and County Farm Bureau operations were analyzed and defined. In the counties that have been restructured, the County Farm Bureaus and Agency Managers entered into Administrative Services and Lease Agreements with TF Support Services, Inc. (TFSS). TFSS administers the financial transactions between the Agency Manager and the County Farm Bureau Operations, allowing for a more accurate and defined allocation of operating expenses between the county office insurance operations and the Farm Bureau operations. As of December 31, 2010, 50 of the 95 counties had been restructured. The remaining 45 counties were restructured during 2011.

During the period under review and through the date of this report, all policy preparation was performed in the home office and was subject to the underwriting rules adopted by the Company and promulgated in accordance with approved rates. The adjustment of claims is also administered by the Company through its regional claim offices located

throughout the state of Tennessee.

The largest net amount insured by the Company in any one risk is $250,000.

## MARKET CONDUCT ACTIVITIES

A market conduct review was made of the Company as of December 31, 2010, in conjunction with this examination. The following items were addressed:

Policy Forms and Filings:

A sample of Company policy rate and form filings was selected for examination for compliance with TENN. CODE ANN. § 56-5-305 (a) and 56-7-2311 (a). In examination of the filings, it was found that all Company filings were accomplished prior to their use in accordance with the statutory requirement. The policy rates and forms in the sample were traced without exception to active insurance policies examined during the underwriting portion of the examination. The Company's filings with the TDCI are consistent in form and well documented.

Underwriting and Rating:

In the examination of the Company's underwriting procedures and policy administration, policy files for open and closed polices were reviewed and found to be in accordance with statutory requirements of TENN. CODE ANN. § 56-8-104, TENN. COMP. R. & REGS. 0780-01-34, and established Company guidance.

The Company utilizes the underwriting manual of Generali Life USA Reassurance Company, its primary reinsurer, to assess and classify life insurance risks. The underwriting tools provided by the reinsurer's website were examined as part of the examination and found to be a reliable underwriting source. The Generali Life USA website is frequently updated based upon current statutory requirements in order to provide uniform and efficient determination of acceptable risk.

In the examination of the sampled contracts, there were no instances of unfair methods of competition or unfair or deceptive acts found. Underwriting procedures and policy administration conducted by the Company appear to be in compliance with established Company guidance.

Advertising:

The advertising items including print, internet and television materials issued by the Company were examined in accordance with TENN. CODE ANN. § 56-8-104(1) (Unfair methods of competition and unfair or deceptive acts or practices defined - False Information and Advertising) and the NAIC Market Regulation Handbook (Chapter 16 - Marketing and Sales). In the examination of the above materials, no incidents of

misrepresentation or false advertising were found and all appear to be in compliance with statutory requirements. The Company was also found to have strong controls in place for the production and use of all advertising materials with only company approved materials authorized for use.

Information relative to the Company is exhibited on their webpage address as follows:

http://www.fbitn.com/life-insurance

Policyholder Complaints:

The Company maintained a complaint register for all complaints filed with the TDCI for a minimum of five years in accordance with statutory requirements. The information on complaints filed directly with the Company had always been filed with the policy file and not maintained in a separate database complaint register. In order to better comply with the requirements of TENN. CODE ANN. § 56-8-104(11), the Company formalized its "Complaint Policy and Procedures" during the examination in order to create a new data base which captures all complaints and makes database access more assessable.

The complaint system now fully meets the requirements of TENN. CODE ANN. § 56-8-104(11) which states:

> "Failure of any insurer to maintain a complete record of all the complaints it received since the date of its last examination under TENN. CODE ANN. § 56-1-408. This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of each complaint, and the time it took to process each complaint. For purposes of this subdivision (11), complaint means a written communication expressing dissatisfaction or disagreement with the decision or action of an insurer; provided, however, that a communication submitted as part of the insurer's usual and customary claims process shall not be considered a complaint;"

The new complaint handling system is designed to capture complaints and record all actions in a database that would provide upon request a detailed complaint register listing both complaints received directly by the Company and complaints received through the TDCI. The new system is designed to track each complaint from receipt to completion of actions required.

During the examination period the Company received fifteen (15) complaints that were sent through the Tennessee Department of Commerce and Insurance. In the examination of this area, all 15 complaints were reviewed for compliance and identification of possible areas of concern. The Company's average complaint processing time for the 15 complaints was 4.93 days. The Company's response to all the complaints reviewed was complete and provided in a timely manner.

Nature of Complaints:

1. Agent - Alleged misleading statement or misrepresentation (20%)
2. Marketing & Sales - Alleged misleading statement or misrepresentation (20%)
3. Underwriting - Refusal to insure, reinstate, cancellation or lapsed policy (20%)
4. Agent - Policy Replacement (20%)
5. Agent - Unsatisfactory handling of request/Failure to respond (13%)
6. Other (7%)

Claims Review:

A review of open and closed claims was made. The review indicates that claims are being handled properly, timely and in accordance with policy provisions. The sample of paid claim files reviewed indicated that claims were being paid upon receipt of proper evidence of the Company's liability.
The sample of claims open and unpaid as of the examination date was examined for adequacy of the Company's claim process in accordance with TENN. CODE ANN. § 56-8-105 and requirements listed in Chapter 16 (Claim Standards) of the NAIC 2010 Market Regulation Handbook.

- In the review of each file, beneficiary changes were traced from the date of issue to date of death with final payment made by the Company in all cases without error.

- In the review of all file material, Company actions and dates were readily ascertained.

- Company calculations of benefits payable including any adjustment for policy loans, loan interest, premium refunds and interest payments were found to be well documented and accurate.

- Claims in the sample were properly handled in accordance with policy provisions and applicable statutes (including HIPAA), rules and regulations with the average payment processing time being 6.53 calendar days.

Privacy of Non-Public Personal Information:

The Company's privacy policies and practices were reviewed. No instances of non-compliance with TENN. COMP. R. & REGS. 0780-1-72 were noted.

## MORTALITY AND LOSS EXPERIENCE

The mortality experience on life insurance business and the loss experience on accident and health business, since the previous examination, as reported in its annual statements, are as follows:

Life:

| Ordinary Life | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Net Death Benefits Incurred | $9,727,778 | $11,231,886 | $30,066,275 | $31,990,467 | $29,085,688 |
| Less-Reserves Released by Death | 810,356 | 797,252 | 1,152,270 | 1,532,145 | 1,263,567 |
| Actual Death Benefits Incurred | $8,917,422 | $10,434,634 | $28,914,005 | $30,458,322 | $27,822,121 |
| Expected Mortality | $12,621,000 | $13,469,000 | $33,156,000 | $36,556,000 | $38,524,000 |
| Mortality Experience Ratio | .707 | .775 | .872 | .833 | .722 |

Accident & Health:

| Group A&H | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Net Incurred Claims | $0 | $0 | $783,000 | $581,500 | $586,500 |
| Net Premiums Earned | 0 | 0 | 3,431,364 | 3,502,905 | 3,458,512 |
| Loss Experience Ratio | 0 | 0 | .228 | .166 | .170 |

## REINSURANCE

The Company routinely conducts reinsurance transactions with other insurance companies. The Company's significant reinsurance agreements are summarized below.

Assumed Reinsurance with Affiliates

*Tennessee Farmers Mutual Insurance Company (TMFIC) and Tennessee Farmers Assurance Company (TFAC)*

The company assumes, thru two quota share agreements, 100% of the automobile blanket accidental death policies issued by Tennessee Farmers Mutual Insurance Company (TFMIC) effective January 1, 1995. These agreements cover liabilities that existed on and after January 1, 1995.

The company assumes, thru a quota share agreement, 100% of the property blanket accidental death policies issued by Tennessee Farmers Mutual Insurance Company (TFMIC) effective February 1, 1990. This agreement covers liabilities that existed on

and after February 1, 1990.

The Company also assumes any of the automobile accidental death coverage written by Tennessee Farmers Assurance Company.

Ceded Reinsurance with Non-Affiliates

Since 2006, the Company reinsures all new business applications on an excess of loss basis with Generali USA Life Reassurance Company and Reinsurance Group of America (RGA). The business is divided evenly between the two companies using an alphabet split. The Company's retention is a maximum of $250,000 on any one life. The retention is graded down to zero as the insured issue age gets increases or as the insured's medical risk profile worsens.

*Generali USA Life Reassurance Company*

| | |
|---|---|
| 1) Effective Date: | September 1, 2008 |
| Description: | An automatic yearly renewable term agreement for LP100 Whole Life (surname A-L). |
| Retention: | $ 0 to $ 250,000 depending on age and table. |
| 2) Effective Date: | August 1, 2006 |
| Description: | An automatic yearly renewable term agreement for Platinum & Executive Universal Life (surname A-L). |
| Retention: | $ 0 to $ 250,000 depending on age and table. |
| 3) Effective Date: | January 1, 2007 |
| Description: | An automatic yearly renewable term agreement for Senior Plus (surname A-L). |
| Retention: | $ 0 to $ 250,000 depending on age and table. |
| 4) Effective Date: | January 1, 2006 |
| Description: | An automatic yearly renewable term agreement for Premier Term 10, 20, and 30 (surname A-L). |
| Retention: | $ 0 to $ 250,000 depending on age and table. |

*Reinsurance Group of America (RGA)*

| | |
|---|---|
| 1) Effective Date: | August 1, 2006 |
| Description: | An automatic yearly renewable term agreement primarily for universal life risks (surname M-Z). |
| Retention: | $ 0 to $ 250,000 depending on age and table |
| 2) Effective Date: | May 1, 2006 |
| Description: | An automatic yearly renewable term agreement |

| | |
|---|---|
| | primarily for whole life risks (surname M-Z). |
| Retention: | $ 0 to $ 250,000 depending on age and table |

*Accidental Death Carve Out/Catastrophe Reinsurance*

In 2005, the Company began to reinsure its accidental death exposure in a separate agreement. This agreement is also utilized as the Company's catastrophe coverage. Effective January 1, 2010, the reinsurers included in the agreement were Generali USA Life Reassurance Company (50%) and Centurion Life Insurance Company (50%). The attachment point at which benefits under the agreement are paid is $4,120,000 for 2010.

Other Considerations:

All of the Company's significant reinsurance agreements were found to contain such language as recommended by the NAIC and as required for reinsurance credit pursuant to TENN. CODE ANN. § 56-2-207(a)(2). All agreements also appear to effectuate proper transfer of risk in accordance with SSAP No. 61 and NAIC guidelines.

## COMMISSION EQUITY

The Company cedes premiums under reinsurance agreements on a written basis and in the event of termination, the Company would be obligated to return any unearned ceding commissions to the reinsurers. The reinsurance agreements remain in force until cancellation or expiry of the policies in the event of termination; therefore, no return of premium or ceding commission would be required. The agreements call for ceding commissions paid on a new premium basis (written premiums less the return premiums on policies that are cancelled prior to the end of the policy period.) Through the aforementioned and other various provisions in the agreements, the Company has no ultimate or contingent liability.

## AGREEMENTS WITH PARENT, SUBSIDIARIES AND AFFILIATES

Management Services Agreements:

The Company entered into a Management Services Agreement with Tennessee Farmers Mutual Insurance Company effective December 21, 1973. Under terms of the agreement, the parent performs all management, administrative and other services that are reasonably necessary for the operation of the Company. These services include, but are not limited to: employee, legal, claims, managerial and accounting. The agreement ending date was December 31, 1993 with the option to renew on calendar year basis

The agreements provide for the Company to be paid for services and supplies in

an amount determined in accordance with Treasury Regulation Section 1.482-2(b)(3) et seq. as codified in United States Internal Revenue Code Title 26. The agreements call for settlement to be remitted on a quarterly basis.
During 2010, the Company incurred expenses totaling $7,742,792 to Tennessee Farmers Mutual Insurance Company.

Agreement To Allocate Consolidated Federal Income Tax Liability:

The Company files a consolidated tax return including the following named subsidiaries:

TF Investment Corporation
A Total Travel Agency, Inc.

The Agreement to Allocate Consolidate Federal Income Tax Liability was entered into effective December 31, 2010. Previous agreements had been effective as of December 31, 2008, December 31, 2004 and December 31, 2000.

Federal Income Tax Allocation for 2010:

| | |
|---|---|
| The Company | $8,083,272 |
| TF Investment Corporation | $1,648,406 |
| A Total Travel Agency, Inc. | $ 1,546 |

Equipment Lease:

The Company entered into Lease Agreement with Tennessee Farmers Mutual Insurance Company on January 1, 2004 maturing December 31, 2004. The lease automatically renews unless either party gives notice to discontinue. The Company purchases most of the equipment used within the holding company group and then leases back to various members. Expense is calculated based upon the expected useful life of the equipment and any other expense associated with the equipment.

During 2010, the Company billed the following:

| | |
|---|---|
| Tennessee Farmers Mutual insurance Company | $5,389,689 |
| A Total Travel Agency, Inc. | $ 21,752 |

Lease for Office Space:

During 2010, the Company invested $914,690.66 into new claims offices in Maury and Hamilton Counties for TFMIC to use as a District Claims Office. The Company also owns office properties in Davidson, Dickson, Wayne, Shelby, Madison, Putnam, Greene, Wilson and Coffee County that are leased to TFMIC for claims offices and other operations.

During 2010, the Company billed the following:

| | |
|---|---|
| Tennessee Farmers Mutual Insurance Company | $1,252,212 |
| Tennessee Farmers Support Service Company | $ 46,462 |

## STATUTORY DEPOSITS

In compliance with statutory requirements, the Company maintained the following deposits at December 31, 2010.

| Where Deposited and Description | Par Value | Statement Value | Market Value |
|---|---|---|---|
| Tennessee | | | |
| Columbus Ohio G/O Bond 5.375% | $2,000,000 | $2,082,999 | $2,238,999 |
| Total general deposits held for the benefit of all policyholders of the Company | 2,000,000 | 2,082,999 | 2,238,999 |
| Total | $2,000,000 | $2,082,999 | $2,238,999 |

The above deposit was confirmed with the custodian at the Division of Insurance and with First Farmers and Merchants Bank.

## DIVIDENDS OR DISTRIBUTIONS

During the period under examination, the Company paid the following amounts in dividends to policyholders:

| Year | Amount |
|---|---|
| 2006 | $ 0 |
| 2007 | 0 |
| 2008 | 2,995,819 |
| 2009 | 3,046,948 |
| 2010 | 3,127,206 |
| Total | $9,169,973 |

## ACCOUNTS AND RECORDS

During the course of the examination, accounts were verified by various tests and procedures deemed necessary to confirm values for assets and liabilities appearing in

the Company's financial statements. All of the Company's investment securities were confirmed with the custodian of such securities as of the date of this examination. General ledger trial balances were reconciled with copies of annual statements for the years 2006, 2007, 2008, 2009, and 2010.

The Company's Risk Based Capital Report was reviewed. The Company was in compliance with TENN. CODE ANN. § 56-46-101, *et seq.* (Risk Based Capital for Insurers).

Accounting records conform to generally accepted insurance accounting practices and appear to properly reflect the operations during the period under examination and the status of the Company at the date of examination.

The Company is audited annually by Johnson Lambert & Co., LLP, Raleigh, North Carolina. TENN. COMP. R. & REGS. § 0780-01-65-.08(4) requires that no partner or other person primarily responsible for rendering a report by a certified public accounting firm may act in that capacity for more than five (5) consecutive years. The Company is in compliance with this regulation.

Books and records of the Company are kept at the home office location:

147 Bear Creek Pike
Columbia, Tennessee 38401

## LITIGATION AND CONTINGENT LIABILITIES

From the examination data made available, it appears that the only matters of law in which the Company was involved, during the period under review, were those arising out of the normal course of business and the outcome of such actions should not have a material effect on the financial position of the Company.

The Company purchased $10,000,000 of premium tax credits provided under the Tennessee Small Business Investment Company Credit Act during 2010 at a cost of $7,402,110. Payment is due in three yearly installments with the first installment of $1,539,328 having been paid in 2010. The remaining $5,862,782 balance will be paid in 2011 and 2012. At December 31, 2010, the $1,539,328 was categorized as Other Assets for statutory accounting purposes.

The Company is affected by a commitment between TF Properties, Inc. (TFP) and Tennessee Rural Health Improvement Association (TRH) whereby TFP agrees to pay TRH 20% of the gross proceeds from the sale the TETRA 26 property in excess of $31,000,000. If proceeds are less than $31,000,000, TRH would not receive any portion of the sale proceeds. TFP is 50% owned by the Company.

## FINANCIAL STATEMENT

There follows a statement of assets, liabilities and summary of operations at December 31, 2010, together with a reconciliation of capital and surplus for the period under review, as established by this examination:

### ASSETS

| | Assets | Non-admitted Assets | Net Admitted Assets |
|---|---|---|---|
| Bonds | $1,027,466,888 | | $1,027,466,888 |
| Preferred Stocks | 3,670,951 | 625,000 | 3,045,951 |
| Common Stocks | 328,821,527 | | 328,821,527 |
| Mortgage loans on real estate (first liens) | 9,013,873 | | 9,013,873 |
| Properties occupied by the company | 11,109,021 | | 11,109,021 |
| Properties held for sale | 809,132 | | 809,132 |
| Cash and short-term investments | 46,425,497 | | 46,425,497 |
| Contract loans | 15,999,954 | 205,196 | 15,794,758 |
| Other invested assets (limited partnerships and American Agriculture Surplus Debentures) | 14,400,743 | 1,095,971 | 13,304,772 |
| Receivable for securities | 648,815 | 9,602 | 639,213 |
| Investment income due and accrued | 15,801,019 | 200,846 | 15,600,173 |
| Uncollected premiums and agents balances in the course of collection | 487,615 | | 487,615 |
| Deferred premiums and agents balances booked but deferred and not yet due | 479 | | 479 |
| Amounts recoverable from reinsurers | 67,882 | | 67,882 |
| Net deferred tax asset | 32,993,525 | 16,359,967 | 16,633,558 |
| Electronic data processing equipment | 13,801 | 13,801 | 0 |
| Furniture and equipment | 72,792 | 72,792 | 0 |
| Receivables from parent, subsidiaries and affiliates | 2,459,755 | | 2,459,755 |
| Rounding | 2 | 1 | 1 |
| Math adjustment for cross check to "Liabilities, Capital, and Surplus" | | | -9 |
| Aggregate write-ins for other than invested Assets | 42,150,779 | 5,693,172 | 36,457,607 |
| Totals | $1,552,414,050 | $24,276,348 | $1,528,137,693 |

### Detail of Aggregate Write-ins for Other Than Invested Assets

| | Assets | Non-admitted Assets | Net Admitted Assets |
|---|---|---|---|
| Company owned life insurance cash value | $34,405,256 | | $34,405,256 |
| Miscellaneous accounts receivable | 513,023 | | 513,023 |
| Purchased tax credits | 1,539,328 | | 1,539,328 |
| For lease equipment, autos and receivable for company stock | 5,693,172 | $5,693,172 | 0 |
| Totals | $42,150,779 | $5,693,172 | $36,457,607 |

## LIABILITIES, CAPITAL, AND SURPLUS

| | |
|---|---|
| Aggregate reserve for life contracts | $1,112,184,566 |
| Aggregate reserve for accident and health contracts | 18,917 |
| Liability for deposit-type contracts | 113,948,488 |
| Life claims | 6,785,674 |
| Accident and health claims | 163,000 |
| Dividends apportioned for payment | 3,155,913 |
| Premiums and annuity considerations received in advance | 134,467 |
| Interest maintenance reserve | 4,134,241 |
| Commissions to agents due or accrued | 850,569 |
| General expenses due or accrued | 778,758 |
| Taxes, licenses and fees due or accrued | 1,172,858 |
| Current federal income tax payable and interest thereon | 514,011 |
| Unearned investment income | 246,233 |
| Remittances and items not allocated | 3,976,463 |
| Liability for benefits for employees and agents | 3,627,022 |
| Asset valuation reserve | 17,724,229 |
| Payable to parent, subsidiaries and affiliates | 1,384,415 |
| Drafts outstanding | 90,787 |
| Payable for securities | 688,326 |
| Total Liabilities | 1,271,578,937 |
| Common capital stock | 19,804,786 |
| Gross paid in and contributed surplus | 8,101,303 |
| Unassigned funds | 228,652,667 |
| Total capital and surplus | 256,558,756 |
| Total liabilities, capital and surplus | $1,528,137,693 |

## SUMMARY OF OPERATIONS

| | |
|---|---|
| Premiums and annuity considerations for life and accident and health contracts | $183,821,646 |
| Net investment income | 66,590,758 |
| Amortization of interest maintenance reserve, IMR | 806,989 |
| Commissions and expense allowance on reinsurance ceded | 1,602,986 |
| Rounding | 1 |
| Aggregate write-ins for miscellaneous income | 7,587,196 |
| Total revenues | 260,409,576 |
| Death benefits | 29,085,688 |
| Matured endowments | 1,921 |
| Annuity benefits | 9,215,659 |
| Disability benefits under accident and health contracts | 586,500 |
| Surrender benefits and withdrawals for life contracts | 52,095,191 |
| Interest and adjustments on contract or deposit-type contract funds | 4,247,174 |
| Rounding | 1 |
| Increase in aggregate reserves for life and accident and health contracts | 85,524,224 |
| Sub Total | 180,756,358 |
| Commissions on premiums annuity considerations and deposit-type contract funds | 14,401,493 |
| Commissions and expense allowances on reinsurance assumed | 288,095 |
| General insurance expenses | 15,856,275 |
| Insurance taxes, licenses and fees excluding federal income tax | 3,061,714 |
| Increase in loading on deferred and uncollected premiums | (23,301) |
| Aggregate write-ins for deductions | 736,536 |
| Total | 215,077,170 |
| Net gain from operations before dividends to policyholders and federal income tax | 45,332,406 |
| Dividends to policyholders | 3,127,206 |
| Net gain from operations after dividends to policyholders and before federal income tax | 42,205,200 |
| Federal income tax incurred | 7,921,025 |
| Net gains from operations after dividends to policyholders and after federal income and before realized capital gains and losses | 34,284,175 |
| Net realized capital gains | 5,140,427 |
| Net income | $39,424,602 |

## CAPITAL AND SURPLUS

| | | |
|---|---|---|
| Surplus as regards policyholders, December 31 prior year | | $228,637,606 |
| Net income | $39,424,602 | |
| Change in net unrealized capital gains (losses) | (4,440,037) | |
| Change in net deferred income tax | 15,122,513 | |
| Change in non-admitted assets | (18,665,119) | |
| Change in asset valuation reserve | (4,434,421) | |
| Capital adjustments: Paid in | (73,799) | |
| Capital adjustments: Transferred from surplus (stock dividend) | 946,318 | |
| Surplus adjustments: Paid in | 396,387 | |
| Surplus adjustments: Transferred to capital (stock dividend) | (946,318) | |
| Aggregate write-in for gains and losses in surplus | 591,023 | |
| Rounding | 1 | |
| Change in surplus as regards policyholders for the year | | 27,921,150 |
| Surplus as regards policyholders, December 31 current year | | $256,558,756 |

### Detail of Aggregate Write-ins

| | |
|---|---|
| Rental income | $5,661,300 |
| Other income | 650,714 |
| Rounding | (1) |
| Company owned life insurance income | 1,275,183 |
| Aggregate income | $7,587,196 |
| Increase in agents benefits | 735,144 |
| Equipment for lease and real estate loss | 1,392 |
| Aggregate expense | $736,536 |
| Treasury stock cancelled | $(2,574,471) |
| Additional deferred tax asset as a result of SSAP 10R, PAR 10E | 3,165,494 |
| Aggregate surplus change | $591,023 |

## RECONCILIATION OF CAPITAL AND SURPLUS
## FOR THE PERIOD UNDER EXAMINATION

| **Surplus as regards policyholders December 31** | **2006** | **2007** | **2008** | **2009** | **2010** |
|---|---|---|---|---|---|
| Previous Year | $173,260,614 | $181,332,852 | $196,029,788 | $202,244,823 | $228,637,606 |
| Net Income | 5,358,393 | 9,655,369 | (5,725,665) | 12,075,888 | 39,424,602 |
| Change in net unrealized capital gains (losses) | 5,020,421 | 10,316,029 | (9,071,391) | 7,026,531 | (4,440,037) |
| Change in net deferred income tax | 2,951,284 | (58,896) | 9,591,310 | 7,502,395 | 15,122,513 |
| Change in non-admitted assets | (1,836,258) | (1,551,870) | 1,140,491 | 1,542,961 | (18,665,119) |
| Change in reserve on account of change in valuation basis | 0 | 0 | 473,124 | 1,401,178 | 0 |
| Change in asset valuation reserve | (3,108,913) | (2,622,390) | 10,882,385 | (5,170,596) | (4,434,421) |
| Cumulative effect of changes In accounting principles | 0 | 0 | 0 | 125,851 | 0 |
| Capital changes: Paid in | (11,982) | (39,015) | (37,728) | (131,157) | (73,799) |
| Capital changes: Transferred from surplus (stock dividend) | 843,811 | 885,061 | 556,595 | 0 | 946,318 |
| Surplus adjustments: Paid in | 370,061 | 372,747 | 461,530 | 374,551 | 396,387 |
| Surplus adjustments: Transferred to capital (stock dividend) | (843,811) | (885,061) | (556,595) | 0 | (946,318) |
| Aggregate write-ins for gains and losses in surplus | (670,768) | (1,375,036) | (1,499,018) | 1,645,180 | 591,023 |
| Rounding to $ | 0 | (2) | (3) | 1 | 1 |
| **Surplus as regards to policyholders December 31 Current Year** | **$181,332,852** | **$196,029,788** | **$202,244,823** | **$228,637,606** | **$256,558,756** |

## ANALYSIS OF CHANGES IN FINANCIAL STATEMENT AND COMMENTS RESULTING FROM EXAMINATION

Differences in various items were noted during the course of examination; however, none were considered to produce a material effect on surplus funds, as regards policyholders, either singly or in aggregate.

## SUMMARY SCHEDULE FOR "ANALYSIS OF CHANGES IN FINANCIAL STATEMENT AND COMMENTS RESULTING FROM EXAMINATION" AS THEY AFFECT MEMBER EQUITY (SURPLUS)

No schedule or comment is applicable. All noted differences were within the tolerable error and planning materiality established for examination purposes.

## COMMENTS AND RECOMMENDATIONS

### Comments:

- In order to better comply with the requirements of "Unfair methods of competition and unfair or deceptive acts or practices" defined by the Tennessee Code, the Company formalized its "Complaint Policy and Procedures" during the examination in order to create a new data base which more accurately captures all complaints and makes database access more assessable.

  The new complaint handling system is designed to capture complaints and record all actions in a database that would provide upon request a detailed complaint register listing both complaints received directly by the Company and complaints received through the TDCI. The new system is designed to track each complaint from receipt to completion of actions required.

  This system was discussed in this report under the caption, "MARKET CONDUCT ACTIVITIES, Policyholder Complaints." Further comment and discussion was also made available to the Company in the Management Letter.

### Recommendations:

- None

## CONCLUSION

Insurance examination practices and procedures, as promulgated by the National Association of Insurance Commissioners, have been followed in connection with the verification and valuation of assets and the determination of liabilities of Tennessee Farmers Life Insurance Company.

In such manner, it was determined that, as of December 31, 2010, the Company had admitted assets of $1,528,137,693 and liabilities, exclusive of unassigned funds, of $1,271,578,937. Thus, there existed for the additional protection of the policyholders, the amount of $256,558,756 in the form of capital, gross paid in and contributed surplus and unassigned funds (surplus).

The courteous cooperation of the officers and employees of the Company extended during the course of the examination is hereby acknowledged.

In addition to the undersigned, David N. Bobo and Gregrory Bronson, CIE, MCM Insurance Examiners for the state of Tennessee participated in the work of this examination. Norman Chandler, CPA, CPCU, CFE, ARe, AIAF, ARC, ACP with the contracting reinsurance specialist firm, TaylorChandler, LLC, Montgomery Alabama additionally participated in the work of this examination. An actuarial review was performed by Michael A. Mayberry, FSA, MAAA with Lewis & Ellis, Inc. of Richardson, Texas.

Respectfully submitted,

Keith M. Patterson
Insurance Examiner
State of Tennessee
Southeastern Zone, N.A.I.C.

## AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of Tennessee Farmers Life Insurance Company dated, June 15, 2012, and made as of December 31, 2010, on behalf of the Department of Commerce and Insurance, state of Tennessee. Deponent further says he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

Keith M. Patterson
Insurance Examiner
State of Tennessee
Southeastern Zone, N.A.I.C.

Subscribed and sworn to before me

this 15th day of

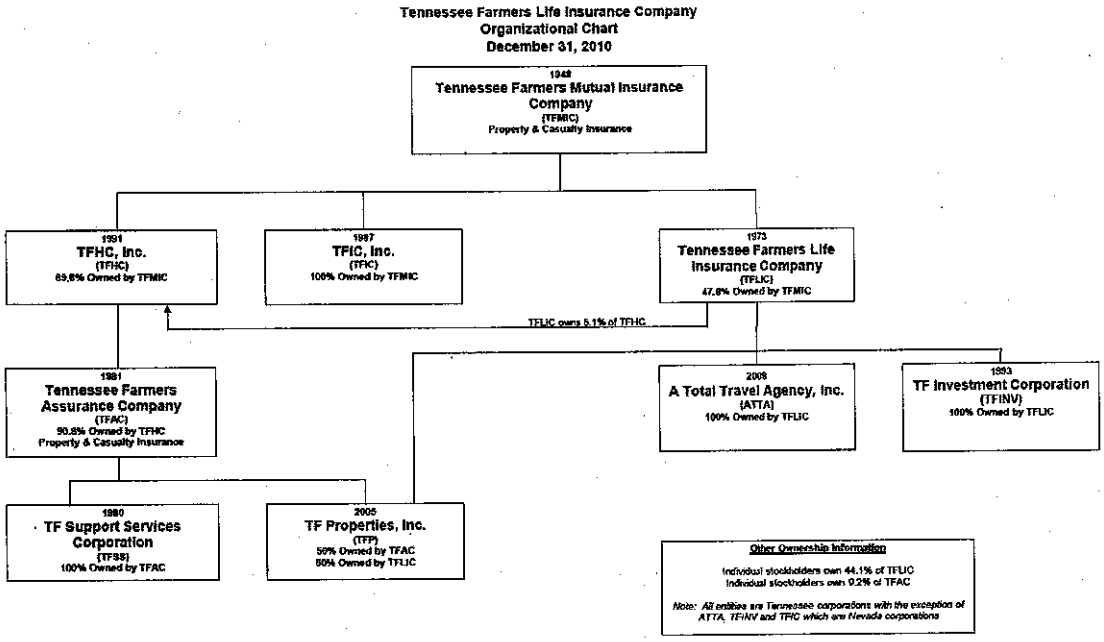
June, 2012

Notary Helen W. Dorsey

County Davidson

State Tennessee

Commission Expires 03/03/2014

HELEN W DORSEY
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY

# ORGANIZATIONAL CHART