EXHIBIT
A

REPORT ON EXAMINATION

of the

TENNESSEE FARMERS LIFE INSURANCE COMPANY
147 BEAR CREEK PIKE
COLUMBIA, TENNESSEE

RECEIVED
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Company Examinations

as of

DECEMBER 31, 2005

DEPARTMENT OF COMMERCE AND INSURANCE

STATE OF TENNESSEE

NASHVILLE, TENNESSEE

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Columbia, Tennessee
June 13, 2008

Honorable Leslie A. Newman
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 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 Commissioner of Commerce and Insurance of the State of Tennessee on August 7, 2006. On-site examination work commenced on September 25, 2006. The examination was not classified as an Association examination due to the Company only having authority to write business in Tennessee; and therefore, was not called for any zone participation. The examination was performed by duly authorized representatives of the Department of Commerce and Insurance, State of Tennessee (TDCI) and was conducted simultaneously with three (3) other insurance companies in the Tennessee Farmers Insurance Group, all based in Columbia, Tennessee as follows:

Tennessee Farmers Life Reassurance Company
Tennessee Farmers Mutual Insurance Company
Tennessee Farmers Assurance Company

SCOPE OF EXAMINATION

This examination report covers the period from December 31, 2000, the date of the last previous examination, to the close of business on December 31, 2005,

and includes any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

The examination of the financial condition of the Company was conducted in accordance with guidelines and procedures contained in the National Association of Insurance Commissioners (NAIC) Examiners Handbook. During the course of examination, assets were verified and valued and liabilities were determined and estimated as of December 31, 2005. The financial condition of the Company and its amount of solvency were thereby established. Test checks were made of income and disbursement items for selected periods, and a general review was made of the Company's operations, practices, and compliance with applicable statutes and regulations. All asset and liability items contained in the financial statement of this report were examined and verified with relative emphasis according to their amount and potential impact on capital and surplus.

In addition, the following topics were reviewed:

Comments – Previous Examinations
Company History
Charter and Bylaws
Management and Control
Corporate Records
Fidelity Bonds and Other Insurance
Territory (includes inforce/premium by state)
Plan of Operation
Reinsurance
Retirement Plan and Other Employee Benefits
Loss Experience
Accounts and Records
Statutory Deposits
Agreements with Parent, Subsidiaries and Affiliates
Pecuniary Interest Tenn. Code Ann. § 56-3-103
Commission Equity
Dividends or Distributions
Litigation
Subsequent Events
Financial Statement

COMMENTS – PREVIOUS EXAMINATIONS

The previous full scope financial examination was conducted as of December 31, 2000, by authorized representatives of the Department of Commerce and Insurance, State of Tennessee. The previous examination resulted in a decrease of $9,235,109 in surplus due to adjustments on a mortgage loan deemed to be in default, accrued investment income on the mortgage loan, and

indirect ownership in Tennessee Farmers Assurance Company through the Company's holding in TFHC, Inc. The adjustment to the admitted value of TFHC, Inc. was to reflect the decrease in TFHC, Inc.'s holding value of Tennessee Farmers Assurance Company's mortgage loan through impaired common stock.

No regulatory requirements resulted from the previous examination. Several comments were made in the previous examination report to which the Company made a formal reply. These comments and replies are outlined as follows:

- Registered Agent: The report cited the comment from the examination as of December 31, 1995 stating that the Registered Agent for the Company had changed and that this was not reflected via a charter amendment. The Company advised that the change of registered agent is made in the annual filing with the State of Tennessee, Secretary of State and does not warrant a change in the charter. The Department of Commerce and Insurance has made regulatory requirement in this matter, and no charter amendment has been deemed necessary.

- Corporate Records – Board Approval for Actuaries and Independent Auditors: The report cited the fact that formal board approval was absent for the actuary and independent auditor for the years under examination. The Company agreed with the findings; however, their reply stated that formal approval was present for subsequent years. Said approval was also verified during the current examination.

- Insurance Products and Related Practices – Complaints: The report stated that complaint information was recorded on logs in two different locations and that some information may have not been recorded. The Company responded that going forward all complaints would be recorded on the log located in the Chief Operating Officer's office which will centralize the information and resolution process.

- Litigation and Contingent Liabilities: The report referenced the Company has disclosed a possible contingent liability. The Internal Revenue Service conducted an audit for tax years 1991 – 1997 and requested documents for the years 1998 - 2000. Some adjustments resulted, and these adjustments were applied to tax years, 1998 through 2000. The Company agreed with the statement. No financial adjustments were made. It was for disclosure of the facts of the issue.

- Common Stocks: Value was reduced by $248,998 per examination due to the Company's indirect ownership in Tennessee Farmers Assurance Company, which had a mortgage loan non-admitted during the examination. Company replied that said assets would be non-admitted by a direct charge to surplus on future financial filings.

- Mortgage Loans on Real Estate: The Company's mortgage loan on real estate was reduced by $8,769,868 per examination. This was due to the Company having a mortgage loan that was deemed to be in default during the examination. Therefore, the unpaid principal balance was non-admitted based upon NAIC Accounting Practices and Procedures.

- Cash: The Company listed some money market investment accounts as cash rather than short term investments in the 2000 Annual Statement. The Company replied that they were in agreement with said interpretation of NAIC Accounting Practices and Procedures and made the proper classification on future financial filings.

- Investment Income Due and Accrued: The Company's investment due and accrued balance was reduced by $216,243 for examination. This was due to the Company having a mortgage loan that was deemed to be in default during the examination. Therefore, the accrued interest balance was non-admitted based upon NAIC Accounting Practices and Procedures.

Findings reviewed during the present examination indicated that the Company has addressed all comments made during the previous financial examination.

During 2004, the TDCI performed a Target Financial Examination of the Company. The Report on the Examination was made as of December 31, 2003 and was signed on December 22, 2004. The recommendations from that exam report are as follows:

- It is recommended that the Company file and report transactions within its holding company system in a holding company registration statement in accordance with Tenn. Code Ann. § 56-11-205.

- It is recommended that the Company's investment subsidiary, TF Investment Corporation, should submit financial statements to the TDCI in accordance with SAP and NAIC Annual Statement Instructions.

- It is recommended that the Company should adopt a corporate investment policy for the Investment Committee with the Board of Director level supervision and periodic review and approval.

- It is recommended that the Company revise its conflict of interest policy and procedures such that investments by the Company that creates a conflict of interest in violation of Tenn. Code Ann. § 56-3-103 are identified and prevented.

Findings reviewed during the present examination indicated that the Company

has complied with all the above recommendations. In reference to the last recommendation, Tenn. Code Ann. § 56-3-103 was amended on April 25, 2005, and the Company's practices are in compliance with the statute as amended.

COMPANY HISTORY

The maximum number of authorized shares of common capital stock was originally established to be 10,000,000 with a par value of $1.00 per share. During 2005, the Company increased the number of authorized shares of common capital stock to 100,000,000 with a par value of $1.00 per share.

On April 6, 1973, the Tennessee Farm Bureau Federation ("the Federation") and the Tennessee Farmers Mutual Insurance Company (TFMIC) subscribed to purchase 150,000 shares and 950,000 shares, respectively, of the authorized common capital stock of the Company. The subscription price of $2.00 per share for a total amount of $2,200,000 was in the form of $1,100,000 capital paid in and $1,100,000 gross paid in and contributed surplus. As of December 31, 2005 the Company had 16,866,681 shares of common capital stock issued and outstanding for total capital paid in of $16,866,681 with total gross paid in and contributed surplus of $6,126,026.

Effective April 30, 1973, the Company was issued an initial Certificate of Authority by the Department of Insurance, State of Tennesseee, to transact the business of Life, Disability and Credit Insurance as defined by Section 56-2-201, TCA. This certificate was in force for the period under review, and is perpetual until it is surrendered by the Company or subjected to regulatory action by the Tennessee Department of Commerce and Insurance.

On October 31, 1980 the Company acquired 1,000 shares in the Tennessee Farmers Insurance Agency, Inc. ("Agency"), Columbia, Tennessee, a wholly owned subsidiary of the Company, at no par value per share for a total cost of $1,000. On August 18, 1981, the Board of Directors of the Company authorized a paid in capital contribution of $39,000 to Agency. On October 11, 1991, the Board of Directors authorized the sale of Agency to an upstream affiliate, Tennessee Farmers Mutual Insurance Company, for the amount of $133,235.

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

The Company owned 100% of the common stock of Capital, which owned 100% of the stock of T F Investment Corp., a Nevada corporation. The Company now

owns 100% of T F Investment Corp. T F Investment Corp. was incorporated 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 of the Department of Commerce and Insurance, the Company provided the 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 T F Investment Corp., and does not flow upstream into the Company's books. As of December 31, 2005 the book value of the bonds invested by the Company in T F Investment was $193,414,286.

At December 31, 2005, the Company was licensed in one state, Tennessee.

The Company's common capital stock, gross paid-in and contributed surplus and unassigned surplus, as reported by the Company in its Annual Statements, for the period under review is as follows:

Date	Common Capital Stock	Gross Paid In and (Surplus)	Unassigned Funds Surplus	Total Capital and Surplus
12/31/2001	$7,639,538	$514,740	$125,125,475	$133,279,753
12/31/2002	8,005,289	5,078,496	118,597,585	131,681,370
12/31/2003	8,223,512	5,392,394	132,196,335	145,812,241
12/31/2004	8,437,423	5,782,462	149,054,281	163,274,165
12/31/2005	16,866,681	6,126,061	150,267,907	173,260,614

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 Department of Commerce and Insurance, State of Tennessee.

Date	Admitted Assets	Liabilities	Unassigned Funds (Surplus)	Net Written Premiums
12/31/2001	$659,086,673	$525,806,920	$125,125,475	$31,548,738
12/31/2002	739,897,584	608,216,214	118,597,585	35,667,627
12/31/2003	812,634,863	666,822,622	132,196,335	54,637,947
12/31/2004	908,276,887	745,002,721	149,054,281	54,109,839
12/31/2005	970,942,507	797,681,892	150,267,907	55,354,890

CHARTER AND BYLAWS

Charter:

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 primary 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..."

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 was to Section 6 deleting the number "10,000,000" and replacing it with the number "100,000,000". The change increased common capital stock from 10,000,000 to 100,000,000. The amendment was duly adopted at the Annual Meeting of the shareholders on April 25, 2005 upon motion of the Board of Directors and was effective as of the same date.

In addition to the above, the Company's charter recites other general and specific powers. They are usual in nature and consistent with statute.

Bylaws:

The restated Bylaws of the Company in effect at December 31, 2005 were enacted effective April 9, 1992 in order to comply with the Tennessee Corporation Act of 1986 and to alleviate any technical deficiencies that may have accumulated since the Company was incorporated.

The Bylaws provide for an 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 members.

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. The Board of Directors shall consist of not less than five nor more than 25 members. The number of directors shall be set by the Board of Directors.

The current Bylaws are such as generally found in corporations of this type and contain no unusual provisions. They provide for regulation of the business and for the conduct of the affairs of the Company, directors and its members. The Company's Bylaws have not been amended 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 of the Company shall consist of not less than five or more than 25 members. The composition of the board has been identical for all four companies comprising the Tennessee Farmers Group. The following persons had been duly elected and were serving as members of the Company's Board at December 31, 2005:

Name, Address and County	Principal Occupation
Flavius Barker Columbia, TN (Sequatchie)	President & Chairman of the Board/Farmer
Lacy Upchurch Crossville, TN (Cumberland)	Vice President/Farmer
Jeff Aiken Telford, TN (Washington)	Farmer
Malcolm Burchfiel Newbern, TN (Dyer)	Farmer
Linda Davis Rutherford, TN (Gibson)	Farmer/Homemaker
Joan Fussell Erin, TN (Houston)	Farmer/Homemaker
Charles Hancock Bumpus Mills, TN (Stewart)	Farmer
Dan Hancock Smithville, TN (DeKalb)	Farmer
David Mitchell Blaine, TN (Grainger)	Farmer
William Danny Rochelle	Farmer

Nunnelly, TN (Hickman)

Bobby Willis Hillsboro, TN (Coffee)	Farmer
Willard Brown Cookeville, TN (Putnam)	Farmer
Martin Davis Shelbyville, TN (Bedford)	Farmer
Robert Earhart Bristol, TN (Sullivan)	County Executive
Allen Peddy Henderson, TN (Chester)	Farmer
Jack Sanders Charleston, TN (Bradley)	Farmer

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 Federation, which in turn requires membership in 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, 2005:

Flavius Barker	President & Chairman of the Board
Lacy Upchurch	First Vice President
Matthew M. Scoggins, Jr.	Chief Executive Officer
Wayne Harris	Chief Financial Officer
Edward Lancaster	General Counsel & Secretary

Dennis Stephen	Chief Operating Officer, Life Operations
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, 2005:

Wayne Merrill	Vice President, Accounting
Steve Burt	Vice President, Information Services

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, 2005 is as follows:

Name	Title
Flavius Barker	President
Matthew M. Scoggins, Jr.	Chief Executive Officer
Hulet Chaney	Chief Executive Officer Emeritus
Wayne Harris	Chief Financial Officer
Dennis Stephen	Chief Operating Officer – Life Operations
Non Voting Members	
Randy Maxwell	Investment Portfolio Manager
David Williamson	Investment Portfolio Manager
Edward Lancaster	Secretary

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, MAAA Actuarial Resources Corporation of Georgia, Inc. 4080 McGinnis Ferry Road, Suite 901 Alpharetta, Georgia
Auditing Services:	PricewaterhouseCoopers, LLC 500 West Main Louisville, Kentucky

A holding company organizational chart is included at the last page of this examination report.

CORPORATE RECORDS

The minutes of meetings of the Company's stockholders, Board of Directors including Executive Session, and Investment Committee were reviewed for the period under examination. The minutes appear to be in proper order and accurately report the proceedings of each respective meeting.

FIDELITY BOND AND OTHER INSURANCE

The Company has elected to self-insure its fidelity coverage with the exception of its retirement plan. Minimum fidelity bond coverage of $1,250,000 to $1,500,000 is suggested by guidelines published in the NAIC Financial Condition Examiners Handbook. The outline of the bond coverage for the retirement plan is included in the schedule of insurance maintained by the Company at December31, 2005 which follows:

Type of Coverage	Coverage Limits
1. 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

Coverage is underwritten by the Company on their policy form. The policy is issued to the Tennessee Farmers Life Insurance Company with the

Company listed as a named insured.

2. Directors and Officers

Aggregate	$10,000,000
Deductible each claim	$100,000

Coverage is underwritten by Great American Insurance Company which is licensed in Tennessee as a "Foreign Property and Casualty Insurer".

3. Workers Compensation Excess Coverage

A. Workers compensation	Tennessee statutory limit
Specific retention	$350,000 each accident, each employee
B. Employers liability	
Bodily injury by accident	$1,000,000 each accident
Bodily injury by disease	$1,000,000 each accident
Specific retention	$350,000
Aggregate limit	$1,000,000

Coverage is underwritten by Midwest Employers Casualty Company which is licensed in Tennessee as a "Foreign Property and Casualty Insurer".

TERRITORY

As of December 31, 2005, and as of the date of this examination report, the Company was licensed to transact business only in the State of Tennessee. The Certificate of Authority for that jurisdiction was reviewed.
During 2005, the Company had net written premiums in one (1) state:

State	Amount
Tennessee	$55,354,890
Total	$55,354,890

PLAN OF OPERATION

The Company markets 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 policies are issued with medical examination requirements or on a non-medical basis. The annuities are issued

on both a qualified and a non-qualified basis. The annuity plans include flexible premium deferred annuities, single premium deferred annuities, and single premium immediate annuities. Policy plans currently offered by the Company and in force at December 31, 2005 are as follows:

Plan	Minimum Face Amount ($'s)
Eagle One – Universal Life	10,000
The Advantage – Universal Life	100,000

	Minimum Premium Amounts ($'s)
Flexible premium deferred annuity	7.50 per month / 50.00 annual
Single premium deferred annuity	500 minimum single premium
Single premium immediate annuity	2,500 minimum single premium

Additional optional riders can be attached to the universal life plans. They include the following: spouse's term insurance, children's term insurance, guaranteed insurability option, waiver of the cost of insurance upon disability and accidental death benefit. The accidental death benefits are 100% reinsured under a separate reinsurance agreement.

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 419 captive agents at December 31, 2005 are independent contractors serving as either Agency Managers or Agents. These agents also market business for the affiliated companies; Tennessee Farmers Life Reassurance Company, Tennessee Farmers Mutual Insurance Company, and Tennessee Farmers Assurance Company.

The production offices are primarily located in local Farm Bureau offices in the 95 counties of the State of Tennessee. The Agency Managers authorize 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 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 in its home office.

REINSURANCE

The Company routinely assumes and cedes reinsurance with other insurance companies. The Company's significant reinsurance agreements are summarized

below.

Ceded Reinsurance with Affiliates

Tennessee Farmers Life Reassurance Company

The company cedes 100% quota share of its life, waiver of premium and accidental death policies to Tennessee Farmers Life Reassurance Company thru a coinsurance agreement effective March 31, 1987. This agreement covers policies issued by the Company and policies in force on the effective date of the agreement.

Tennessee Farmers Mutual Insurance Company (TFMIC)

The company cedes 100% of its annuity risks to Tennessee Farmers Mutual Insurance Company (TFMIC) thru a coinsurance/modified coinsurance agreement effective January 1, 2002.

Ceded Reinsurance with Non-Affiliates

Business Men's Assurance Company of America (BMA),part of the Generali Group

The Company has the following agreements with BMA:

1) Effective Date:	January 1, 1997
Description:	An automatic/facultative coinsurance agreement for life and waiver of premium risks. Coverage applies primarily to the Company's "The Advantage" policies (surname A-L).
Retention:	$ 0 to $ 250,000 depending on age and table.
Maximum Ceded Amounts:	4 times the Company's retention
2) Effective Date:	April 15, 2000
Description:	An automatic/facultative coinsurance agreement for life and waiver of premium risks. Coverage applies primarily to the Company's "Eagle One" and "The Advantage" (surname M-Z) policies.
Retention:	$ 0 to $ 250,000 depending on age and table, subject to a $24,999 deductible.
Maximum Ceded Amounts:	4 times the Company's retention.

American United Life Insurance Company (AUL)

The Company has the following agreement with AUL:

Effective Date:	April 15, 2000
Description:	An automatic/facultative YRT agreement that covers the Company's "Advantage UL" policies.
Retention:	$ 0 to $ 250,000 depending on age and table.
Maximum Ceded Amounts:	$ 0 to $ 1 million depending on age and table.

Indianapolis Life Insurance Company

The company issues survivor life policies that are 100% reinsured and administered by Indianapolis Life Insurance Company. This agreement is effective March 1, 1999.

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.

RETIREMENT PLAN AND OTHER EMPLOYEE BENEFITS

During the period covered by the examination, the Company had no employees. Its necessary functions were performed in accordance with a management agreement between the Company and its affiliate Tennessee Farmers Mutual Insurance Company (TFMIC). The management contract is renewed on a calendar year basis. Payment for services rendered is to be made quarterly and no later than the 15th day of the month following each calendar quarter in which the expenses were incurred. Reimbursement of expenses is based on generally accepted accounting principles.

MORTALITY AND LOSS EXPERIENCE

Ordinary Life

Year	Net Death Benefits Incurred	Reserves Released by Death	Actual Death Benefits Incurred	Expected Mortality	Mortality Experience Ratio
2001	$6,814,808	$474,336	$6,340,472	$13,494,326	46.99%
2002	7,746,852	581,119	7,165,733	13,808,994	51.89%
2003	8,669,900	589,890	8,080,010	15,299,170	52.81%
2004	7,966,899	644,143	7,322,756	15,329,256	47.77%
2005	11,017,313	719,186	10,298,127	16,783,282	61.36%

ACCOUNTS AND RECORDS

During the course of examination, such tests and audit procedures were made as were considered necessary, including substantial verification of postings, extensions and footings and reconciliation of subsidiary ledgers to control accounts where necessary. General ledger trial balances were reconciled with copies of annual statements for the years 2001, 2002, 2003, 2004 and 2005.

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's Risk Based Capital Report was reviewed. The Company was in compliance with Title 56, Chapter 46, of the Tennessee Code Annotated (Risk Based Capital for Insurers).

An annual audit of the Company is performed by an independent accounting firm, PricewaterhouseCoopers, LLP.

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

147 Bear Creek Pike
Columbia, Tennessee 38401

STATUTORY DEPOSITS

In compliance with statutory requirements, the Company maintained the following deposits at December 31, 2005.

Where Deposited and Description	Par Value	Book/Adjusted Carrying Value	Fair Value
Tennessee			
Fannie Mae Agency 4.25%, Due 5/15/2009 Cusip # 31359M-VE-0	$ 1,000,000	$ 1,013,785	$ 985,310
U.S. Treasury Note United States of America 6.625%, Due 5/15/2007 Cusip # 912827-2U-5	1,000,000	1,003,959	1,029,060
Total general deposits held for the benefit of all policyholders and creditors of the Company	2,000,000	2,017,744	2,014,370
Total	$2,000,000	$2,017,744	$2,014,370

The above deposit was confirmed with the custodian at the Division of Insurance.

AGREEMENTS WITH PARENT, SUBSIDIARIES AND AFFILIATES

The Company meets the definition of a holding company pursuant to Tenn. Code Ann. § 56-11-201.

The insurance company in the Tennessee Farmers Group had previously been exempt from registration requirements under Tenn. Code Ann. § 56-11-205 based upon a letter from Commissioner Elaine McReynolds dated February 12, 1987 which granted the exemption pursuant to Tenn. Code Ann. § 56-11-205 (j).

During 2004, the TDCI performed a Target Financial Examination of the four (4) companies (Tennessee Farmers Life Insurance Company, Tennessee Farmers Life Reassurance Company, Tennessee Farmers Mutual Insurance Company, and Tennessee Farmers Assurance Company) in the Holding Company. The Report on Examination was made as of December 31, 2003 and was signed on December 22, 2004. The TDCI and the Companies subsequently agreed that, henceforth, all Companies would be subject to the regulation requirements under Title 56, Chapter 11, of the Tennessee Code Annotated, "Insurance Holding Company Act of 1986."

The Company started filing the Holding Company Statement, Form B and C with the TDCI for the year, 2004. It also files the appropriate Form D.

The Form D filing for the two (2) agreements referenced under this caption were filed with the TDCI on April 29, 2005 at the same time that the Holding Company Statement for 2004 was filed. Form B, Holding Company System Annual Registration Statement and Form C, Summary of Registration Statement are due to be filed with the Division of Insurance on April 30 of each year pursuant to Tenn. Code Ann § 56-11-205.

Management Services Agreement:

The Company entered into a Management Services Agreement with Tennessee Farmers Mutual Insurance Company to perform 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 provides for the Company to be paid for services and supplies an amount determined in accordance with Treasury Regulation Section 1.482-2 (b) (3) et seq. The agreement calls for settlement to be remitted on a quarterly basis.

The agreement with Tennessee Farmers Mutual Insurance Company was dated December 21, 1973 and had an ending date of December 31, 1973 with the option to renew on calendar year basis thereafter.

During 2005, the Company had incurred and paid expenses to Tennessee Farmers Mutual Insurance Company in the amount of $6,043,738. The Company owed Tennessee Farmers Mutual Insurance $1,343,735 at December 31, 2005.

The Company had receivables at December 31, 2005 in the amount of $5,768,217. Of that total, $1,436,763 is receivable from TFInv., $2,022,032, is receivable from Tennessee Farmers Life Reassurance Company, and $2,309,422 is receivable from Tennessee Farmers Mutual Insurance Company. All inter-company receivables and payables are generally settled within 30 to 60 days.

Agreement To Allocate Consolidated Federal Income Tax Liability:

The Company files a consolidated tax return with its wholly owned subsidiaries:

Tennessee Farmers Capital Corporation (until TFCC dissolved at 6/30/02)
TF Investment Corporation

The Agreement to Allocate Consolidated Federal income Tax Liability was entered into effective December 31, 2004. The previous agreement had been effective as of December 31, 2000.

Federal Income Tax Allocation for 2005:

The Company	$ (682,507)
TF Investment Corporation	$1,436,763

Equipment Lease:

The Company entered into a 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. Expenses are calculated based upon the expected useful life of the equipment and any other expense associated with the equipment.

During 2005, the Company was paid $4,585,062 under this lease.

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

The Company has 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.

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 net 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 for commission equity.

DIVIDENDS OR DISTRBUTIONS

During the period of examination the Company paid the following amounts in stockholder dividends.

Stockholder Dividends

Year	Amount
2001	$365,052
2002	382,146
2003	240,100
2004	246,747
2005	8,442,363
Total Paid During Period of Examination	$9,676,408

LITIGATION

As of December 31, 2005, the Company had no pending litigation, other than that arising out of the normal course of business, which would adversely affect the financial condition of the Company.

The Department of Revenue, State of Tennessee, assessed additional Franchise and Excise Taxes for tax years 1999 – 2002 in the amount of $1,004,228 including penalty and interest. At 12/31/2005, the Company had settled this state tax issue for an amount significantly less than the original assessment. The amount referenced had previously been paid to the Department of Revenue and was not a liability as of 12/31/2005.

SUBSEQUENT EVENTS

Settlement of the Franchise and Excise Tax issue per audit of the Department of Revenue, State of Tennessee was discussed previously under the caption, "LITIGATION."

The Company and its two (2) custodians, The Northern Trust Company and First Farmers and Merchants Bank completed amendments to their custodian agreements during the course of the examination to insure that the documents complied with the technical language pursuant to Tenn. Comp. R. & Regs. ch. 0780-1-46-.03 (2) (a). The rule, which became effective on July 12, 2005, states:

"The custodial agreement required by this rule shall contain the following:

1. A provision stating that the standard of responsibility on the part of the custodian shall not be less than that of the responsibility of a bailee for hire or a fiduciary under statutory or case law of Tennessee;

2. A provision stating that the securities held by the custodian are subject to instructions of the insurance company;

3. A provision stating that the securities may be withdrawn immediately upon demand of the insurance company; and

4. A provision stating that the agreement is between the custodian and the insurance company, and not the parent or affiliate of the insurance company."

The original documents had protective language; however, that language was written in a more generic form than the specific four (4) provisions of the said rule. These amendments were transacted at the request of the Company.

The Northern Trust Company Amendment was effective on March 1, 2007 exhibiting language compliant with Tenn. Comp. R. & Regs. ch. 0780-1-46-.03 (2) (a). Signature date for the Company was March 22, 2007 and signature date for Northern Trust was April 19, 2007.

The First Farmers and Merchants Bank Amendment was effective on March 1, 2007 exhibiting language compliant with Tenn. Comp. R. & Regs. ch. 0780-1-46-.03 (2) (a). Signature date for the Company and First Farmers was June 6, 2007.

The Company determined in August, 2007 that a change would be made in their auditors from PricewaterhouseCoopers, LLP to Blackman Kallick Bartelstein, LLP. This change was related to customer service issues and did not involve any disputed audit findings. This was confirmed and attested by letter from PricewaterhouseCoopers, LLP dated September 24, 2007 in compliance with

Tenn. Comp. R. & Regs. ch. 0780-1-65-.06. Official notice of the change was given to the TDCI via letter from the Company dated August 31, 2007.

On September 25, 2007 representatives of Tennessee Farmers Life Insurance Company and Tennessee Farmers Life Reassurance Company met with the Tennessee Department of Commerce and Insurance regarding the merger of Tennessee Farmers Life Insurance Company and Tennessee Farmers Life Reassurance Company. The order approving the merger, leaving Tennessee Farmers Life Insurance Company as the surviving company, was signed October 4th, 2007. The books and records of Tennessee Farmers Life Reassurance Company will be merged into Tennessee Farmers Life Insurance Company as of January 1, 2008.

The appraisals on real estate were not current according to NAIC Accounting Practices and Procedures SSAP 40, paragraph 12. During the examination, the Company obtained current appraisals on real estate for most properties. In aggregate, the current appraisals will result in the Company having to make no adjustments to the financial statements. Previously, the Company acquired real estate; however, appraisals were more than five years old as of the examination reporting date 12/31/2005.

FINANCIAL STATEMENT

There follows a statement of assets, liabilities and statement of income at December 31, 2005, together with a reconciliation of capital and surplus for the period under review, as established by this examination:

ASSETS

	Ledger Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$605,069,405		$605,069,405
Preferred Stocks	2,663,239	250,000	2,413,239
Common Stocks	312,833,548	563,401	312,270,147
Mortgage Loans on real estate (First Liens)	7,888,641		7,888,641
Real Estate			
Properties held for the production of income	3,393,423		3,393,423
Properties held for sale	602,172		602,172
Cash and short-term investments	12,280,124		12,280,124
Contract Loans	7,181,209	177,853	7,003,356
Other invested assets	117,636		117,636
Receivables for securities	259,419		259,419
Investment income due and accrued	8,297,411		8,297,411
Reinsurance			
Amounts recoverable from reinsurers	91,849		91,849
Current federal and foreign income tax recoverable and interest thereon	5,485,499		5,485,499
Electronic data processing equipment and Software	320,974	320,974	0
Furniture and equipment	162,439	162,439	0
Receivables from parent, subsidiaries and Affiliates	5,770,185		5,770,185
Aggregate write-ins for other than invested Assets	2,866,493	2,866,493	0
Totals	$975,283,667	$4,341,160	$970,942,507

LIABILITIES, SURPLUS, AND OTHER FUNDS

Aggregate reserve for life contracts	$487,533,599
Liability for deposit-type contracts	265,041,159
Contract claims:	
Life	3,555,991
Contract liabilities not included elsewhere	
Interest maintenance reserve	1,730,088
Commissions to agents due or accrued-life contracts and annuity contracts	654,643
General expenses due or accrued	278,233
Taxes, licenses, and fees due or accrued, excluding federal income taxes	89,073
Net deferred tax liability	20,908,409
Unearned investment income	208,808
Amount withheld or retained by company as agent or trustee	5,965
Remittances and items not allocated	323,248
Liability for benefits for employees and agents if not included above	3,226,416
Miscellaneous liabilities:	
Asset valuation reserve	12,400,356
Payable to parent, subsidiaries, and affiliates	1,343,735
Drafts outstanding	2,036
Payable for securities	380,132
Total Liabilities	797,681,892
Common capital stock	16,866,681
Gross paid in and contributed surplus	6,126,026
Unassigned funds (surplus)	150,267,907
Total capital and surplus	173,260,614
Totals	$970,942,506

SUMMARY OF OPERATIONS

Premiums and annuity considerations for life and accident and health contracts	$55,354,890	
Net investment income	34,823,593	
Amortization of investment maintenance reserve (IMR)	392,550	
Commission and expense allowances on reinsurance ceded	580,644	
Aggregate write-ins for miscellaneous income	5,334,259	
Total Income		$96,485,936
Death benefits	11,017,313	
Annuity benefits	6,444,685	
Surrender benefits and withdrawals for life contracts	(11,696,532)	
Interest and adjustments on contracts or deposit-type contract funds	3,222,683	
Increase in aggregate reserves for life and accident and health contracts	68,076,608	
Total benefits		77,064,757
Commissions on premiums, annuity considerations, and deposit-type contract funds	5,518,692	
General insurance expenses	6,391,246	
Insurance taxes, licenses, and fees, excluding federal income taxes	1,234,921	
Aggregate write-ins for deductions	2,112,276	
Total expenses		15,257,135
Total benefits and expenses		92,321,893
Net gain from operations before dividends to policyholders and federal income taxes		4,164,043
Dividends to policyholders		0
Net gain from operations after dividends to policyholders and before federal income Taxes		4,164,043
Federal and foreign income taxes incurred (excluding tax on capital gains)		(605,854)
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)		4,769,897
Net realized capital gains (losses) (excluding gains (losses) transferred to IMR)		85,415
Net income		$4,855,311

CAPITAL AND SURPLUS

Capital and surplus, December 31, prior year		$163,274,165
Net income	$4,855,311	
Change in net unrealized capital gains (losses)	12,415,050	
Change in net unrealized foreign exchange capital gain (loss)	0	
Change in net deferred income tax	(6,790,241)	
Change in non-admitted assets and related items	(505,251)	
Change in asset valuation reserve	243,018	
Cumulative effect of changes in accounting principles	0	
Capital changes:		
Paid in	(13,105)	
Transferred from surplus (Stock Dividend)	8,442,363	
Surplus adjustment:		
Paid in	343,565	
Transferred to capital (Stock Dividend)	(8,442,363)	
Aggregate write-in for gains and losses in surplus	(561,897)	
Net change in capital and surplus as regards policyholders for the year		9,986,450
Capital and surplus, December 31 current year		$173,260,615

RECONCILIATION OF CAPITAL AND SURPLUS
FOR THE PERIOD UNDER EXAMINATION

Capital and surplus December 31	2001	2002	2003	2004	2005
Previous Year	$147,998,852	$133,279,753	$131,681,370	$145,812,241	$163,274,165
Net Income	(13,897,223)	1,193,761	13,594,523	6,341,236	4,855,311
Change in net unrealized capital gains (losses)	9,763,654	(4,931,902)	(2,559,172)	25,530,630	12,415,050
Change in net unrealized foreign exchange capital gain (loss)	0	0	0	0	0
Change in net deferred income tax	0	2,380,981	2,036,319	(12,488,919)	(6,790,241)
Change in non-admitted assets and related items	(568,688)	(772,029)	720,064	2,269,275	(505,251)
Change in liability for reinsurance in unauthorized companies	0	0	0	0	0
Change in reserve on account of change in valuation basis (increase) or decrease	0	0	0	0	0
Change in asset valuation reserve	2,386,589	546,999	1,126,309	(2,859,780)	243,018
Change in treasury stock	0	0	0	0	0
Surplus (contributed to) withdrawn From Separate Accounts	0	0	0	0	0
Other changes in surplus in Separate Accounts Statement	0	0	0	0	0
Change in surplus notes	0	0	0	0	0
Cumulative effect of changes in accounting principles	(11,602,722)	0	0	0	0
Capital changes:					
Paid in	(22,967)	(16,395)	(21,877)	(32,836)	(13,105)
Transferred from surplus (Stock Dividend)	365,052	382,146	240,100	246,747	8,442,363
Transferred to surplus	0	0	0	0	0
Surplus adjustment:					
Paid in	(777,736)	4,563,756	313,898	390,067	343,565
Transferred to capital (Stock Dividend)	(365,052)	(382,146)	(240,100)	(246,747)	(8,442,363)
Transferred from capital	0	0	0	0	0
Change in surplus as a result of Reinsurance	0	0	0	0	0
Dividends to stockholders	0	0	0	0	0
Aggregate write-ins for gains and losses in surplus	0	(4,563,553)	(1,079,194)	(1,687,754)	(561,897)
Net change in capital and surplus for the year	(14,719,093)	(1,598,382)	$14,130,871	$17,461,920	$9,986,450
Capital and surplus, December 31, current year	$133,279,760	$131,681,371	$145,812,241	$163,274,161	$173,260,615

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 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:

- Investments

  The Company amended its two (2) custodial agreements with The Northern Trust Company and First Farmers and Merchants Bank during the course of the examination to clarify some technical language pursuant to Tennessee Regulations. These agreements were discussed previously in the report under the caption "Subsequent Events."

- Real Estate

  The appraisals on real estate were not current according to NAIC Accounting Practices and Procedures SSAP 40, paragraph 12. In the 2005 Annual Statement, the Company lists the appraisal dates on all real estate as 12/1/2000 or 1/1/3000. This will be alleviated upon obtaining current appraisals and reflecting the dates in the Annual Statement. During the examination, the Company obtained current appraisals on real estate for most properties. No financial adjustments were made. The Company is having appraisals performed for all real estate to comply with NAIC SSAP 40, paragraph 12: "For all properties held for the production of income, the reporting entity must maintain an appraisal that is no more than five years old as of the reporting date. For all properties held for sale, an appraisal shall be obtained at the time such property is classified as held for sale, and subsequently an appraisal shall be maintained that is no more than five years old as of the reporting date. However, if conditions indicate there has been a significant decrease in the fair value of a property, a current appraisal shall be obtained. Additionally, appraisals shall be obtained for real estate investments at the time of foreclosure or contribution. Contributed real estate shall be

supported by an independent third party appraisal at the date of contribution. If any of the previous conditions exist but an appraisal has not been obtained, the related property shall be considered a non-admitted asset until the required appraisals are obtained." The matter was previously discussed under the caption "Subsequent Events."

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 of Columbia, Tennessee.

In such manner, it was determined that, as of December 31, 2005, the Company had admitted assets of $970,942,507 and liabilities, exclusive of unassigned funds, of $797,681,892. Thus, there existed for the additional protection of the policyholders, the amount of $173,260,615 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, Keith M. Patterson, David N. Bobo, Gregory Bronson, Mitchell Walker, Jr., and Stephanie D. Brooks, Insurance Examiners for the State of Tennessee, Michael A. Mayberry, FSA, MAAA, of the contracting actuarial firm, Lewis and Ellis, Inc. Richardson, Texas, and Norman Chandler, CPA, CPCU, Are, AIAF, ARC, ACP, of the contracting reinsurance specialist firm, TaylorChandler, LLC, Montgomery, Alabama, participated in the work of this examination.

Respectfully submitted,

Bryant Cummings, CFE
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 13, 2008, and made as of December 31, 2005, 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.

Bryant Cummings, CFE
Insurance Examiner
State of Tennessee
Southeastern Zone, N.A.I.C.

Subscribed and sworn to before me

this 13th day of

June, 2008

Notary Teresa M. Sheppard

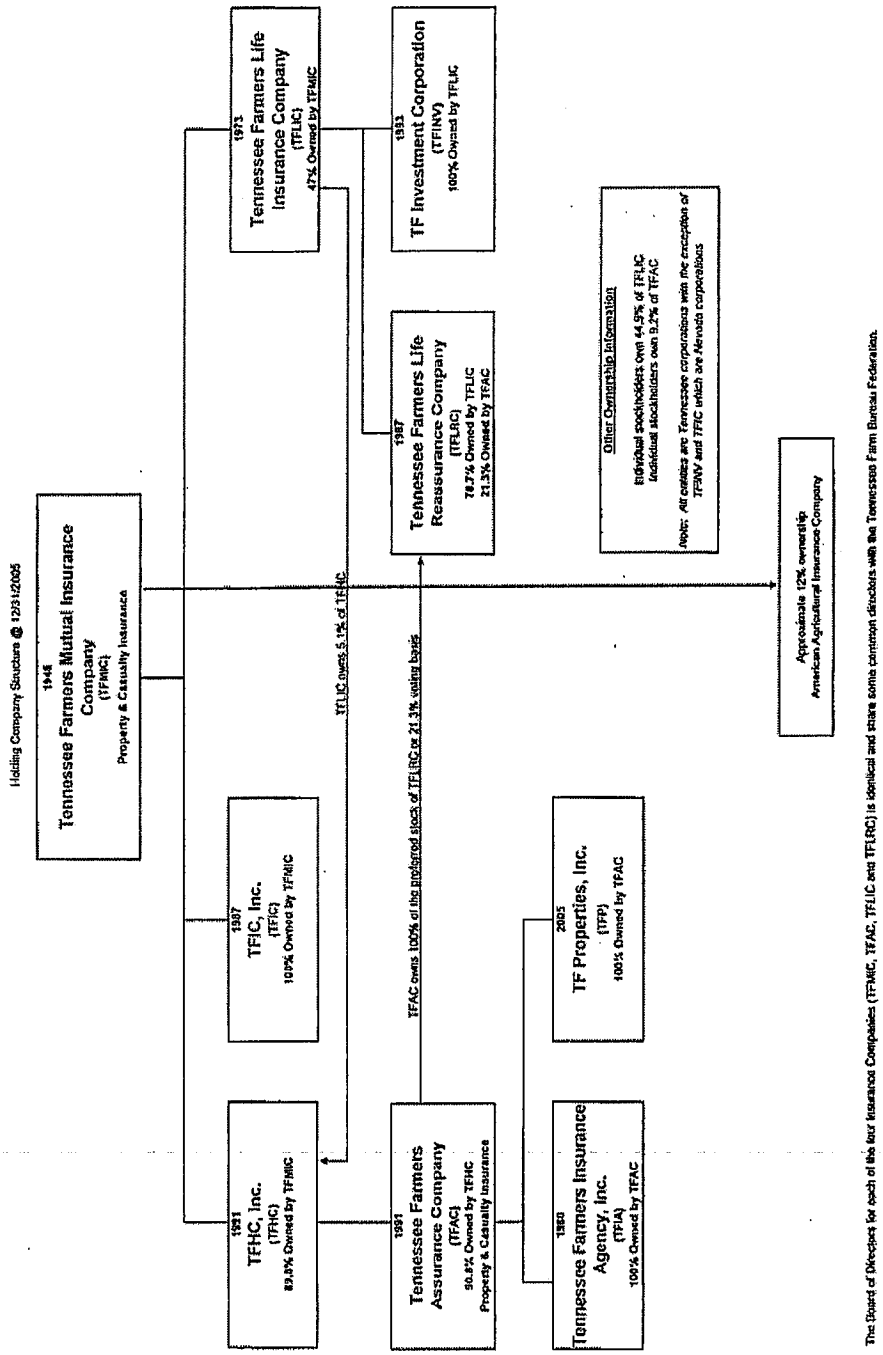
County Shelby

State TN

Commission Expires 10/12/2011

TERESA M. SHEPPARD
STATE OF TENNESSEE NOTARY PUBLIC
SHELBY COUNTY
MY COMMISSION EXPIRES 10-12-2011

ORGANIZATIONAL CHART



The Board of Directors for each of the four Insurance Companies (TFMIC, TFAC, TFLIC and TFLRC) is identical and share some common directors with the Tennessee Farm Bureau Federation.

Farm Bureau INSURANCE
Auto • Home • Life

Tennessee Farmers Insurance Companies
Corporate Headquarters
Post Office Box 998 • Columbia, TN 38402-0998
931.388.7872 • www.tennesseefarmers.com

EXHIBIT
B

June 20, 2008

RECEIVED
JUN 24 2008
Dept. Of Commerce & Insurance
Company Examinations

Phil Blustein
Chief Examiner
TN Department of Commerce and Insurance
Nashville, TN 37243

RE: Financial Condition Examination made as of December 31, 2005 for
Tennessee Farmers Life Insurance Company
Tennessee Farmers Life Reassurance Company

Dear Phil:

We are satisfied with the Final Reports for the companies referenced above and hereby waive our right of rebuttal. Thank you.

Yours,

Wayne Harris
CFO

C: Matthew M. Scoggins, Jr.
Ed Lancaster