

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

P.O. Box 690, Jefferson City, Mo. 65102-0690

ORDER

After full consideration and review of the report of the financial examination of Ozark National Life Insurance Company for the period ended December 31, 2018, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri Department of Commerce and Insurance pursuant to section 374.205.3(3)(a), RSMo, adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant findings, subsequent events, corporate history, corporate records, management and control, territory and plan of operation, growth of company and loss experience, reinsurance, financial statements, financial statement changes resulting from examination, comments on financial statement items, and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Ozark National Life Insurance Company as of December 31, 2018 be and is hereby ADOPTED as filed and for Ozark National Life Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 31st day of October, 2019.




Chlora Lindley-Myers, Director
Department of Commerce and Insurance



FILED
NOV 12 2019
DIRECTOR OF
MISSOURI DEPARTMENT OF
COMMERCE AND INSURANCE

REPORT OF THE
FINANCIAL EXAMINATION OF

OZARK NATIONAL LIFE INSURANCE COMPANY

AS OF
DECEMBER 31, 2018

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Kansas City, MO
September 11, 2019

Honorable Chlora Lindley-Myers, Director
Missouri Department of Commerce and Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65102

Director Lindley-Myers:

In accordance with your financial examination warrant, a full-scope financial examination has been made of the records, affairs and financial condition of

Ozark National Life Insurance Company

hereinafter referred to as such, as Ozark, or as the Company. Its administrative office is located at 500 East Ninth Street, Kansas City, Missouri 64106, telephone number (816) 842-6300. The fieldwork for this examination began on March 4, 2019, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Commerce and Insurance (Department) has performed a full-scope financial examination of Ozark National Life Insurance Company. The last examination of the Company by the Department covered the period of January 1, 2009 through December 31, 2013. The current examination covers the period of January 1, 2014 through December 31, 2018, as well as a review of any material transactions and events occurring subsequent to the examination period through the date of this report.

Procedures

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook (Handbook)*, except where practices, procedures, and applicable regulations of the Department and statutes of the State of Missouri prevailed. The *Handbook* requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated, both on a current and prospective basis.

This examination also included a review of significant estimates made by management and evaluation of management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Those activities considered in the examination as key to Ozark included cash and investments, reinsurance, claims handling and reserving, related party, and premiums and underwriting. The examination also included a review and evaluation of information technology general controls.

This examination report includes significant findings of fact and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

Reliance Upon Others

The examiners relied upon information and workpapers provided by the Company's independent auditor, BKD, LLP, of Kansas City, Missouri, for its audits covering the periods of January 1, 2017, through December 31, 2017, and January 1, 2018, through December 31, 2018. Such reliance included, but was not limited to, fraud risk analysis, journal entry testing, internal control narratives, tests of internal controls, and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, significant non-compliance issues, or material changes to the financial statements noted during the examination.

SUBSEQUENT EVENTS

Subsequent to the examination period, on January 31, 2019, pursuant to the terms of a Stock Purchase Agreement entered into on October 3, 2018, Ozark and its affiliate, N.I.S. Financial Services, Inc. (N.I.S.), were acquired by National Western Life Insurance Company (NWLIC) and its parent company National Western Life Group, Inc. (NWLG), respectively. Under the terms of the Stock Purchase Agreement, CNS Corporation (CNS), the sole shareholder of both Ozark and N.I.S., received approximately \$175.3 million from NWLIC and \$30.2 million from NWLG for all of the outstanding stock of Ozark and N.I.S., respectively. The Department approved the acquisition on January 22, 2019. Additionally, under the terms of the Stock Purchase Agreement, Ozark issued a dividend of approximately \$102.7 million to CNS on January 30, 2019. This dividend, \$100.1 million of which was considered extraordinary, was approved by the Department on January 8, 2019.

As a result of the acquisition and pursuant to the terms of the Stock Purchase Agreement, the Company's various intercompany agreements with CNS were terminated on January 31, 2019. These agreements included the Data Processing Services Agreement, Agency Agreement, and Commercial and Industrial Lease Agreement. The Company's Intercompany Tax Allocation Arrangement and Intercompany Billing Agreement with CNS and affiliates were also terminated effective January 31, 2019.

CORPORATE HISTORY

General

Ozark National Life Insurance Company was incorporated on April 22, 1964, and was issued a Certificate of Authority on June 24, 1964, as a life insurance company under the Revised Statutes of Missouri (RSMo), Chapter 376 (Life, Health and Accident Insurance). The Company was purchased from the I.C.H. Group in 1982 by CNS in a leveraged buy-out. Prior to its acquisition by NWLIC on January 31, 2019 (as described in the *Subsequent Events* section above), Ozark's sole shareholder was CNS. The "Charles N. Sharpe Trust dated September 28, 1987, as amended" (Charles N. Sharpe Trust) owns all outstanding shares of CNS.

Dividends

In addition to the aforementioned extraordinary dividend of \$102,703,950 paid to CNS on January 30, 2019, as part of the Stock Purchase Agreement with NWLIC, Ozark paid the following dividends to CNS during the examination period:

Year	Amount
2014	\$ 11,596,125
2015	8,998,700
2016	8,999,984
2017	10,002,146
2018	15,773,940
Total:	\$ 55,370,895

Including the dividend paid in January 2019, the Company has paid a total of **\$158,074,845** in dividends to CNS since the prior examination end date.

Capital Stock and Contributions

There were no capital or surplus contributions during the examination period.

Mergers, Acquisitions, and Major Corporate Events

On February 1, 2017, Charles N. Sharpe, the President, Founder, and Owner of Ozark National Life Insurance, passed away. At that time, Mr. Sharpe was the ultimate controlling entity of the Company and the holding company system to which the Company belonged, by virtue of his status as settlor of the Charles N. Sharpe Trust. As noted under the "General" subsection above, the Charles N. Sharpe Trust owns 100% of the outstanding shares of CNS, which, until the acquisition by NWLIC in 2019, owned 100% of the outstanding shares of Ozark and other CNS subsidiaries. Upon Mr. Sharpe's death, the Charles N. Sharpe Trust became irrevocable and all responsibilities related to its function shifted to the Trustees – Laurie J. Sharpe, James T. Emerson, and David R. Melton.

There were no mergers or acquisitions during the examination period, other than the Company's acquisition by NWLIC, as described in detail under the *Subsequent Events* section above.

CORPORATE RECORDS

The Company's Articles of Incorporation and Bylaws were reviewed. There were no revisions to either document during the examination period.

The minutes of the Board of Directors' meetings, committee meetings, and shareholder meetings were reviewed for proper approval of corporate transactions. The minutes appeared to properly reflect and approve the Company's major transactions and events for the period under examination.

MANAGEMENT AND CONTROL

Board of Directors

The property and business of the Company shall be managed and controlled by a Board of Directors who are appointed by the stockholder. The Articles of Incorporation specify that the number of directors shall be nine (9). The Board of Directors elected and serving as of December 31, 2018, was as follows:

<u>Name and Address</u>	<u>Business Affiliation</u>
Laurie J. Sharpe Bethel, MO	President and Chairman of the Board Ozark
Carol S. Boone Lee's Summit, MO	President and Director N.I.S.
J. Brent Burkholder Lenexa, KS	Vice President, Treasurer and Controller Ozark
James T. Emerson Shawnee, KS	Executive Vice President Ozark
Amy J. Kilgore Excelsior Springs, MO	Department Manager, New Business, Claims and Underwriting Ozark
David R. Melton Smithville, MO	Vice President, Secretary Ozark
Rhonda A. Morgan Kansas City, MO	Executive Secretary Ozark
Michelle R. Salyer Independence, MO	Vice President N.I.S.
Jill E. Thompson Kansas City, MO	Vice President Ozark

Following the Company's acquisition by NWLIC in January of 2019, the composition of the Board of Directors changed. As of the date of this report, the Board of Directors was comprised of the following individuals:

<u>Name and Address</u>	<u>Business Affiliation</u>
Rey Perez* Austin, TX	Executive Vice President and Chief Legal Officer NWLIC
Steven W. Mills Lago Vista, TX	Senior Vice President, Chief Administrative Officer NWLIC
J. Brent Burkholder Lenexa, KS	President Emeritus# Ozark
James T. Emerson Shawnee, KS	Former President# Ozark
Brian M. Pribyl Austin, TX	Senior Vice President, Chief Financial Officer and Treasurer NWLIC
David R. Melton Smithville, MO	Vice President, Secretary Ozark
Chad J. Tope Urbandale, IA	Executive Vice President, Chief Marketing Officer NWLIC
Michelle R. Salyer Independence, MO	President N.I.S.
Patrick D. Johnson Webster, TX	Vice President, Human Resources NWLIC

*Chairman of the Board

Following the acquisition by NWLIC, James T. Emerson was promoted from Executive Vice President to President. He subsequently resigned his position as President and was replaced by J. Brent Burkholder, effective August 1, 2019.

Officers

The Bylaws state that the Board of Directors shall appoint a Chairman of the Board, a President, one or more Vice Presidents, a Secretary, and a Treasurer. All officers shall be elected at the Board of Director's meeting held after each annual shareholders' meeting. The officers appointed and serving as of December 31, 2018, were as follows:

<u>Name</u>	<u>Title</u>
Laurie J. Sharpe	President and Chairman of the Board
David R. Melton	Vice President and Secretary
J. Brent Burkholder	Vice President and Treasurer
James T. Emerson	Executive Vice President
Joseph P. Harrish III	Vice President
Jill E. Thompson	Vice President

As noted under the footnote under the “Board of Directors” subsection above, upon the Company’s acquisition by NWLIC, Laurie J. Sharpe was replaced by James T. Emerson as President of Ozark, and Rey Perez of NWLIC was appointed as the Chairman of the Board of Directors of Ozark.

Effective August 1, 2019, Mr. Emerson resigned his position as President and was replaced by Mr. Burkholder as President of the Company. Pam L. Murphy, formerly the Accounting Supervisor, was promoted to the position of Controller, which was vacated by Mr. Burkholder’s promotion to President. The Company also hired Chad E. Carter, who will serve as Vice President of Accounting and Financial Reporting and Treasurer.

Committees

The Company’s Bylaws state that the Board of Directors may designate an Executive Committee, an Investment Committee, and an Audit Committee. Each committee shall consist of three or more Directors. The committee members as of December 31, 2018 were as follows:

Executive Committee	Investment Committee	Audit Committee
Laurie J. Sharpe ¹	J. Brent Burkholder	J. Brent Burkholder
David R. Melton	David R. Melton	David R. Melton
James T. Emerson	James T. Emerson	James T. Emerson

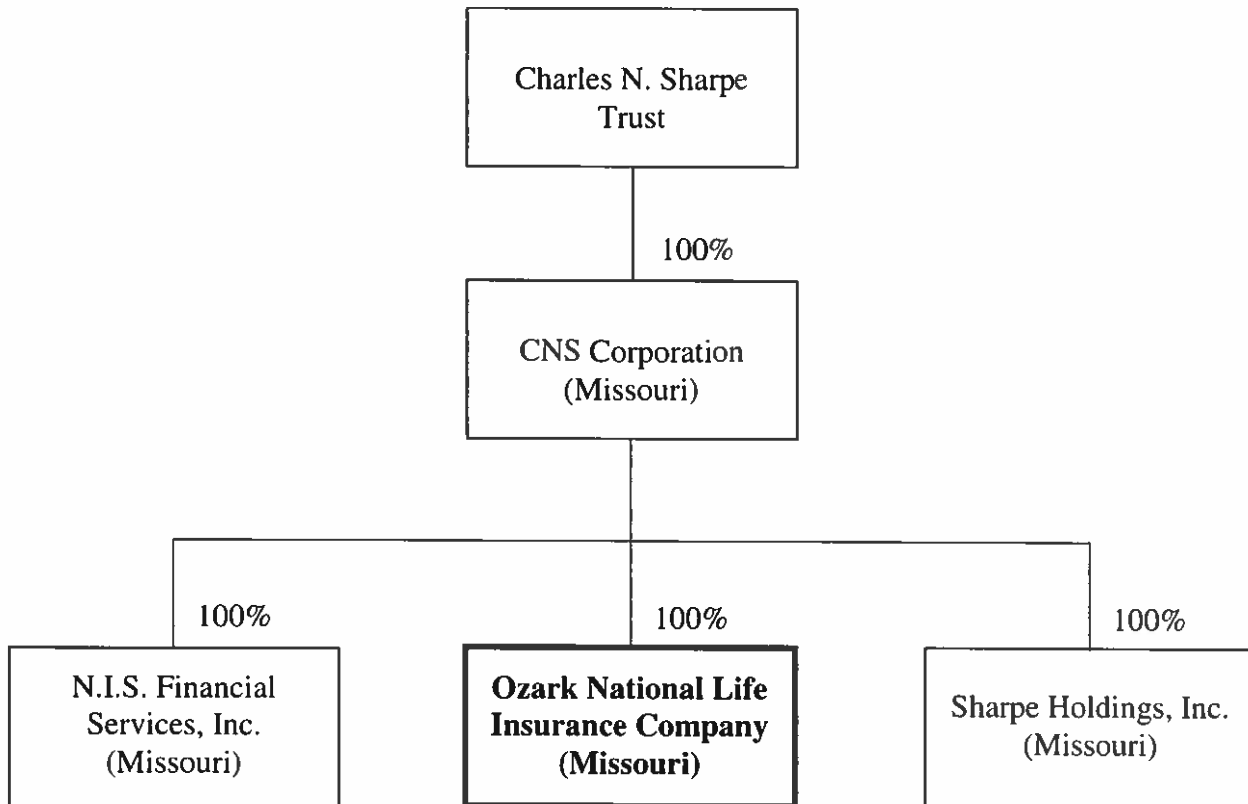
¹Replaced by J. Brent Burkholder, effective January 31, 2019

Following Ozark’s acquisition by NWLIC, J. Brent Burkholder replaced Laurie J. Sharpe on the Executive Committee. There were no additional changes to committee membership as a result of the acquisition.

Holding Company, Subsidiaries and Affiliates

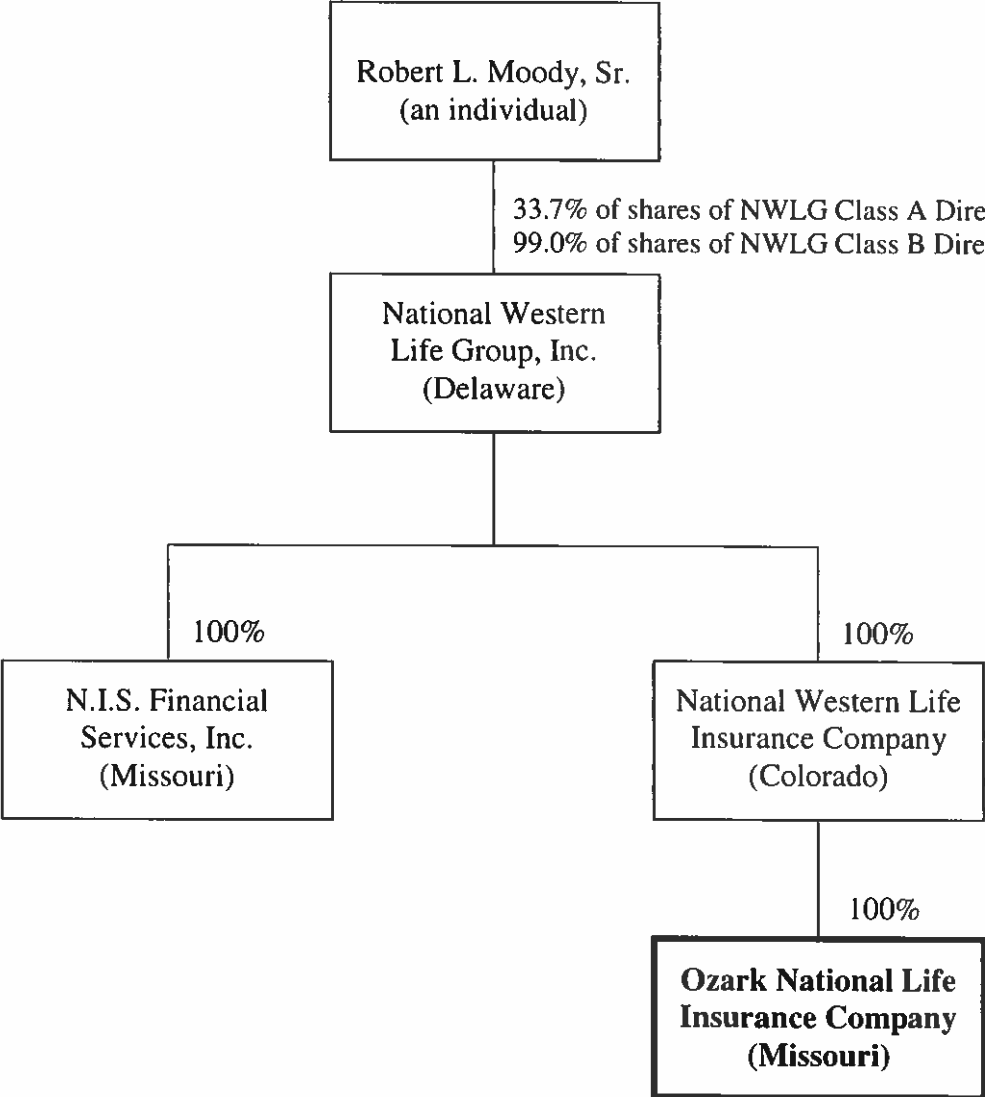
Ozark National Life Insurance Company is a member of an insurance holding company system as defined by Section 382.010, RSMo (Definitions). Prior to its acquisition by NWLIC (as described under the *Subsequent Events* section above), Ozark was a wholly owned subsidiary of CNS. The Charles N. Sharpe Trust, which is overseen by its Trustees Laurie J. Sharpe, James T. Emerson, and David R. Melton, owns all of the outstanding shares of CNS and was considered the ultimate controlling entity of Ozark until its acquisition by NWLIC, effective January 31, 2019.

The following organizational chart depicts the holding company system of Ozark National Life Insurance Company as of December 31, 2018, prior to its acquisition by NWLIC:



Under the new holding company system, NWLIC owns 100% of the shares of Ozark stock. NWLIC is a wholly owned subsidiary of NWLG. Robert L. Moody, Sr., an individual, is the majority owner of NWLG, owning 33.7% of the total outstanding shares of NWLG’s Class A common stock and 99.0% of NWLG’s Class B common stock. As such, Robert L. Moody, Sr. is now considered the ultimate controlling entity of Ozark.

The following abbreviated organizational chart depicts the holding company system subsequent to Ozark’s acquisition by NWLIC:



Intercompany Transactions

During the examination period, the Company was party to several intercompany agreements with its parent and other affiliated parties. The terms of these agreements are outlined below.

1. Type: **Data Processing Services Agreement**
Parties: Ozark and CNS
Effective: January 13, 1997
Terms: Ozark provides all data processing services, including the use of its mainframe, personal computer network, programming, software licenses obtained from third parties (to which CNS has been identified as an additional licensee), and the maintenance and development of the data processing system to and for CNS. CNS agrees to pay Ozark the sum of \$3,750 per month for these services.

2. Type: **Commercial and Industrial Lease Agreement**
Parties: Ozark and CNS
Effective: December 12, 1985. The last of six amendments was on December 1, 1989.
Terms: CNS leases 23,634 square feet of office space from Ozark for \$32,387.83 per month. The term of the lease shall be month-to-month, effective December 1, 1989.

3. Type: **Consolidated Tax Allocation Agreement**
Parties: Ozark, CNS, N.I.S., and Sharpe Holdings, Inc.
Effective: January 1, 2003, amended January 1, 2005.
Terms: Ozark files a consolidated federal income tax return with its parent, CNS, N.I.S., and Sharpe Holdings, Inc. Ozark pays CNS the actual tax it would have owed on a separate federal income tax return basis.

4. Type: **Inter-Company Billing Agreement**
Parties: Ozark, CNS, N.I.S., and Sharpe Holdings, Inc.
Effective: August 12, 2004, amended May 10, 2005.
Terms: Ozark will pay certain operating expenses of CNS and other affiliates to third party providers through its intercompany billing system. The costs of services provided under the agreement shall be equal to the third-party costs and expenses incurred to Ozark. If Ozark incurs cost or expenses on behalf of CNS or its affiliates, Ozark will allocate any such costs or expenses in good faith between the various businesses on behalf of which such costs were incurred. In no event shall Ozark be obligated to pay CNS or affiliate expenses in excess of \$200,000 in any calendar month.

5. Type: **Agency Agreement**
 Parties: Ozark and CNS
 Effective: September 22, 2015
 Terms: CNS recruits, trains and supervises the agency force that produces the insurance business of Ozark. CNS receives a 15% first year overwrite commission and 4.5% of subsequent year premiums. Ozark also reimburses CNS for agent earned and paid commissions. CNS is responsible for payment of agent commissions, and Ozark provides the funds for these commissions to CNS through wire transfers. Prior to Ozark’s acquisition by NWLIC, the individual agent agreements, which had been managed by CNS for Ozark under this Agency Agreement, were assigned to Ozark from CNS as part of the Stock Purchase Agreement.

As noted in the *Subsequent Events* section above, upon Ozark’s acquisition by NWLIC, all of the intercompany agreements between Ozark and CNS were terminated. As of the date of this report, Ozark and NWLIC have five intercompany agreements in effect. The terms of these agreements are summarized below.

1. Type: **Investment Advisory Services Agreement**
 Parties: Ozark and NWLIC
 Effective: February 1, 2019
 Terms: NWLIC will provide overall management of certain Ozark general investment account assets, in accordance with investment guidelines included in the agreement. NWLIC will have management discretion over the asset investments including selection of brokers and dealers to execute trades for Ozark’s accounts. NWLIC will receive an annual 2.5 basis point fee, settled on a quarterly basis and calculated on the book value of assets held at December 31st of each preceding year.
2. Type: **Lease and Services Agreement**
 Parties: Ozark and N.I.S.
 Effective: January 31, 2019
 Terms: Ozark will provide N.I.S office space, information technology and data processing services, and related office furniture and equipment, to be located within Ozark’s building at 500 East 9th Street, Kansas City, Missouri. Costs for rent, IT and furniture/equipment are calculated separately, and adjusted annually for inflation and/or actual costs.
3. Type: **Intercompany Billing Agreement**
 Parties: Ozark and N.I.S.
 Effective: February 1, 2019
 Terms: Ozark will procure for itself and N.I.S. third-party services as deemed necessary to the operations of the companies. Ozark and N.I.S. will also coordinate and bill each other for agent/employee debt owed to either entity, provided the other entity has any accounts payable due to the agent/employee.

4. Type: **Services Agreement**
 Parties: Ozark and NWLIC
 Effective: April 29, 2019
 Terms: NWLIC will provide Ozark with a range of services to include actuarial, accounting, IT, management, internal audit, legal, sales and marketing, underwriting, human resources, and administration.
5. Type: **Tax Sharing Agreement**
 Parties: NWLG and affiliates, including Ozark
 Effective: August 22, 2019
 Terms: The agreement is effective immediately for state income taxes (which are included in the agreement). Federal tax law requires a 5-year waiting period before acquired life companies may be consolidated in the Group’s federal tax filings, so the federal tax will not be effective until 2024.

TERRITORY AND PLAN OF OPERATION

Ozark is licensed by the state of Missouri under Chapter 376, RSMo (Life, Health and Accident Insurance) to write the business of life, annuities, endowments, and accident and health insurance. In addition to Missouri, the Company was also licensed in twenty-nine (29) other states as of December 31, 2018.

Ozark primarily sells ordinary life insurance. The Company’s main product offering is known as the Balanced Program®, which consists of a coordinated sale of a non-participating whole life insurance product, underwritten and issued by Ozark, and a mutual fund investment product, processed by its affiliated broker-dealer, N.I.S. Ozark’s products are marketed through a captive agency force, which consisted of approximately 250 agents as of December 31, 2018.

GROWTH OF COMPANY AND LOSS EXPERIENCE

There was a slight decrease (less than 1%) in net premiums written during the examination period. Net income averaged \$16 million per year for 2014 to 2018, which contributed to average surplus growth of 3% per year. This growth in surplus resulted in a strengthened premium writing ratio each year of the examination period.

The growth and loss experience of the Company is summarized in the table below:

(\$000s omitted)

Year	Net Premiums Written	Change in Net Premiums	Benefit and Loss Payments	Capital and Surplus	Ratio of Net Premiums to Surplus	Net Income
2014	\$ 82,816	0.64%	\$ 43,934	\$124,530	0.67	\$ 13,196
2015	82,788	(0.03%)	44,102	130,634	0.63	15,661
2016	82,726	(0.07%)	44,325	136,287	0.61	14,844
2017	82,607	(0.14%)	48,209	138,805	0.59	15,774
2018	81,882	(0.87%)	47,017	142,751	0.57	20,418

REINSURANCE

General

The Company's premium activity on a direct written, assumed, and ceded basis for the period under examination is detailed below:

(\$000s omitted)

Premium Type	2014	2015	2016	2017	2018
Direct Premiums Written	\$ 85,949	\$ 85,817	\$ 85,851	\$ 85,042	\$ 84,390
Reinsurance Assumed	336	320	293	264	245
Reinsurance Ceded	(3,470)	(3,350)	(3,419)	(2,699)	(2,753)
Net Premiums Written	\$ 82,815	\$ 82,787	\$ 82,725	\$ 82,607	\$ 81,882

Assumed Reinsurance

The Company has two 100% coinsurance agreements with Madison Life Insurance Company and Washington National Insurance Company. Under these agreements, Ozark assumes the direct business on three closed blocks of business, which are, in turn, retroceded to Wilco Life Insurance Company (Wilco) on a 50% reinsurance basis under a separate coinsurance agreement (as described in the "Ceded Reinsurance" subsection below). Ozark also has a 100% modified coinsurance agreement with Wilco under which it assumes the direct business on two additional closed blocks of business. As of December 31, 2018, assumed reserves were not significant.

Ceded Reinsurance

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer fails to perform its obligations under the reinsurance contract.

Ozark reported total reserve credits taken on business ceded of approximately \$34.4 million in its 2018 Annual Statement. Approximately 97% of the total reserve credits taken were on business ceded to Wilco. Most of this was business ceded under two automatic coinsurance agreements that have been in effect since 1982. Under one of these agreements, Ozark cedes to Wilco 17% of the risk on two closed blocks of business. On the other, Ozark cedes to Wilco 50% of the risk on five additional closed blocks of business, including three of the blocks of business assumed under the agreement discussed in the "Assumed" reinsurance subsection above.

Optimum Re is another significant reinsurer in terms of the in-force amounts ceded as of December 31, 2018. All new business (whole life and term, written since 2005) is currently being ceded only to Optimum Re. Under the current reinsurance agreement, Ozark's retention level is \$200,000 on any one life, with limited exceptions related to the conversion of child protection and guaranteed insurability riders. Policies up to \$1,000,000 are generally ceded on an automatic basis with larger amounts ceded on a facultative basis.

Ozark reported no significant reinsurance recoverable amounts or reinsurance ceded to unauthorized companies during the examination period.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of Ozark National Life Insurance Company for the period ending December 31, 2018. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Comments on Financial Statements Items." The failure of any column of numbers to add to its respective total is due to rounding or truncation.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statement Items." These differences were determined to be immaterial concerning their effect on the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual activity.

ASSETS
as of December 31, 2018

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$671,588,601	\$ -	\$671,588,601
Real estate			
Properties occupied by the company	2,507,060	-	2,507,060
Properties held for production of income	1,467,978	-	1,467,978
Cash, cash equivalents and short-term investments	102,131,895	-	102,131,895
Contract loans	21,814,612	63	21,814,549
Investment income due and accrued	6,003,129	-	6,003,129
Premiums and considerations			
Uncollected premiums and agents' balances in the course of collection	717,923	761	717,162
Deferred premiums, agents' balances and installments booked but deferred and not yet due	27,549,668	-	27,549,668
Other amounts receivable under reinsurance contracts	200,591	-	200,591
Current federal and foreign income tax recoverable and interest thereon	379,902	-	379,902
Net deferred tax asset	10,960,827	7,859,586	3,101,241
Guaranty funds receivable or on deposit	825,766	-	825,766
Electronic data processing equipment and software	90,362	-	90,362
Furniture and equipment	135,302	135,302	-
Other assets nonadmitted	217,238	217,238	-
TOTAL ASSETS	\$846,590,854	\$ 8,212,950	\$838,377,904

LIABILITIES, SURPLUS AND OTHER FUNDS
as of December 31, 2018

Aggregate reserve for life contracts	\$670,997,855
Aggregate reserve for accident and health contracts	1,121,222
Liability for deposit-type contracts	5,961,229
Contract claims:	
Life	3,694,490
Accident and health	140,206
Dividends apportioned for payment	135,205
Premiums and annuity considerations for life and accident and health contracts received in advance	1,967,853
Other amounts payable on reinsurance	24,787
Interest maintenance reserve	2,432,798
Commissions to agents due or accrued	372,791
Commissions and expense allowances payable on reinsurance assumed	592
General expenses due or accrued	1,112,227
Taxes, licenses and fees due or accrued, excluding federal income taxes	702,838
Unearned investment income	808,043
Amounts withheld or retained by company as agent or trustee	948,045
Amounts held for agents' account	99,604
Remittances and items not allocated	269,975
Liability for benefits for employees and agents not included above	2,039,284
Asset valuation reserve	2,793,255
Aggregate write-ins for liabilities	4,676
TOTAL LIABILITIES	\$695,626,975
Common capital stock	8,025,000
Gross paid in and contributed surplus	2,920,113
Unassigned funds (surplus)	131,805,816
TOTAL CAPITAL AND SURPLUS	\$142,750,929
TOTAL LIABILITIES AND CAPITAL AND SURPLUS	\$838,377,904

STATEMENT OF INCOME
for the Year Ended December 31, 2018

Premium and annuity considerations	\$ 81,882,417
Net investment income	29,468,326
Amortization of interest maintenance reserve	758,306
Commissions and expense allowances on reinsurance ceded	149,824
Aggregate write-ins for miscellaneous income	5,804
Total revenues	<u>\$112,264,677</u>
Death benefits	29,197,820
Matured endowments	108,312
Annuity benefits	53,857
Disability benefits and benefits under accident and health contracts	2,755,335
Coupons, guaranteed annual pure endowments and similar benefits	6,258
Surrender benefits and withdrawals for life contracts	14,637,364
Interest and adjustments on contract or deposit-type contract funds	242,420
Payments on supplementary contracts with life contingencies	16,083
Increase in aggregate reserves for life and accident and health contracts	15,591,216
Total benefit deductions	<u>\$ 62,608,665</u>
Commissions on premiums, annuity considerations, and deposit-type contracts	11,150,531
Commissions and expense allowances on reinsurance assumed	5,078
General insurance expenses	10,237,847
Insurance taxes, licenses and fees, excluding federal income taxes	2,045,354
Increase in loading on deferred and uncollected premiums	347,575
Aggregate write-ins for deductions	1,034
Total benefit and expense deductions	<u>\$ 86,396,084</u>
Net gain from operations before dividends to policyholders and federal income taxes	<u>\$ 25,868,593</u>
Dividends to policyholders	131,825
Net gain from operations before dividends to policyholders and federal income taxes	<u>\$ 25,736,768</u>
Federal and foreign income taxes incurred	5,319,173
NET INCOME	<u>\$ 20,417,595</u>

RECONCILIATION OF CAPITAL AND SURPLUS
Changes from January 1, 2014 to December 31, 2018
(\$000's omitted)

	2014	2015	2016	2017	2018
Capital and surplus, prior year-end	\$123,375	\$124,530	\$130,634	\$136,287	\$138,805
Net income	13,196	15,661	14,844	15,774	20,418
Change in net deferred income tax	(147)	(654)	30	(7,483)	324
Change in nonadmitted assets	20	273	(287)	4,603	(755)
Change in asset valuation reserve	(318)	(178)	66	(374)	(267)
Dividends to stockholders	(11,596)	(8,999)	(9,000)	(10,002)	(15,774)
Net change in capital and surplus for the year	1,155	6,104	5,653	2,518	3,946
CAPITAL AND SURPLUS, YEAR-END	\$124,530	\$130,634	\$136,287	\$138,805	\$142,751

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

SUMMARY OF RECOMMENDATIONS

None.


ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Ozark National Life Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Alicia Galm, Ronald Musopole, AFE, Kimberly Dobbs, CFE, AES, and Bernie Troop, CFE, examiners for the Missouri Department of Commerce and Insurance, also participated in this examination. Randall Stevenson, ASA, MAAA, of Hause Actuarial Solutions, Inc., also participated as a consulting actuary.

VERIFICATION

State of Missouri)
County of Jackson)

I, Sara McNeely, CFE, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of Ozark National Life Insurance Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.


Sara McNeely, CFE
Examiner-In-Charge
Missouri Department of
Commerce and Insurance

Sworn to and subscribed before me this 7th day of October, 2019.

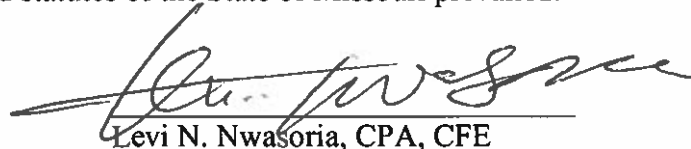
My commission expires: July 22, 2023 M. Ridenhour
Notary Public



M. RIDENHOUR
My Commission Expires
July 22, 2023
Platte County
Commission #19603483

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the *Financial Condition Examiners Handbook* has been confirmed, except where practices, procedures and applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the State of Missouri prevailed.



Levi N. Nwasoria, CPA, CFE
Assistant Chief Financial Examiner
Missouri Department of
Commerce and Insurance