



**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

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

ORDER

After full consideration and review of the report of the financial examination of Family Benefit Life Insurance Company for the period ended December 31, 2017, 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 Insurance, Financial Institutions and Professional Registration 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, corporate history, corporate records, territory and plan of operation, reinsurance, financial statements, financial statement changes resulting from examination, comments on financial statement items, summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Family Benefit Life Insurance Company as of December 31, 2017 be and is hereby ADOPTED as filed and for Family Benefit 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 24th day of July, 2019.



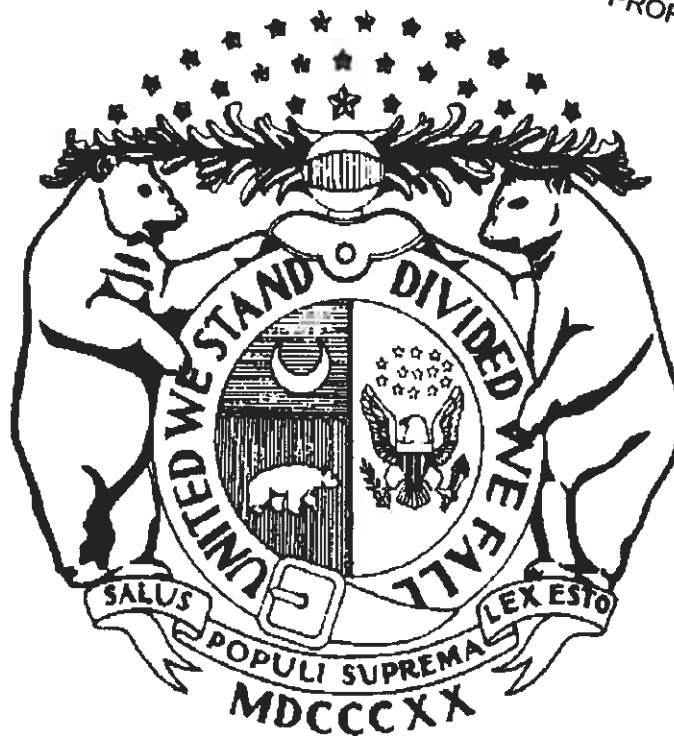
Chlora Lindley-Myers

Chlora Lindley-Myers, Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF THE
FINANCIAL EXAMINATION OF
Family Benefit Life Insurance Company

AS OF
DECEMBER 31, 2017

FILED
AUG 5 2019
DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION



STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND
PROFESSIONAL REGISTRATION
JEFFERSON CITY, MISSOURI

TABLE OF CONTENTS

SCOPE OF EXAMINATION	1
PERIOD COVERED.....	1
PROCEDURES.....	1
RELIANCE UPON OTHERS.....	2
SUMMARY OF SIGNIFICANT FINDINGS	2
CORPORATE HISTORY	2
GENERAL	2
CAPITAL CONTRIBUTIONS	3
DIVIDENDS	3
MERGERS AND ACQUISITIONS	3
CORPORATE RECORDS.....	3
BOARD OF DIRECTORS	4
COMMITTEES.....	4
OFFICERS	5
HOLDING COMPANY, SUBSIDIARIES AND AFFILIATES	5
INTERCOMPANY TRANSACTIONS.....	6
TERRITORY AND PLAN OF OPERATION.....	6
REINSURANCE	7
GENERAL	7
ASSUMED	7
CEDED.....	7
FINANCIAL STATEMENTS.....	8
ASSETS.....	9

LIABILITIES, SURPLUS AND OTHER FUNDS..... 10

SUMMARY OF OPERATIONS 11

RECONCILIATION OF CAPITAL AND SURPLUS 12

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION..... 12

COMMENTS ON FINANCIAL STATEMENT ITEMS..... 12

SUMMARY OF RECOMMENDATIONS 12

ACKNOWLEDGMENT 13

VERIFICATION 13

SUPERVISION 14

Kansas City, MO
May 30, 2019

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

Director Lindley-Myers:

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

Family Benefit Life Insurance Company

hereinafter referred to as FBLIC or as the Company. Its main administrative office is located at 7633 East 63rd Place, Suite 230, Tulsa, Oklahoma 74133. The fieldwork for this examination began on September 5, 2018 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) has performed a full scope financial examination of Family Benefit Life Insurance Company. The last examination covered the period January 1, 2011 through December 31, 2013 and was also completed by examiners from the DIFP. This examination covers the period of January 1, 2014 through December 31, 2017.

The examination was conducted in coordination with the State of Oklahoma's examination of Trinity Life Insurance Company as of December 31, 2017. Trinity Life Insurance Company (TLIC), an Oklahoma domestic, is the parent of FBLIC.

The examination also includes the material transactions and/or events occurring subsequent to December 31, 2017 which are noted in 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 DIFP and statutes of the State of Missouri prevailed. The Handbook requires the planning and performance of the examination to evaluate the Company's financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks.

An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination approach. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. 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. The following key activities were identified during the examination: Investments, Pricing/Underwriting, Claims Handling, and Reserves.

The examination report includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not communicated within the examination report but separately communicated to other regulators and/or the Company.

Reliance Upon Others

The examination relied upon various workpapers, documents, and other information provided by the other state department of insurance participating in the coordinated examination. The items relied upon included, but were not limited to, review of IT systems, valuation of the related actuarial items, review of overall corporate governance, and control and substantive testing for all key activities in the examination.

The examination relied upon information supplied by the Company's independent auditor, Kerber, Eck & Braeckel LLP of Springfield, Illinois for its audit covering the period from January 1, 2017 through December 31, 2017. Information relied upon included, but was not limited to: process narratives, control and substantive testing procedures, cash confirmations, attorney letters and taxes.

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.

CORPORATE HISTORY

General

Family Benefit Life Insurance Company was incorporated on October 14, 1964. The Company commenced business on October 29, 1964, as a stock life and health insurer under the insurance laws of Missouri at Chapter 376 RSMo (Life, Health and Accident Insurance).

Prior to its acquisition in 2011, FBLIC was privately owned by a group of shareholders with none owning 10% or more of the issued and outstanding shares. Pursuant to a stock purchase agreement, the Company was acquired by TLIC, an Oklahoma life insurer, through a series of transactions that began on September 23, 2011 and ended on December 28, 2011. TLIC is wholly owned by First Trinity Financial Corporation (FTFC), an Oklahoma financial holding company that is located in Tulsa, Oklahoma.

Capital Contributions

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

Dividends

Cash dividends declared and paid to the shareholder during the examination period were as follows:

<u>Year</u>	<u>Dividend</u>
2014	\$1,500,000
2015	\$1,000,000
2016	\$1,000,000
2017	\$ 0
TOTAL	<u>\$3,500,000</u>

Mergers and Acquisitions

There were no mergers or acquisitions during the examination period.

CORPORATE RECORDS

A review was made of the Articles of Incorporation and Bylaws of the Company for the examination period. In 2014, the Articles of Incorporation were amended to stipulate the location of shareholder meetings, the timing of shareholder annual meetings to elect members of the board of directors, and who may call special meetings of the shareholder.

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

Board of Directors

The management of the Company is vested in a Board of Directors that are appointed by the shareholder. The Company's Bylaws specify that there shall be nine directors. The Board of Directors appointed and serving, as of December 31, 2017, was as follows:

<u>Name</u>	<u>Principal Occupation and Business Affiliation</u>
Gregg E. Zahn	President & Chief Executive Officer, FBLIC
Ross A. Walquist	Retired President & Treasurer, FBLIC
Wayne W. Klein	Chief Executive Officer, SkyMed International, Inc.
Gary L. Sherrer	Assistant Vice President, Oklahoma State University
William S. Lay	Chief Investment Officer, TLIC
Charles W. Owens	President & Owner, Tinker Owens Insurance Agency
William H. Hill	Retired President, Eastern Oklahoma State College
George E. Peintner	Self-Employed, Internet Marketing
Gerald J. Kohout	Senior Vice President, SRLC Management Corp.

Ross A. Walquist resigned from the Board of Directors effective January 31, 2018. He was replaced by Jeffrey J. Wood effective May 16, 2018.

Committees

The Bylaws allow for committees to be appointed by the Board of Directors as needed. FBLIC has established four Board committees, which include the Investment Committee, Nominating and Governance Committee, Audit Committee, and Compensation Committee. The Audit and Compensation Committees are comprised of the same members as the parent, TLIC, the ultimate parent, FTFC, and affiliate, First Trinity Capital Corporation, which meet jointly, with the business of each entity separately discussed, approved, and documented. As of December 31, 2017, the established Committees had the following members serving:

Investment

Gregg E. Zahn, Chairman
William S. Lay
George E. Peintner
Charles W. Owens

Audit

Wayne W. Klein, Chairman
Gary L. Sherrer
William H. Hill
Gerald J. Kohout

Nominating & Governance

Charles W. Owens, Chairman
William S. Lay
Gary L. Sherrer

Compensation

George E. Peintner, Chairman
William H. Hill
Wayne W. Klein
Gerald J. Kohout

Officers

The officers elected by the Board of Directors and serving as of December 31, 2017, were as follows:

<u>Officer</u>	<u>Elected Position</u>
Gregg E. Zahn	President and Chief Executive Officer
Jeffrey J. Wood	Chief Financial Officer, Secretary & Treasurer

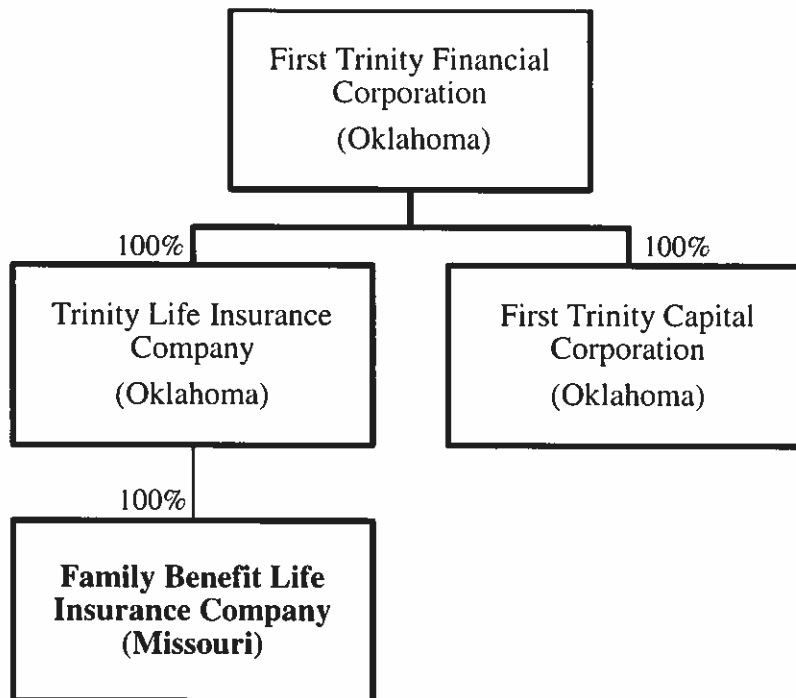
Holding Company, Subsidiaries and Affiliates

FBLIC is a member of an Insurance Holding Company System as defined by Section 382.010 RSMo (Definitions). An Insurance Holding Company System Registration Statement was filed by FBLIC for itself for each of the two years of the examination period after it became subject to the holding company laws. The Company is a wholly owned subsidiary of TLIC, an Oklahoma life insurance company, which in turn, is wholly owned by FTFC, an Oklahoma public entity that files with the Securities and Exchange Commission.

The Company is also affiliated with First Trinity Capital Corporation, an Oklahoma Corporation providing premium financing services.

Organizational Chart

The organizational chart below depicts the holding company system of the Company as of December 31, 2017:



Intercompany Transactions

The Company's agreements with related parties that were in effect, as of December 31, 2017 and subsequent periods, are outlined below.

1. **Type:** Administrative Services Cost Sharing Agreement
Affiliate: FTFC
Effective: January 1, 2012 for successive one-year terms until terminated
Terms: FTFC will provide office space, office equipment and other related miscellaneous office services to FBLIC, and FBLIC will reimburse FTFC the cost of providing these services.

2. **Type:** Tax Sharing Agreement
Affiliate: TLIC
Effective: November 1, 2013
Terms: TLIC will file a consolidated federal tax return for itself and FBLIC. The tax liability for each entity shall be based upon each entity's taxable income or loss as reflected in the consolidated financial statements. Any adjustments for additional tax liability shall be paid within 30 days of notification and any refunds shall be paid within 30 days of receipt. Both parties agree to comply with regulations dealing with consolidated tax filings in accordance with U.S. Treasury Regulation Section 1502.

TERRITORY AND PLAN OF OPERATION

FBLIC is licensed by the Missouri Department of Insurance, Financial Institutions and Professional Registration under Chapter 376 RSMo (Life, Health and Accident Insurance) to write the following lines of business: life, annuities, endowments, and accident & health. The Company was also licensed in twenty-five additional states as of December 31, 2017.

The current marketing plan consists of jointly marketing FBLIC's and TLIC's products in the states they are respectively authorized to transact business. Both FBLIC and TLIC market their products through independent agents directly or through independent marketing organizations. At year-end 2017, FBLIC had 1,708 independent agents and marketing organizations.

The Company plans to increase premium by contracting new independent agents, independent marketing organizations and applying for Certificates of Authority for FBLIC and TLIC into states deemed key for marketing purposes. FBLIC competes for sales representatives on the basis of support services, competitive products, product features and compensation. The marketing efforts are focused on final expense and annuity production. The Company also plans to increase its advertising and promotion of the current whole life and term life products.

REINSURANCE

General

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Direct Business	\$27,737,705	\$37,363,824	\$36,404,770	\$ 7,212,654
Assumed – Affiliates	0	0	0	0
Assumed – Non-affiliates	0	0	0	0
Ceded – Affiliates	0	0	0	0
Ceded – Non-affiliates	<u>(153,041)</u>	<u>(138,015)</u>	<u>(133,956)</u>	<u>(124,702)</u>
Net Premiums	<u>\$27,584,664</u>	<u>\$37,225,809</u>	<u>\$36,270,814</u>	<u>\$ 7,087,952</u>

Assumed

The Company did not assume any premiums during the period under examination.

Ceded

The Company utilizes only one reinsurer, Optimum Re Insurance Company (Optimum Re). A reinsurance agreement, effective January 1, 2001, cedes risks on both an automatic and facultative basis. The Company retains \$50,000 per insured life, and cedes up to \$200,000 per risk in excess of the retention on an automatic basis. Policy limits in excess of the automatic limit of \$250,000 may be reinsured on a facultative basis up to a limit of \$10,000,000 per insured life. This agreement has terms that provide for FBLIC to cede policies that were recaptured by the Company from terminated reinsurance agreements.

The Company has an Accidental Death & Dismemberment agreement with Optimum Re. The agreement covers Accidental Death Benefit riders that FBLIC has written since November of 2002. Optimum Re assumes all risks above FBLIC's retention of \$0, with a maximum of \$300,000 per life.

A reinsurance agreement, effective November 24, 2014, with Optimum Re, cedes risks on whole life, 10 pay policies, and single premium life policies, written with an automatic limit of \$200,000 per policy, and a jumbo limit of \$4,000,000 per policy. FBLIC retains \$75,000 per insured life and cedes the remainder of the risk, up to the policy limits, to Optimum Re. FBLIC also cedes losses for waiver of premium riders under this reinsurance agreement.

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 agreement.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the DIFP and present the financial condition of the Company for the period ending December 31, 2017. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements. 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.

	<u>Assets</u>		
	Assets	Non-Admitted Assets	Net Admitted Assets
Bonds	\$ 71,836,930	\$ 0	\$ 71,836,930
Common stocks	74,979	0	74,979
Mortgage loans on real estate	60,332,902	0	60,332,902
Real estate – held for income	131,000	0	131,000
Real estate – held for sale	142,455	0	142,455
Cash, cash equivalents and short-term investments	11,282,123	0	11,282,123
Contract loans	632,488	0	632,488
Other invested assets	1,250,000	0	1,250,000
Receivables for securities	229,472	0	229,472
Investment income due and accrued	1,194,628	9,230	1,185,398
Uncollected premiums and agents' balances in the course of collection	22,512	0	22,512
Deferred premiums and agents' balances and installments booked but deferred and not yet due	1,776,208	0	1,776,208
Reinsurance amounts recoverable from reinsurers	115,930	0	115,930
Other amounts receivable under reinsurance contracts	1,249	0	1,249
Current federal and foreign income tax recoverable and interest thereon	263,588	0	263,588
Net deferred tax assets	878,840	78,935	799,905
Guaranty funds receivable or on Deposit	56,995	0	56,995
Health care and other amounts Receivable	938,194	749,723	188,471
Aggregate write-ins for other than invested assets	1,581,194	6,988	1,574,206
TOTAL ASSETS	\$ 152,741,687	\$ 844,876	\$ 151,896,811

Liabilities, Surplus and Other Funds

Aggregate reserve for life contracts	\$ 135,296,359
Aggregate reserve for accident and health contracts	403
Liability for deposit-type contracts	4,823,307
Contract claims – Life	286,482
Dividends apportioned for payment	39,241
Coupons and similar benefits	12,296
Premiums and annuity considerations for life and accident and health contracts received in advance	5,678
Other amounts payable on reinsurance	173
Interest maintenance reserve	600,066
General expenses due or accrued	356,000
Taxes, licenses and fees due or accrued	143,000
Unearned investment income	21,052
Amounts withheld or retained by company as agent or trustee	2,141
Amounts held for agents' account	6,247
Remittances and items not allocated	41,605
Asset valuation reserve	671,024
Payable to parents, subsidiaries and affiliates	88,725
Payable for securities	5
Aggregate write-ins	1,899,532
TOTAL LIABILITIES	\$ 144,293,336
Common capital stock	1,604,378
Gross paid in and contributed surplus	1,010,000
Unassigned funds	6,445,983
Less treasury stock	(1,456,886)
Total surplus	\$ 5,999,097
TOTAL CAPITAL & SURPLUS	\$ 7,603,475
TOTAL LIABILITIES, CAPITAL AND SURPLUS	\$ 151,896,811

Summary of Operations

Premiums and annuity considerations for life and A&H contracts	\$27,584,664
Considerations for supplementary contracts with life contingencies	32,298
Net investment income	7,716,579
Amortization of Interest Maintenance Reserve	167,804
TOTAL	\$35,501,345
Death benefits	\$ 601,499
Matured endowments	5,000
Annuity benefits	2,098,655
Disability benefits & benefits under accident and health contracts	6,666
Coupons, guaranteed and annul pure endowments and similar benefits	11,434
Surrender benefits and withdrawals for life contracts	3,421,947
Interest & adjustments on contract or deposit-type contract funds	142,298
Payments on supplementary contracts with life contingencies	224,473
Increase in aggregate reserves for life and accident and health contracts	21,008,405
Commissions on premiums, annuity consideration & deposit contract funds	4,209,434
General insurance expenses	2,725,860
Insurance taxes, licenses and fees	239,333
Increase in loading on deferred and uncollected premiums	240,289
Aggregate write-ins for deductions	1,834,910
TOTAL	\$36,770,203
NET GAIN (LOSS) FROM OPERATIONS	\$(1,268,858)
Dividends to policyholders	39,656
Federal and foreign income taxes incurred	110,291
Net realized capital gains and (losses)	(109,654)
NET INCOME (LOSS)	\$(1,528,459)

Reconciliation of Capital and Surplus
Changes from January 1, 2014 to December 31, 2017

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Capital and Surplus, Beginning of Year	\$11,473,143	\$10,966,560	\$10,308,963	\$9,141,799
Net income (loss)	980,060	548,318	6,645	(1,528,459)
Change in net unrealized capital gains (losses)	(12,862)	(6,378)	58,297	10,925
Change in net deferred income tax	10,115	145,255	37,948	412,089
Change in non-admitted assets	(82,734)	(317,270)	(173,397)	(28,284)
Change in asset valuation reserve	98,838	(27,522)	(96,657)	(88,645)
Dividends to stockholders	(1,500,000)	(1,000,000)	(1,000,000)	-
Agg. write-ins for gains (losses) in surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>(315,951)</u>
Change in capital and surplus for the year	<u>(\$506,583)</u>	<u>(\$657,597)</u>	<u>(\$1,167,164)</u>	<u>(\$1,538,324)</u>
Capital and Surplus, End of Year	<u>\$10,966,560</u>	<u>\$10,308,963</u>	<u>\$9,141,799</u>	<u>\$7,603,475</u>

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 Family Benefit Life Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Emily Pennington, CFE, examiner for the DIFP, participated in this examination. The firm, Risk & Regulatory Consulting, LLC, also participated as an information technology system specialist and actuarial consultant for the State of Oklahoma’s examination of Trinity Life Insurance Company, the parent of FBLIC.

VERIFICATION


State of Missouri)
County of Jackson)

I, Laura Church, CPA, 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 Family Benefit 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.



Laura Church, CPA, CFE
Examiner-In-Charge
Missouri Department of Insurance, Financial
Institutions and Professional Registration

Sworn to and subscribed before me this 17th day of June, 2019.

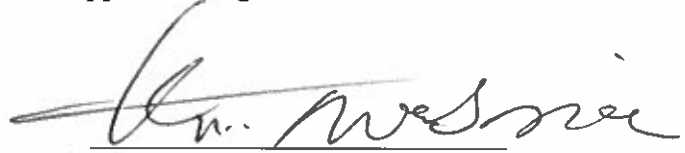
My commission expires: 04-14-2020 
Notary Public



BEVERLY M. WEBB
My Commission Expires
April 14, 2020
Clay County
Commission #12484070

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 DIFP and statutes of the State of Missouri prevailed.

A handwritten signature in black ink, appearing to read "Levi N. Nwasoria", written over a horizontal line.

Levi N. Nwasoria, CPA, CFE

Audit Manager

Missouri Department of Insurance, Financial
Institutions and Professional Registration