

# 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 Fidelity Security Life Insurance Company for the period ended December 31, 2021, 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 finding, company history, management and control, territory and plan of operation, growth of company and loss experience, reinsurance, accounts and records, financial statements, comments on financial statement items, financial statement changes resulting from examination, and summary of recommendations.

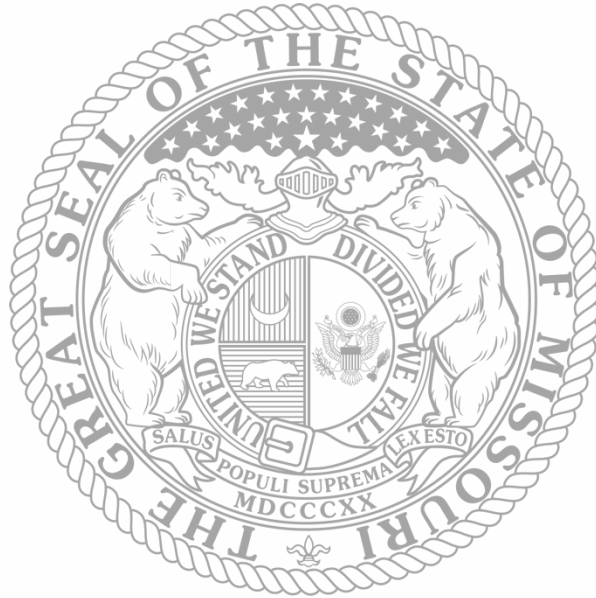
Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Fidelity Security Life Insurance Company as of December 31, 2021, be and is hereby ADOPTED as filed and for Fidelity Security Life Insurance Company to take the following action or actions, which I 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 20<sup>th</sup> day of June, 2023.



*Chlora Lindley-Myers*

Chlora Lindley-Myers, Director  
Department of Commerce and Insurance



REPORT OF  
FINANCIAL EXAMINATION OF

# **FIDELITY SECURITY LIFE INSURANCE COMPANY**

AS OF  
DECEMBER 31, 2021

**STATE OF MISSOURI  
DEPARTMENT OF COMMERCE & INSURANCE**

JEFFERSON CITY, MISSOURI

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Kansas City, MO  
April 30, 2023

Honorable Chlora Lindley-Myers, Director  
Missouri Department of Commerce and Insurance  
301 West High Street, Room 530  
Jefferson City, Missouri 65101

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

**Fidelity Security Life Insurance Company (NAIC# 71870)**

hereinafter referred to as such, as FSL, or as the Company. Its administrative office is located at 3130 Broadway Boulevard, Kansas City, Missouri 64111, telephone number 816-756-1060. The fieldwork for this examination began on July 7, 2022, and concluded on the above date.

**SCOPE OF EXAMINATION**

**Period Covered**

The Missouri Department of Commerce and Insurance (Department) has performed a multiple-state financial examination of Fidelity Security Life Insurance Company. The last examination of the Company by the Department covered the period of January 1, 2013, through December 31, 2016. The current examination covers the period of January 1, 2017, through December 31, 2021, 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 or 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 FSL included investments, reinsurance, underwriting, claims handling and reserving, related party, and capital and surplus. The examination also included a review and evaluation of information technology general controls.

This examination was conducted as part of a coordinated examination of the Fidelity Security Group (Group), which consists of two insurance companies domiciled in the state of Missouri and one insurance company domiciled in the state of New York. The Missouri Department of Commerce and Insurance is the lead-state regulator for the Group and acted as the exam facilitator for the examination, while regulators from the New York Department of Financial Services (DFS) participated. American Service Life Insurance Company (ASL), an insurance company domiciled in the state of Arkansas, was a member of the Fidelity Security Group until a transfer of ownership in August of 2016. While no longer a member of the Group, ASL still utilizes certain services and systems that are common to the Fidelity Security Group. As such, regulators from the Arkansas Insurance Department also participated in the coordinated examination. The other Missouri domiciled insurance company, Fidelity Security Assurance Company (FSAC), was included in the coordinated examination.

This examination report includes significant findings of fact, as mentioned in Section 374.205 (Examination, director may conduct, when...) of the Revised Statutes of Missouri (RSMo) 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 are separately communicated to other regulators and/or the Company.

### **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.

### **COMPANY HISTORY**

#### **General**

Fidelity Security Life Insurance Company was incorporated on January 17, 1969, by Forrest and Dottie Jones, and commenced business on July 1, 1969, as a stock life insurance company, in accordance with the provisions of Chapter 376 RSMo. (Life, Health and Accident Insurance). In 1994, Forrest and Dottie Jones transferred their shares of FSL's stock to their son, Richard (Dick) F. Jones. From 1994 to 2016, Dick Jones and his wife, Sandy held a majority of FSL's stock. On September 30, 2016, Dick and Sandy Jones sold a majority of their shares of FSL's stock and its insurance-related affiliates to the beneficial ownership of their three sons- Richard (Rick) Jones, Jr., Bradford (Brad) Jones, and Bryson (Bryce) Jones- through generation-skipping trusts. Each of the trusts purchased equal shares of FSL and related affiliate stock. The sale of stock was financed through promissory notes, secured by a pledge of the shares being purchased. Following the sale of stock, Dick Jones retained 7,700 shares of FSL's stock, of which he immediately gifted 6,700 total shares to be split equally by the three trusts.

#### **Mergers, Acquisitions, and Major Corporate Events**

During the examination period, the Group notified the Department of its intent to form a property and casualty insurance company to be called Fidelity Security Assurance Company. FSAC was issued a Certificate of Authority on October 28, 2021 and commenced business on November 1, 2021, as a stock property and casualty insurance company, wholly-owned by FSL. See the Holding Company, Subsidiaries, and Affiliates section of this report for additional details on ownership and control.

#### **Dividends and Capital Contributions**

FSL declared and paid both preferred stock and common stock dividends for each year of the examination period, which are summarized in the table that follows:

<b>Year</b>	<b>Preferred Stock Dividends</b>	<b>Common Stock Dividends</b>	<b>Total Dividends</b>
2017	\$ 232,500	\$ 4,515,012	\$ 4,747,512
2018	232,875	3,035,151	3,268,026
2019	232,500	3,039,784	3,272,284
2020	232,500	3,041,289	3,273,789
2021	232,500	3,857,536	4,090,036
<b>Total</b>	<b>\$ 1,162,875</b>	<b>\$ 17,488,772</b>	<b>\$ 18,651,647</b>

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

### **MANAGEMENT AND CONTROL**

#### **Board of Directors**

The management of the Company is vested in a Board of Directors that are elected by the Shareholders on an annual basis. The Company's Bylaws specify that there shall be at least nine members, but not more than twenty-one members. The Board of Directors elected and serving as of December 31, 2021, were as follows:

<b><u>Name and Address</u></b>	<b><u>Principal Occupation and Business Affiliation</u></b>
Richard F. Jones Shawnee Mission, KS	President and Treasurer FSL
Bryson L. Jones Shawnee Mission, KS	Executive Vice President FSL
Richard L. Andrews Buckeye, AZ	Former Dean University of Missouri- Columbia
Alan E. Zink Dublin, OH	Retired, President/CEO American Insurance Administrators, Inc.
Bradford R. Jones Lake Quivira, KS	Executive Vice President, Secretary FSL
Peter de Silva Ladue, MO	Semi-Retired, President TD Ameritrade
Larry G. Vogt Lake Mary, FL	Retired, President/CEO Uniformed Services Benefit Association, Inc.
Jeffrey B. Hanes Mission Hills, KS	Former CEO Carter-Waters Corporation
Richard F. Jones, Jr. Leawood, KS	Executive Vice President FSL
Michael E. Hall Incline Village, NV	Retired, Senior Vice President FSL
Dave G. Ruf, Jr. Leawood, KS	Retired Phoenix Home Health Care
William R. Hobbs Overland Park, KS	Retired, Vice President and Controller FSL

**Officers**

Pursuant to the Company's Bylaws, the Officers of the Company shall consist of a President, one or more Vice Presidents, a Secretary, an Assistant Secretary, a Treasurer, and such other officers as may be elected by the Board of Directors. The officers elected and serving, as of December 31, 2021, were as follows:

<b><u>Name</u></b>	<b><u>Office</u></b>
Richard F. Jones	President and Treasurer
Bradford R. Jones	Executive Vice President and Secretary
Bryson L. Jones	Executive Vice President
Richard F. Jones Jr.	Executive Vice President
Martha E. Madden	Senior Vice President and General Counsel
Peter A. Lindquist	Vice President
Timothy W. Knott	Vice President
Chayan Dasgupta	Vice President
Leroy M. McCarty	Vice President

The Company also lists Actuarial Resources Corporation as Other on the Jurat Page, with the position of Actuary. The Company's Appointed Actuary during the examination period was William H. Wilton.

**Principal Committees**

The Bylaws allow for the appointment of an Executive Committee and other committees as determined appropriate by the Board of Directors, consisting of three or more directors. The appointed committees and the members serving as of December 31, 2021, were as follows:

<b><u>Executive Committee</u></b>	<b><u>Investment Committee</u></b>	<b><u>Audit Committee</u></b>
Richard F. Jones	Richard F. Jones	William R. Hobbs
Richard F. Jones, Jr.	Michael E. Hall	Jeffrey B. Hanes
Bradford R. Jones	Dave G. Ruf, Jr.	Alan E. Zink
Bryson L. Jones	Larry G. Vogt	

**Corporate Records**

The Company's Articles of Incorporation and Bylaws were reviewed. No amendments were made to the Articles of Incorporation during the exam period. Effective April 27, 2021, FSL's Bylaws were amended to allow for the designation of three Executive Vice Presidents.

The Board of Directors', Investment Committee, Audit Committee, and Shareholders' meeting minutes were reviewed for the period under examination.



**Holding Company, Subsidiaries, and Affiliates**

FSL is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions). The Fidelity Security Group is ultimately controlled by three family generation-skipping trusts (GST), as outlined below:

1. Richard F. Jones, Jr. (Rick) and Steven Krueger, co-trustees of the Richard and Sandra Jones Family GST for Richard F. Jones, Jr.
2. Bradford R. Jones (Brad) and Steven Krueger, co-trustees of the Richard and Sandra Jones Family GST for Bradford R. Jones.
3. Bryson L. Jones, (Bryce) and Steven Krueger, co-trustees of the Richard and Sandra Jones Family GST for Bryson L. Jones.

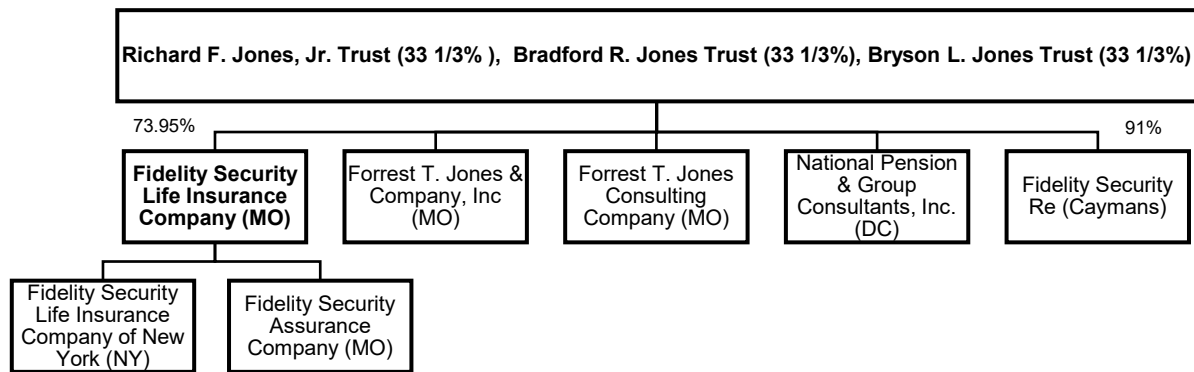
The Group’s organization structure consist of seven legal entities, four of which are insurance companies, as follows: Fidelity Security Life Insurance Company, and its wholly-owned subsidiaries, Fidelity Security Life Insurance Company of New York (FSLNY, NAIC #67288), Fidelity Security Assurance Company (NAIC #17136), and Fidelity Security Re, a reinsurer licensed in the Cayman Islands. The other three affiliated non-insurance entities are as follows:

- Forrest T. Jones & Company, Inc. (FTJ): a Missouri corporation, licensed as a third-party administrator and insurance agency.
- Forrest T. Jones Consulting Company (FTJCC): a Missouri corporation, licensed as a third-party administrator and insurance agency.
- National Pension & Group Consultants, Inc. (NPGC): a District of Columbia corporation qualified and licensed by FINRA to sell insurance and annuities.

American Service Life Insurance Company (NAIC #76201) (ASL) is a stock life insurance company that is wholly owned by Dick Jones and is domiciled in the state of Arkansas. ASL is considered a related party due to common control and IT operations, even though it is no longer an affiliate and part of the holding company structure.

**Organizational Chart**

The following organizational chart depicts the applicable portion of the holding company group as of December 31, 2021. All subsidiaries show are wholly owned unless otherwise noted.



**Intercompany Transactions**

The following agreements represent significant contracts executed with affiliated entities that were in effect as of December 31, 2021. A brief description of these agreements are as follows:

**Managing General Agent Contract:** Effective December 1, 2009, FSL entered into a Managing General Agent Contract with FTJ. Under the terms of this agreement, FTJ performs certain administrative services for FSL, including soliciting insurance business, delivering policies, billing and collecting premiums, paying commission fees to the agents and brokers, and qualifying and underwriting risk for FSL according to the rates, underwriting rules, limits, and forms authorized by FSL.

**Cost Allocation Agreement:** Under the terms of this agreement, effective since August 1, 1994, FSL pays to FTJ allocated amounts for various common expenses, including, but not limited to, salary, payroll taxes, employee benefits, rent, utilities, and building maintenance expenses.

**Mortgage Loan Agreement/Note:** On December 31, 2002, FSL advanced \$3.6 million to FTJ under an interest-bearing Mortgage Loan Agreement. The note has been refinanced three times, with the latest occurring on November 15, 2020.

**Promissory Note/Loan Agreement:** On April 30, 1998, FTJ issued a promissory note to FSL for the repayment of amounts previously loaned, up to a maximum principal balance of \$4,000,000, to be repaid on January 4, 1999. The promissory note was converted into a continuous loan agreement effective January 1, 1999. Under the continuous loan agreement, any loans or advances made during any calendar year are to be repaid by the end of the calendar year.

**Investment Services Agreements:** The Company has separate Investment Services Agreements with FSLNY (effective January 1, 2012) and FSAC (effective November 1, 2021). Under the terms of these agreements, FSL provides investment management services in accordance with the respective Investment Policies of each affiliate.

FSL and FSLNY are also parties to a Tax Allocation Agreement, Escrow Agreement, and Guaranty Agreement, as well as various reinsurance agreements that are described under the Reinsurance section of this report.

**TERRITORY AND PLAN OF OPERATION**

Fidelity Security Life Insurance Company is licensed by the Department to write life, annuities, endowments, accident and health (A&H), and variable contracts business under Chapter 376 RSMo (Life, Health and Accident Insurance). The Company is licensed to write business in the District of Columbia, Guam, and in all states except New York, where it is licensed as a reinsurer.

The Company's insurance products are managed through six strategic business units (SBUs), as follows:

- 1. Asset Accumulation (AA):** The AA SBU mainly markets retirement plans to non-profit niche markets, such as education and governmental entities, as well as other non-profit organizations. Core products marketed under this SBU include fixed annuities, term life, and single-premium whole life, single premium deferred annuities, and flexible premium group annuity contracts. FSL has a contract with a national distributor for sales and an annuity administrator for policyholder services.

2. **Specialty Benefits (SB):** The SB SBU was formed to manage the Company’s prescription drug carve-out products and pursue opportunities in employer sponsored vision coverage. Core products marketed under this SBU include vision, LASIK, dental, and hearing coverages. SB is the largest business unit in terms of gross premium volume, mainly due to the group and individual vision care plans offered under the EyeMed contract. The distribution of SB products is accomplished through general agent relationships that have expertise in the product line.
3. **Self-Funded/Excess-Loss (XOL):** FSL offers both specific and aggregate stop-loss coverage under self-funded arrangements to protect against catastrophic or unpredictable losses for small to mid-sized organizations with self-funded employee benefit plans. The specific and aggregate excess loss coverage is distributed through managing general underwriters (MGUs) at a wholesale level. MGUs receive business opportunities from the TPAs and agents acting on behalf of employers.
4. **Joint Venture (JV):** The JV SBU includes a diverse set of products that spans across all its product lines. Core products include life, substandard disability, occupational accident, and supplemental medical indemnity, marketed through a network of agents.
5. **Special Markets (SM):** This SBU was established to provide innovative products and dedicated service to distributors in the association group market. Core products include life, supplemental health, accident, and short-term disability. The distribution channels involve direct response marketing methods and through individual sales.
6. **Life Solutions (LS):** Core products for the LS SBU include individual and voluntary life products. Distribution channels involve direct-to-consumer space, traditional agent sales and hybrid models.

A summary of 2021 gross and net premium volume by strategic business unit is provided in the table below:

*(\$000s omitted)*

<b>Strategic Business Unit</b>	<b>Gross Premiums</b>	<b>% of Gross Premiums</b>	<b>Net Premiums</b>	<b>% of Net Premiums</b>
Specialty Benefits	\$ 971,612	73.7%	\$ 20,360	13.9%
Self-Funded/Excess-Loss	206,856	15.7%	68,259	46.7%
Joint Venture	74,033	5.6%	22,960	15.7%
Life Solutions	27,471	2.1%	46	<1.0%
Special Markets	21,676	1.6%	16,909	11.6%
Asset Accumulation	17,523	1.3%	17,492	12.0%
<b>Totals</b>	<b>\$ 1,319,170</b>	<b>100.0%</b>	<b>\$ 146,026</b>	<b>100.0%</b>

### **GROWTH OF COMPANY AND LOSS EXPERIENCE**

FSL experienced growth in premiums in the last four years during the exam period, with considerable growth in 2021, largely due to growth in health business. Capital and surplus increased each year during the examination period and underwriting ratio remains favorable for each year under examination.

The table below summarizes the Company's growth and loss experience for the period under examination:

(\$000s omitted)

Year	Net Premiums	Change in Net Premiums	Benefits and Losses	Capital and Surplus	Ratio of Net Premiums to Surplus	Net Income (Loss)
2017	\$ 115,268	-5.5%	\$ 95,077	\$ 204,388	56.4%	\$ 22,795
2018	119,477	3.7%	96,232	242,348	49.3%	39,158
2019	127,214	6.5%	103,599	266,622	47.7%	25,514
2020	128,524	1.0%	96,854	293,488	43.8%	28,921
2021	146,026	13.6%	121,712	309,890	47.1%	18,741

## 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	2017	2018	2019	2020	2021
Direct Premiums Written	\$ 883,626	\$ 965,968	\$ 1,039,830	\$ 1,111,753	\$ 1,228,330
Reinsurance Assumed:					
Affiliates	20,789	27,245	43,645	46,227	49,189
Non-Affiliates	23,521	23,314	28,969	33,383	41,345
Reinsurance Ceded:					
Affiliates	352	362	339	320	304
Non-Affiliates	812,535	896,764	985,326	1,062,710	1,172,840
<b>Net Premiums Written</b>	<b>\$ 115,048</b>	<b>\$ 119,401</b>	<b>\$ 126,779</b>	<b>\$ 128,332</b>	<b>\$ 145,720</b>

### Assumed Reinsurance

FSL assumed \$90.5 million in premiums during 2021 compared to \$44.3 million in 2017. Reinsurance assumed is mainly group accident and health (A&H) business assumed under three separate quota share reinsurance agreements affiliate and subsidiary, FSLNY, and a non-affiliated specific and aggregate medical stop-loss quota share agreement with Union Labor Life Insurance Company (ULLIC). Assumed business from FSLNY accounted for 54.3%, while premiums assumed from ULLIC accounted for 43.3%. The remaining premiums were assumed from other U.S non-affiliated insurers.

### Ceded Reinsurance

FSL reinsures a significant portion of risks for both life and A&H business through quota share and/or excess of loss agreements with highly rated reinsurers. The maximum amount of insurance that FSL retains is \$350,000 on any one life and \$400,000 per insured on Specific and Aggregate Programs.

In 2021, FSL ceded approximately \$1.2 billion in premiums, consisting of \$33.0 million in life premiums and \$1.1 billion in A&H premiums. FSL reported approximately \$90.7 million in reinsurance recoverable on unpaid losses and an immaterial amount of reinsurance recoverable on paid losses.

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.

## **ACCOUNTS AND RECORDS**

### **Independent Auditor**

The certified public accounting (CPA) firm, RSM US LLP, in Oklahoma City, Oklahoma, performed the statutory audit of the Company for each year under examination. Reliance was placed upon the CPA workpapers as deemed appropriate. Such reliance included, but was not limited to, identification of key processes and controls and substantive testing procedures.

### **Actuarial Opinion**

The Company's actuarial opinion regarding reserves and other actuarial items was issued by James M. Merwald, FSA, MAAA for 2017 and 2018, followed by William H. Wilton, FSA, MAAA for the remainder of the examination period. Mr. Merwald and Mr. Wilton are employed by Actuarial Resources Corporation in Overland Park, Kansas.

### **Consulting Actuary**

Pursuant to a contract with the Department, Frank G. Edwards, Jr., ASA, MAAA and Jennifer Thelen, FSA, MAAA of INS Consultants, Inc., reviewed the underlying actuarial assumptions and methodologies used by FSL to determine the adequacy of reserves and other actuarial items. The consulting actuaries determined that the Company made a reasonable provision for the reserves and other actuarial items that were reported in the statutory financial statements, as of December 31, 2021.

### **Information Systems**

Department IT Examiner-in-Charge Kim Dobbs, CFE, AES, CISA performed a review of the Company's information systems.

## **FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of Fidelity Security Life Insurance Company for the period ending December 31, 2021. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the financial statements 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 key activity.

**ASSETS**

As of December 31, 2021

	<b>Assets</b>	<b>Nonadmitted Assets</b>	<b>Net Admitted Assets</b>
Bonds	\$ 748,974,239	\$ -	\$ 748,974,239
Stocks:			
Preferred Stocks	12,206,076	-	12,206,076
Common Stocks	25,067,803	-	25,067,803
Mortgage Loans on Real Estate:			
First Liens	3,379,711	-	3,379,711
Cash, Cash Equivalents, and Short- Term Investments	72,145,079	-	72,145,079
Contract Loans	6,644,733	-	6,644,733
Other Invested Assets	49,631,347	-	49,631,347
Receivables for Securities	10,000	-	10,000
Title Plants		-	
Investment Income Due and Accrued	5,181,029	-	5,181,029
Premiums and Considerations:			
Uncollected Premiums and Agents' Balances in the Course of Collection	36,179,172	17,860	36,161,312
Deferred Premiums, Agents' Balances and Installments Booked but Deferred and Not Yet Due	695,730	-	695,730
Reinsurance:			
Amounts Recoverable from Reinsurers	544,243	-	544,243
Other Amounts Receivable Under Reinsurance Contracts	3,599,183	-	3,599,183
Net Deferred Tax Asset	934,733	-	934,733
Guaranty Funds Receivable or on Deposit	2,467,083	-	2,467,083
Electronic Data Processing Equipment and Software	3,489,030	3,489,030	-
Receivables from Parent, Subsidiaries, and Affiliates	7,658,907	-	7,658,907
Aggregate Write-Ins for Other-Than- Invested Assets	88,439	-	88,439
From Separate Accounts, Segregated Accounts, and Protected Cell Accounts	6,632,687	-	6,632,687
<b>TOTAL ASSETS</b>	<b>\$ 985,529,225</b>	<b>\$ 3,506,890</b>	<b>\$ 982,022,335</b>

**LIABILITIES, SURPLUS AND OTHER FUNDS**

As of December 31, 2021

Aggregate Reserve for Life Contracts	\$ 445,663,028
Aggregate Reserve for Accident and Health Contracts	6,571,135
Liability for Deposit-Type Contracts	4,751,676
Contract Claims:	
Life	2,213,169
Accident and Health	23,376,272
Premiums and Annuity Considerations for Life and Accident and Health Contracts Received in Advance	65,337
Contract Liabilities Not Included Elsewhere:	
Other Amounts Payable on Reinsurance	17,113,843
Commissions to Agents Due or Accrued	486,230
General Expenses Due or Accrued	2,424,150
Transfers to Separate Accounts Due or Accrued	(4,313)
Taxes, Licenses, and Fees Due or Accrued, Excluding Federal Income Taxes	4,219,529
Current Federal and Foreign Income Taxes	100,944
Amounts Held for Agents' Account	32,946,063
Remittances and Items Not Allocated	14,438,632
Borrowed Money and Interest Thereon	81,342,487
Miscellaneous Liabilities:	
Asset Valuation Reserve	15,283,975
Reinsurance in Unauthorized and Certified Companies	231
Funds Held Under Reinsurance Treaties with Unauthorized and Certified Reinsurers	13,398,023
Payable to Parent, Subsidiaries, and Affiliates	639,445
Payable for Securities	5,409
Aggregate Write-Ins for Liabilities	464,363
From Separate Accounts Statement	6,632,687
<b>TOTAL LIABILITIES</b>	<b>\$ 672,132,314</b>
Common Capital Stock	2,500,000
Preferred Capital Stock	3,000,000
Gross Paid In and Contributed Surplus	2,296,519
Unassigned Funds (Surplus)	308,550,223
Less Treasury Stock, at Cost:	
72,254 Shares Common	6,456,720
<b>TOTAL CAPITAL AND SURPLUS</b>	<b>\$ 309,890,022</b>
<b>TOTAL LIABILITIES AND SURPLUS</b>	<b>\$ 982,022,336</b>

**SUMMARY OF OPERATIONS**

For the Year Ended December 31, 2021

Premiums and Annuity Considerations for Life and Accident and Health Contracts	\$ 145,719,991
Considerations for Supplementary Contracts with Life Contingencies	306,087
Net Investment Income	28,170,059
Amortization of Interest Maintenance Reserve	696,628
Commissions and Expense Allowances on Reinsurance Ceded	210,589,041
Miscellaneous Income:	
Income from Fees Associated with Investment Management, Administration, and Contract Guarantees from Separate Accounts	92,863
Aggregate Write-Ins for Miscellaneous Income	8,363
<b>Total Revenue</b>	<b>\$ 385,583,034</b>
Death Benefits	6,199,149
Annuity Benefits	25,472,627
Disability Benefits and Benefits Under Accident and Health Contracts	85,264,904
Surrender Benefits and Withdrawals for Life Contracts	651,215
Interest and Adjustments on Contract or Deposit-Type Contract Funds	441,037
Payments on Supplementary Contracts with Life Contingencies	1,848,900
Increase in Aggregate Reserves for Life and Accident and Health Contracts	1,833,671
Commissions on Premiums, Annuity Considerations, and Deposit-Type Contract Funds	176,192,620
Commissions and Expense Allowances on Reinsurance Assumed	11,681,667
General Insurance Expenses	27,937,545
Insurance Taxes, License, and Fees, Excluding Federal Income Taxes	25,498,509
Increase in Loading on Deferred and Uncollected Premiums	(55,095)
Net Transfers To or (From) Separate Accounts Net of Reinsurance	(347,197)
Aggregate Write-Ins for Deductions	15,993
<b>Total Underwriting Deductions</b>	<b>\$ 362,635,543</b>
<b>Net Gain (Loss) From Operations Before Dividends to Policyholders and Federal Income Taxes</b>	<b>\$ 22,947,491</b>
Federal and Foreign Income Taxes Incurred	5,085,273
Net Realized Capital Gains (Losses)	878,626
<b>NET INCOME (LOSS)</b>	<b>\$ 18,740,844</b>



**RECONCILIATION OF CAPITAL AND SURPLUS**  
Changes from January 1, 2017 to December 31, 2021

*(\$000's omitted)*

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Capital and Surplus, Beginning of Year	\$ 186,846	\$ 204,388	\$ 242,348	\$ 266,622	\$ 293,488
Net Income (Loss)	22,795	39,158	25,514	28,921	18,741
Change in Net Unrealized Capital Gains (Losses)					
Less Capital Gains Tax	(140)	2,343	1,308	8,032	8,908
Change in Net Deferred Income Tax	(1,568)	(14)	(515)	(2,588)	(1,508)
Change in Nonadmitted Assets	615	(398)	1,943	(614)	(1,131)
Change in Asset Valuation Reserve	668	(199)	(936)	(3,533)	(4,705)
Change in Treasury Stock	(87)	55	42	(86)	28
Surplus Adjustments:					
Paid In	6	283	191	7	159
Dividends to Stockholders	(4,748)	(3,268)	(3,272)	(3,274)	(4,090)
Net Change in Capital and Surplus	17,542	37,959	24,275	26,865	16,402
<b>Capital and Surplus, End of Year</b>	<b>\$ 204,388</b>	<b>\$ 242,348</b>	<b>\$ 266,622</b>	<b>\$ 293,488</b>	<b>\$ 309,890</b>

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

None.

**FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION**

None.

**SUMMARY OF RECOMMENDATIONS**

None.

**SUBSEQUENT EVENTS**

Subsequent to the examination period, the examination team was notified of a change in the corporate governance structure of the Fidelity Security Group. Effective April 26, 2022, Bryce Jones is now the President of FSL, replacing Dick Jones. Dick Jones remains Chairman of the Board, with Brad Jones and Rick Jones as Vice Chairmen for FSL. Brad Jones is now the President of FSAC and FSLNY. Dick Jones remains Chairman of the Board, with Bryce Jones and Rick Jones as Vice Chairmen for FSLNY and FSAC. Rick Jones is now the President of Forrest T. Jones & Company, a third-party administrator and insurance agency with minority ownership of FSL.

In first quarter 2023, FSL provided \$10.1 million in additional capital and surplus funding to its subsidiary FSAC.

The COVID-19 pandemic has continued to develop, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Department continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.


**ACKNOWLEDGMENT**

The assistance and cooperation extended by the officers and the employees of Fidelity Security Life Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Kim Dobbs, CFE, AES, CISA, Alicia Galm, CFE, Kelly Pfefferkorn, CPA, APIR, and Jessica Jones, APIR, examiners for the Missouri Department of Commerce and Insurance, also participated in this examination.


**VERIFICATION**

State of Missouri                    )  
  )    ss  
County of Jackson                )

I, Ronald Musopole, CFE, CIA, MBA, 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 Fidelity Security 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.

  
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Ronald Musopole, CFE, CIA, MBA  
Examiner-In-Charge  
Missouri Department of Commerce and  
Insurance

Sworn to and subscribed before me this 6 day of June, 2023.

My commission expires: May 18, 2024   
\_\_\_\_\_  
Notary Public



KIMBERLY LANDERS  
My Commission Expires  
May 18, 2024  
Callaway County  
Commission #12558402

**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.



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Sara McNeely, CFE  
Assistant Chief Financial Examiner  
Missouri Department of Commerce and  
Insurance