

STATE OF MISSOURI



DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

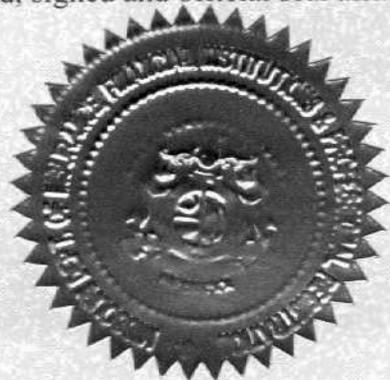
RE: Examination Report of Family Benefit Life Insurance Company for the period ended
December 31, 2010

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, 2010, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, Director, 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, subsequent events, company history, corporate records, management and control, fidelity bond and other insurance, pension, stock ownership and insurance plans, territory and plan of operations, growth of the company and loss experience, reinsurance, accounts and records, statutory deposits, financial statements, financial statement changes resulting from examination, and comments on financial statement items.

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, 2010, 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) implement, and verify compliance with each item, if any, mentioned in the Comments on Financial Statement Items and/or Summary of Recommendations section of such report; (2) 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 15th day of November, 2011.



Handwritten signature of John M. Huff in black ink.

John M. Huff, Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF THE
ASSOCIATION FINANCIAL EXAMINATION OF

**FAMILY BENEFIT LIFE
INSURANCE COMPANY**

AS OF
DECEMBER 31, 2010

FILED
NOV 25 2011
DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION



STATE OF MISSOURI

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

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Jefferson City, Missouri
September 14, 2011

Honorable Joseph Torti, III, Deputy Director and
Superintendent of Banking and Insurance
Rhode Island Department of Business Regulation
Chair, NAIC Financial Condition (E) Committee

Honorable Stephen W. Robertson, Commissioner
Indiana Department of Insurance
Midwestern Zone Secretary

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Gentlemen:

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

Family Benefit Life Insurance Company

hereinafter referred to as such, as Family Benefit, or as the Company. Its administrative office is located at 812 Madison Street, Jefferson City, Missouri 65101, telephone number (573) 636-3181. This examination began on March 1, 2011, and was completed on the above date.

SCOPE OF EXAMINATION

Period Covered

The prior full scope association financial examination of Family Benefit Life Insurance Company was made as of December 31, 2006, and was conducted by examiners from the State of Missouri, representing the Midwestern Zone of the National Association of Insurance Commissioners (NAIC).

The current full scope association financial examination covered the period from January 1, 2007, through December 31, 2010, and was conducted by examiners from the State of Missouri, representing the Midwestern Zone of the NAIC, with no other zones participating.

This examination also included the material transactions and/or events occurring subsequent to the examination date, which are noted in this report.

Procedures

This examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook (Handbook) of the NAIC, except where practices, procedures and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) and statutes of the State of Missouri prevailed. The Handbook requires that the DIFP plan and perform the examination to evaluate the financial condition and identify prospective risks of Family Benefit by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks.

This examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. However, due to the small size of the Company, a modified risk-focused approach, emphasizing aspects of the risk-focused approach and the traditional approach was utilized. With the risk-based approach, the examination completed Phase 1 procedures which require that the examination obtain understanding of the Company's operations through review of financial analysis work, the Annual Statements for the years under examination, agency reviews and ratings, questionnaires completed by management, work of the independent auditors (CPAs) and interviews of appropriate levels of corporate management. With the traditional approach, the examination identified audit procedures to be performed for individual annual statement line items with calculated materiality determining the extent and nature of procedures to be performed.

The examiners relied upon information supplied by the Company's independent auditor, Seavers & Fork, LLP, of Jefferson City, Missouri for its audits covering the period from January 1, 2009, through December 31, 2010. Information relied upon included contract loan and life contract confirmations, tests of paid contract and benefit claims and documentation of review of fraud policies and programs, etc.

SUMMARY OF SIGNIFICANT FINDINGS

The Company has not implemented procedures to comply with Missouri Regulation 20 CSR 100-6.110, Standards for Safeguarding Customer Information. In accordance with this Regulation, companies are required to implement a comprehensive written information security program that includes administrative, technical, and physical safeguards for the protection of customer information.

The Company's custodial agreement with Merrill Lynch was determined to be deficient for not containing certain safeguards and controls required by the NAIC's Financial Condition Examiners Handbook.

To ensure accurate reporting and presentation of financial information, amounts and disclosures reported in the Annual Statements must be prepared in accordance with the NAIC's Annual Statement instructions and the applicable SSAPs. The examination noted several instances where amounts and information reported in the Annual Statements lines and/or schedules and exhibits did not follow the Annual Statement instructions and the applicable SSAPs. It should be noted that problems of this nature were reported in the last examination of the Company.

SUBSEQUENT EVENTS

Subsequent to the examination date, Trinity Life Insurance Company (Trinity Life), an Oklahoma domiciled insurance company became a shareholder of Family Benefit, first by buying 128,257 shares representing 9.994% of the outstanding shares and by filing a Form A with the DIFP requesting to purchase an additional 62,141 shares of the Company, which if approved and executed, will give Trinity Life ownership and control of 14.794% of the Company. It is uncertain at this stage if these series of transactions will have any significant effect on the control of the Company.

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 Chapter 376 RSMo (Life, Health and Accident Insurance).

Capital Stock and Contribution

The Company's Articles of Incorporation allow for the issuance of 1,750,000 shares of common stock with a par value of \$1 per share. As of December 31, 2010, 1,604,378 shares were issued for a total capital stock balance of \$1,604,378. Treasury stock held by the Company consisted of 313,682 shares at a cost of \$1,435,167. There was no capital contribution during the examination period.

Dividends

Cash dividends declared and paid to common stockholders during each year of the examination period were as follows:

2010	\$193,874
2009	\$199,897
2008	\$198,492
2007	\$174,366

Acquisitions, Mergers and Major Corporate Events

There were no acquisitions, mergers or major corporate events during the period under examination.

CORPORATE RECORDS

A review was made of the Articles of Incorporation and Bylaws for the examination period. There were no amendments or changes to the Articles of Incorporation or Bylaws during the period under examination.

The minutes of the Board of Directors' meetings and stockholders' 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.

MANAGEMENT AND CONTROL

Board of Directors

The management of the Company is vested in a Board of Directors that are appointed by the shareholders. The Company's Bylaws specify that there shall be nine directors. The Board of Directors appointed and serving, as of December 31, 2010, were as follows:

<u>Name</u>	<u>Address</u>	<u>Principal Occupation and Business Affiliation</u>
Ross A. Walquist	Jefferson City, MO	Chairman and President, Family Benefit
Donald M. Coleman	Springfield, MO	District Sales Manager, Family Benefit
Richard A. Hall	Jefferson City, MO	Retired Advertising Agency Owner
Clayton A. Jones	Pleasant Hill, MO	Self Employed Attorney
Glen W. Kirby	Trenton, MO	Group President, Great Western Bank
Erwin A. Milne	Jefferson City, MO	Retired Attorney, Andereck, Evans, Milne, Peace and Baumhoer, LLC
Doyle W. Nimmo	Buffalo, MO	President, Nimmo Insurance Agency, Inc.
Howard L. Toombs	Eldon, MO	Secretary and First Vice President, Family Benefit
Jean P. Warden	Jefferson City, MO	Retired President, Capital Reserve Life Insurance Company

Committees

The Bylaws allow for committees to be appointed by the Board of Directors as needed. As of December 31, 2010, members were appointed to an Investment Committee, a Claims Committee, and a Building Committee. Members were also appointed to staff these committees throughout the examination period. However, none of the committees held meetings during the examination period. Management explained that these committees are informal and any business discussed between the committee members is documented in the minutes of the Board of Directors.

Officers

The officers elected by the Board of Directors and serving as of December 31, 2010, were as follows:

<u>Officer</u>	<u>Elected Position</u>
Ross A. Walquist	Chairman of the Board and President
Howard L. Toombs	First Vice President and Secretary
Linda S. Schroer	Assistant Secretary

Holding Company, Subsidiaries and Affiliates

The Company is not a member of an Insurance Holding Company System as defined by Section 382.010 RSMo (Definitions). This statute specifies that control of an entity is presumed to exist if any person, directly or indirectly, owns, controls, holds power to vote, or holds proxies representing, 10% or more of the voting securities of the entity. To the extent control can be established as specified in this statute, the controlled entity or company is subject to the provisions of the Insurance Holding Company System as defined by the statute. However, during the course of the examination of Family Benefit and per information provided by the Company, no one person directly or indirectly owned, controlled, held power to vote or held proxies representing 10% or more of the voting securities of Family Benefit. The Company's stock is not publicly traded and is privately held by individual shareholders. The largest shareholder of Family Benefit owned 8.063% of the voting common stock, as of December 31, 2010.

The examination's discussion with management and review of information provided by the Company did not indicate the existence of a subsidiary entity, which the statute defines as an affiliate controlled directly, or indirectly through one or more intermediaries. The Company also does not have any affiliates and therefore, is not included in an Insurance Holding Company System, pursuant to the aforementioned Missouri Holding Company law.

FIDELITY BOND AND OTHER INSURANCE

The Company is insured on a financial institution bond with a liability limit of \$300,000 and a \$10,000 deductible. This coverage complies with the suggested minimum amount of fidelity insurance according to NAIC guidelines.

Family Benefit is also insured on other insurance policies including: commercial general liability, commercial property, and directors' and officers' liability.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

Family Benefit has five employees at its home office and one outside sales manager. Benefits provided to employees include health insurance, life insurance, sick leave, flexible spending account (cafeteria) plan, and a stock option plan. The Company does not provide a pension plan, but does make contributions to individual retirement accounts (IRAs) for employees. The Company appears to have properly accounted for employee benefits in the financial statements.

TERRITORY AND PLAN OF OPERATION

Family Benefit 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 and endowments, and accident and health. The Company is also licensed in the following six additional states: Arizona, Colorado, Kansas, Nebraska, New Mexico and Oklahoma. Business written in Missouri accounted for 87% of total direct premiums and annuity considerations for 2010.

Approximately 54% and 44% of direct premiums written in 2010 were on ordinary life and individual annuities, respectively. The remaining 2% consists of minor amounts of group life and group accident and health business. The Company also assumes group life insurance business from Servicemembers' Group Life Insurance (SGLI) pool administered by the Prudential Insurance Company of America.

New business production is targeted primarily in rural communities in Missouri. Marketing efforts are limited to brochures and the Company's website that describe its products for prospective policyholders. The Company uses an agency system to market its products.

COMPANY GROWTH

During the current examination period, total assets grew modestly from \$58.1 million as of December 31, 2006 to \$60.4 million at year end 2010. During the same period, capital and surplus also increased from \$7.7 million to \$10.4 million.

Total premium income decreased overall during the examination period from \$2.4 at year-end 2006 to \$2.0 million as of the examination date. The decrease in premium volume was recorded in both the ordinary life and annuity lines of business.

The Company reported a Risk-based Capital (RBC) ratio (measurement of the amount of capital (assets minus liabilities) an insurance company has as a basis of support for the degree of risk associated with its operations and investments) of 1,215.4% at year-end 2010, an increase from 1,094.6% over the prior year. Over the last five-year period, the RBC ratio has fluctuated from a high of 1,967.8% in 2006 to 1,094.6% in 2009 and to 1,215.4% at December 31, 2010.

LOSS EXPERIENCE

Family Benefit reported an operating gain of 13.8% at year-end 2010, a decrease from 14.1% in the prior year. The overall profitability ratio fluctuated during the latest five-year period from a high of 14.1% in 2009 to a low of 10.8% in 2007. The Company reported net income in each of the years under examination.

The Company reported a total benefits and expenses paid/premium ratio of 203.5% at year-end 2010, a decrease from 213.9% in the prior year. Over the latest five-year period, this ratio fluctuated from 186.1% in 2008 to 213.9% in 2009.

REINSURANCE

General

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Direct Business	\$1,676,960	\$1,579,646	\$2,095,766	\$1,782,618
Reinsurance Assumed	473,133	396,707	364,328	461,136
Reinsurance Ceded	(130,855)	(139,657)	(139,236)	(132,334)
Net Written Premiums	<u>\$2,019,238</u>	<u>\$1,836,696</u>	<u>\$2,320,858</u>	<u>\$2,111,420</u>

Assumed

Family Benefit only has one assumed reinsurance agreement, effective July 1, 1970, with The Prudential Insurance Company of America (Prudential). Pursuant to this agreement, the Company assumes a percentage of pooled business from the Servicemembers' Group Life Insurance (SGLI) program, which is administered by Prudential. As of December 31, 2010, Family Benefit's share of the SGLI pool was 3.842%.

Ceded

The Company is contingently liable for all reinsurance losses ceded or retroceded 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.

Family Benefit utilizes only one reinsurer, Optimum Re Insurance Company (Optimum Re). A reinsurance agreement, effective January 1, 2001, with Optimum Re cedes risks on both an automatic and facultative basis. The Company retains \$50,000 per insured life. Optimum Re is ceded 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 also has terms that provides for Family Benefit to cede policies that were recaptured by the Company from terminated reinsurance agreements.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Missouri Department of Insurance, Financial Institution and Professional Registration as of December 31, 2010, as reflected below, were sufficient to meet the minimum capital deposit requirement of \$600,000 for the State of Missouri in accordance with Section 376.290 RSMo (Deposit and transfer of securities). Funds on deposit as of December 31, 2010, are as follows:

<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
U.S. Treasury Note	\$1,000,000	\$709,290	\$695,100

Deposits with Other States

The Company also has funds on deposit with the State of New Mexico. Those funds on deposit as of December 31, 2010, were as follows:

<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
U.S. Treasury Note	\$100,000	\$126,086	\$99,308

ACCOUNTS AND RECORDS

Independent Auditor

The Company's financial statements during the examination period, January 1, 2007 to December 31, 2010, were audited by Seaver & Forck, LLP, Certified Public Accountants, of Jefferson City, Missouri.

Appointed Actuary

Reserves and related actuarial items for the period January 1, 2007 to December 31, 2010, were reviewed and certified by Edward F. Cowman, FSA, MAAA, consulting actuary associated with the firm of Bruce and Bruce Company, Consulting Actuaries, of Lake Bluff, Illinois.

Information System

In conjunction with this examination, Timothy Carroll, Information Systems Financial Examiner with the DIFP, conducted a review of the Company's information system. The review and evaluation of the Company's information system environment noted that the Company has not implemented procedures to comply with Missouri Regulation 20 CSR 100-6.110, Standards for Safeguarding Customer Information. In accordance with this Regulation, companies are required to implement a comprehensive written information security program that includes administrative, technical, and physical safeguards for the protection of customer information.

Family Benefit utilizes Novell Netware for Small Business, version 6 for its network. For all policy management, claims management, producer management, financial reporting, reinsurance management, and investment and fund management functions, the Company uses programs developed internally by an in-house staff that is also responsible for the overall information system function. Information from the programs is used to prepare the Annual Statements and other supporting workpapers as necessary.

Financial Reporting

The prior examination of the Company noted several instances where errors were made in completing the applicable pages and exhibits of the Annual Statement. Although the Company agreed to implement the recommendations, the current examination noted same or similar errors as follows:

- The custodial agreement with Merrill Lynch was deficient for not containing the following provisions: 1) In the event that the custodian gains entry in a clearing corporation through an agent, there should be a written agreement between the custodian and the agent that the agent shall be subjected to the same liability for loss of securities as the custodian. If the agent is governed by laws that differ from the regulation of the custodian, the Commissioner of Insurance of the state of domicile may accept a standard of liability applicable to the agent that is different from the standard liability. 2) If the custodial agreement has been terminated or if 100% of the account assets in any one custody account have been withdrawn, the custodian shall provide written notification, within three business days of termination or withdrawal, to the insurer's domiciliary commissioner.
- The Company acquired real estate holdings during the examination period for its home office and for production of income. However, the admitted value reported by the Company was not adjusted to reflect the effect of depreciation in accordance with Statement of Statutory Accounting Principles (SSAP) #40 (Real Estate), which states that the cost of property included in real estate investments, other than land, shall be depreciated over the estimated useful life, not to exceed fifty years.
- Several other reporting errors were noted, and communicated to the Company in separate communication.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of Family Benefit for the period ending December 31, 2010. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Comments on 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 the Financial Statements." 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 Annual Statement item.

Assets

	<u>Ledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$53,857,732	\$174,491	\$53,683,241
Preferred Stocks	250,652		250,652
Common Stocks	115,302	29,616	85,686
Mortgage Loans on Real Estate	227,742		227,742
Real Estate	635,892		635,892
Cash and Short-term Investments	3,367,421		3,367,421
Contract Loans	1,020,176		1,020,176
Other Invested Assets	343		343
Investment Income Due and Accrued	837,249		837,249
Uncollected Premiums and Agents' Balances in Course of Collection	35,960	35,960	0
Deferred Premiums, Agents' Balances and Installments Booked but Deferred and not yet Due	303,250		303,250
Amounts Recoverable from Reinsurers	23,940		23,940
Guaranty Funds Receivable or on Deposit	6,528		6,528
Electronic Processing Equipment	782	782	0
Furniture and Equipment	<u>784</u>	<u>784</u>	<u>0</u>
TOTAL ASSETS	<u>\$60,683,753</u>	<u>\$241,633</u>	<u>\$60,442,120</u>

Liabilities, Surplus and Other Funds

Aggregate Reserve for Life Contracts	\$45,276,033
Aggregate Reserve for Accident and Health Contracts	1,072
Liability for Deposit-type Contracts	3,990,118
Contract Claims – Life	127,985
Policyholders' Dividend and Coupon Due and Accrued	532
Provision for Policyholders' Dividends Apportioned for Payment	85,957
Provision for Policyholders' Coupons and Similar Benefits	16,178
Premiums and Annuity Considerations Received in Advance	7,577
Interest Maintenance Reserve	10,041
Commissions to Agents Due or Accrued	2,118
General Expenses Due or Accrued	11,394
Taxes, Licenses and Fees Due or Accrued	12,921
Unearned Investment Income	28,309
Amounts Withheld or Retained by Company	822
Liability for Benefits for Employees and Agents	58
Asset Valuation Reserve	418,503
Aggregate Write-Ins for Liabilities:	
Unclaimed Property	12,416
TOTAL LIABILITIES	\$50,002,034
Common Capital Stock	1,604,378
Gross Paid in and Contributed Surplus	394,025
Unassigned Funds (Surplus)	9,876,850
Less Treasury Stock	(1,435,167)
Capital and Surplus	\$10,440,086
TOTAL LIABILITIES AND SURPLUS	<u>\$60,442,120</u>

Summary of Operations

Premiums and Annuity Considerations	\$2,019,236
Considerations for Supplementary Contracts with Life Contingencies	67,134
Net Investment Income	3,458,097
Amortization of Interest Maintenance Reserve	999
Miscellaneous Income	<u>9,412</u>
TOTAL	\$5,554,878
Death Benefits	801,507
Annuity Benefits	1,112,781
Coupons, Guaranteed Endowments and Similar Benefits	37,221
Surrender Benefits and Withdrawals for Life Contracts	408,171
Group Conversions	188
Interest and Adjustments on Contract and Deposit-type Contract Funds	110,834
Payments on Supplementary Contracts with Life Contingencies	276,495
Increase in Aggregate Reserves for Life and Accident & Health Policies	703,250
Commissions on Premiums and Annuity Considerations	42,628
General Insurance Expenses	519,992
Insurance Taxes, Licenses and Fees	95,234
Increase in Loading on Deferred and Uncollected Premiums	<u>1,317</u>
TOTAL	<u>\$4,109,618</u>
NET GAIN FROM OPERATIONS	\$1,445,260
Dividends to Policyholders	89,644
Federal Income Taxes Incurred	269,000
Net Realized Capital Gains and (Losses)	<u>(75,721)</u>
NET INCOME	<u>\$1,010,895</u>

Capital and Surplus Account

Capital and Surplus, December 31, 2009	\$9,655,360
Net Income or (Loss)	1,010,895
Change in Asset Valuation Reserve	(240,783)
Change in Nonadmitted Assets	248,182
Change in Treasury Stock	(39,690)
Dividends to Stockholders	<u>(193,874)</u>
Net Change in Capital and Surplus	<u>\$784,730</u>
CAPITAL AND SURPLUS, DECEMBER 31, 2010	<u>\$10,440,090</u>

CHANGES IN FINANCIAL STATEMENTS RESULTING FROM EXAMINATION

None

COMMENTS ON FINANCIAL STATEMENTS

None

SUMMARY OF RECOMMENDATIONS**Information Systems (Page 10)**

The Company has not implemented procedures to comply with Missouri Regulation 20 CSR 100-6.110, Standards for Safeguarding Customer Information. In accordance with this Regulation, companies are required to implement a comprehensive written information security program that includes administrative, technical, and physical safeguards for the protection of customer information. Family Benefit is advised to implement procedures to comply with this Regulation.

Financial Reporting (Page 10)

The Company is advised to amend its custodial agreement with Merrill Lynch to include the missing terms and provisions as recommended by the NAIC's Examiner's Handbook.

The Company should ensure that its recording of transactions and financial reporting in the Annual Statements are prepared in accordance with the NAIC's Annual Statement instructions and the applicable NAIC's Statements of Statutory Accounting Principles to eliminate or minimize financial reporting errors.

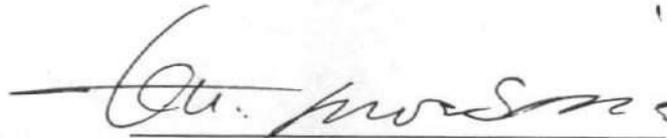
ACKNOWLEDGMENT

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, Shawn Hernandez, CFE, examiner for the Missouri Department of Insurance, Financial Institutions and Professional Registration also participated in this examination. Timothy Carroll, Computer Audit Specialist for the Missouri Department of Insurance, Financial Institutions and Professional Registration performed a review of the information system environment. Leon L. Langlitz, FSA, of Lewis & Ellis, Inc. also participated as a consulting actuary.

VERIFICATION

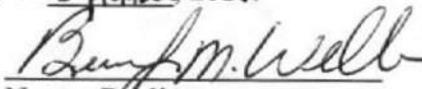
State of Missouri)
)
County of)

I, Levi N. Nwasoria, 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 the 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.



Levi N. Nwasoria, CPA, MSA, CFE
Examiner-In-Charge
Missouri Department of Insurance, Financial
Institutions and Professional Registration

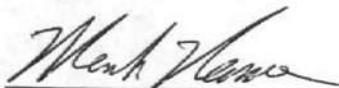
Sworn to and subscribed before me this 12th day of September, 2010.

My commission expires: 04/14/2012 
Notary Public

BEVERLY M. WEBB
Notary Public - Notary Seal
STATE OF MISSOURI
County of Clay
My Commission Expires 4/14/2012
Commission # 08464070

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.



Mark Nance, CPA, CFE
Audit Manager
Missouri Department of Insurance, Financial
Institutions and Professional Registration