

# STATE OF MISSOURI



## DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

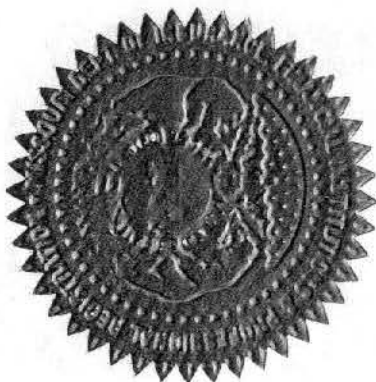
RE: Examination Report of Ozark National Life Insurance Company as of December 31, 2008

### ORDER

After full consideration and review of the report of the financial examination of Ozark National Life Insurance Company for the period ended December 31, 2008, 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 report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, the findings and conclusions of the examination report are incorporated by reference and deemed to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo.

Based on such findings and conclusions, I hereby ORDER Ozark National Life Insurance Company, to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement, and verify compliance with, each item mentioned in the General Comments and/or 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 December 11, 2009.



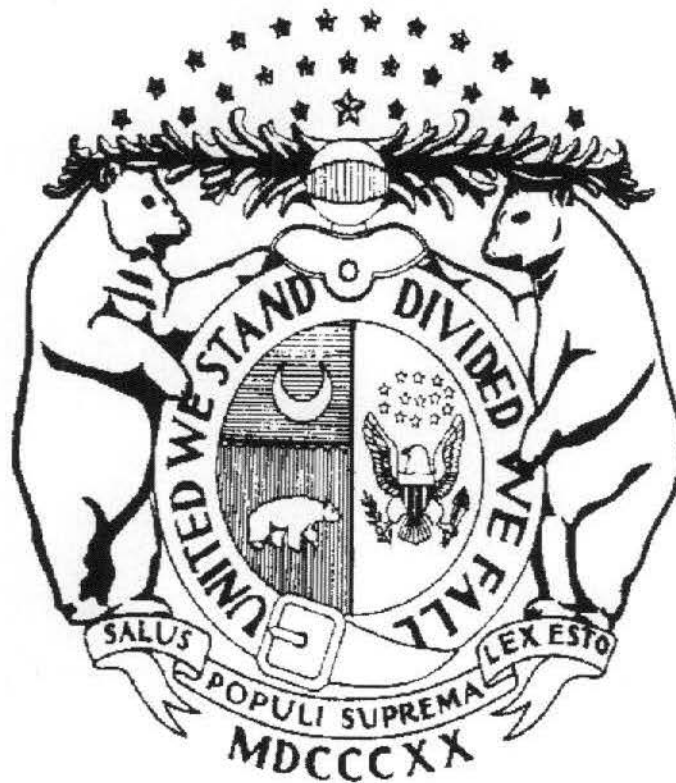
A handwritten signature in black ink, appearing to read "John M. Huff".

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

REPORT OF  
ASSOCIATION FINANCIAL EXAMINATION OF  
OZARK NATIONAL LIFE INSURANCE COMPANY

AS OF  
DECEMBER 31, 2008

FILED  
DEC 21 2009  
DIRECTOR OF INSURANCE,  
FINANCIAL INSTITUTIONS &  
PROFESSIONAL REGISTRATION



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

## TABLE OF CONTENTS

<b>SCOPE OF EXAMINATION .....</b>	<b>1</b>
PERIOD COVERED.....	1
PROCEDURES.....	2
<b>SUMMARY OF SIGNIFICANT FINDINGS .....</b>	<b>2</b>
<b>SUBSEQUENT EVENTS.....</b>	<b>2</b>
<b>HISTORY .....</b>	<b>3</b>
GENERAL .....	3
DIVIDENDS .....	3
CAPITAL CONTRIBUTIONS .....	3
ACQUISITIONS, MERGERS, AND MAJOR CORPORATE EVENTS .....	3
<b>CORPORATE RECORDS.....</b>	<b>4</b>
<b>MANAGEMENT AND CONTROL.....</b>	<b>4</b>
BOARD OF DIRECTORS .....	4
OFFICERS .....	5
COMMITTEES.....	5
HOLDING COMPANY, SUBSIDIARIES AND AFFILIATES .....	5
ORGANIZATIONAL CHART.....	6
INTERCOMPANY TRANSACTIONS.....	7
<b>FIDELITY BOND AND OTHER INSURANCE .....</b>	<b>9</b>
<b>PENSION, STOCK OWNERSHIP AND INSURANCE PLANS .....</b>	<b>10</b>
<b>TERRITORY AND PLAN OF OPERATION.....</b>	<b>10</b>
<b>GROWTH OF COMPANY AND LOSS EXPERIENCE.....</b>	<b>11</b>

<b>REINSURANCE .....</b>	<b>11</b>
GENERAL .....	11
ASSUMED.....	11
CEDED.....	12
<b>STATUTORY DEPOSITS .....</b>	<b>12</b>
DEPOSITS WITH THE STATE OF MISSOURI.....	12
DEPOSITS WITH OTHER STATES.....	13
<b>ACCOUNTS AND RECORDS .....</b>	<b>13</b>
AUDITOR.....	13
ACTUARY.....	13
<b>FINANCIAL STATEMENTS.....</b>	<b>14</b>
ASSETS.....	15
LIABILITIES, SURPLUS AND OTHER FUNDS.....	16
SUMMARY OF OPERATIONS .....	17
CAPITAL AND SURPLUS ACCOUNT .....	18
<b>FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION.....</b>	<b>18</b>
<b>COMMENTS ON FINANCIAL STATEMENT ITEMS.....</b>	<b>18</b>
<b>SUMMARY OF RECOMMENDATIONS .....</b>	<b>18</b>
<b>ACKNOWLEDGMENT.....</b>	<b>19</b>
<b>VERIFICATION.....</b>	<b>19</b>
<b>SUPERVISION .....</b>	<b>20</b>

Kansas City, Missouri  
October 20, 2009

Honorable Alfred W. Gross, Commissioner  
Virginia Bureau of Insurance  
Chairman, Financial Condition (E) Committee, NAIC

Honorable Merle D. Scheiber, Director  
Division of Insurance, State of South Dakota  
Midwestern Zone Secretary, NAIC

Honorable John M. Huff, Director  
Missouri Department of Insurance, Financial  
Institutions and Professional Registration  
301 West High Street, Room 530  
Jefferson City, Missouri 65102-0690

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

**Ozark National Life Insurance Company**

hereinafter referred to as such, as Ozark National, or as the Company. Its administrative office is located at 500 East Ninth Street, Kansas City, Missouri 64106, telephone number (816) 842-6300. This examination began on June 1, 2009 and concluded on the above date.

**SCOPE OF EXAMINATION**

**Period Covered**

We have performed our full scope association financial examination of Ozark National Life Insurance Company. The last examination was completed as of December 31, 2004. This examination covers the period of January 1, 2005 through December 31, 2008 and also includes the material transactions and/or events occurring subsequent to the examination date which are noted in this report. Both the current and prior examinations were conducted by examiners from the State of Missouri representing the Midwestern Zone of the National Association of Insurance Commissioners (NAIC) with no other zones participating.

## **Procedures**

We conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook (Handbook), except where practices, procedures, and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registrations (DIFP) and statutes of the State of Missouri prevail. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risk 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. Key activities for Ozark National included: Investments, Premiums and Underwriting, Claims and Actuarial Items, Reinsurance, and Holding Company.

The examiners relied upon information and workpapers provided by the Company's independent auditor, BKD, LLP, of Kansas City, Missouri, for its audit covering the period from January 1, 2008 through December 31, 2008. Such reliance included fraud risk analysis, internal control narratives, test of internal controls, and substantive procedures performed on investments, premiums, and claims.

## **SUMMARY OF SIGNIFICANT FINDINGS**

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

## **SUBSEQUENT EVENTS**

There were no significant subsequent events noted from December 31, 2008 through the date of this report.

## HISTORY

### **General**

Ozark National Life Insurance Company was incorporated on April 22, 1964 and was issued a Certificate of Authority on June 24, 1964 as a life insurance company under the insurance laws of Chapter 376 RSMo (Life, Health and Accident Insurance). The Company was purchased from the I.C.H. Group in 1982 by CNS Corporation (formerly known as N.I.S. Corporation) in a leveraged buy-out. CNS Corporation (CNS Corp) is the sole shareholder of the Company.

### **Dividends**

The dividends paid by the Company during the examination period were as follows:

Years	Amount
2005	\$ 12,797,200
2006	12,797,200
2007	12,797,200
2008	12,001,120
<b>Total</b>	<b>\$ 50,392,720</b>

All dividends were paid to CNS Corporation, the Company's sole shareholder.

### **Capital Contributions**

The Company did not receive or make any capital contributions during the period under examination.

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

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

## CORPORATE RECORDS

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

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

## MANAGEMENT AND CONTROL

### Board of Directors

The Articles of Incorporation and Bylaws require a minimum of nine directors to be elected to the Board of Directors. The Board of Directors elected and serving as of December 31, 2008 were as follows:

<u>Name and Address</u>	<u>Business Affiliation</u>
Charles N. Sharpe Bethel, Missouri	President & Chairman, Ozark National
Laurie J. Sharpe Bethel, Missouri	Vice President & Assistant Secretary, Ozark National
James T. Emerson Shawnee, Kansas	Executive Vice President & Treasurer, Ozark National
David R. Melton Smithville, Missouri	Vice President & Legal Counsel, Ozark National
Carol S. Boone Lee's Summit, Missouri	President & Director, N.I.S. Financial Services, Inc.
Rhonda A. Morgan Liberty, Missouri	Executive Secretary CNS Corporation
V. Verlene Ascensio Kansas City, Missouri	New Business/Underwriting/Claims Manager, Ozark National



Margaret A. Glover  
Carrollton, Missouri

Paralegal, Ozark National

Linda J. Gensler  
Blue Springs, Missouri

Senior Underwriter, Ozark National

### **Officers**

The officers of the Company elected and serving as of December 31, 2008 were as follows:

#### **Name**

Charles N. Sharpe  
James T. Emerson  
David R. Melton  
Laurie J. Sharpe

#### **Office**

President & Chairman of the Board  
Vice President & Treasurer  
Vice President & Secretary  
Vice President & Assistant Secretary

### **Committees**

The Company's Bylaws authorize an Executive Committee, an Investment Committee, and an Audit Committee each with a minimum of three or more persons serving as members. The established committees and the members elected and serving as of December 31, 2008 were as follows:

#### **Executive Committee**

Charles N. Sharpe  
David R. Melton  
James T. Emerson

#### **Investment Committee**

Charles N. Sharpe  
David R. Melton  
James T. Emerson

#### **Audit Committee**

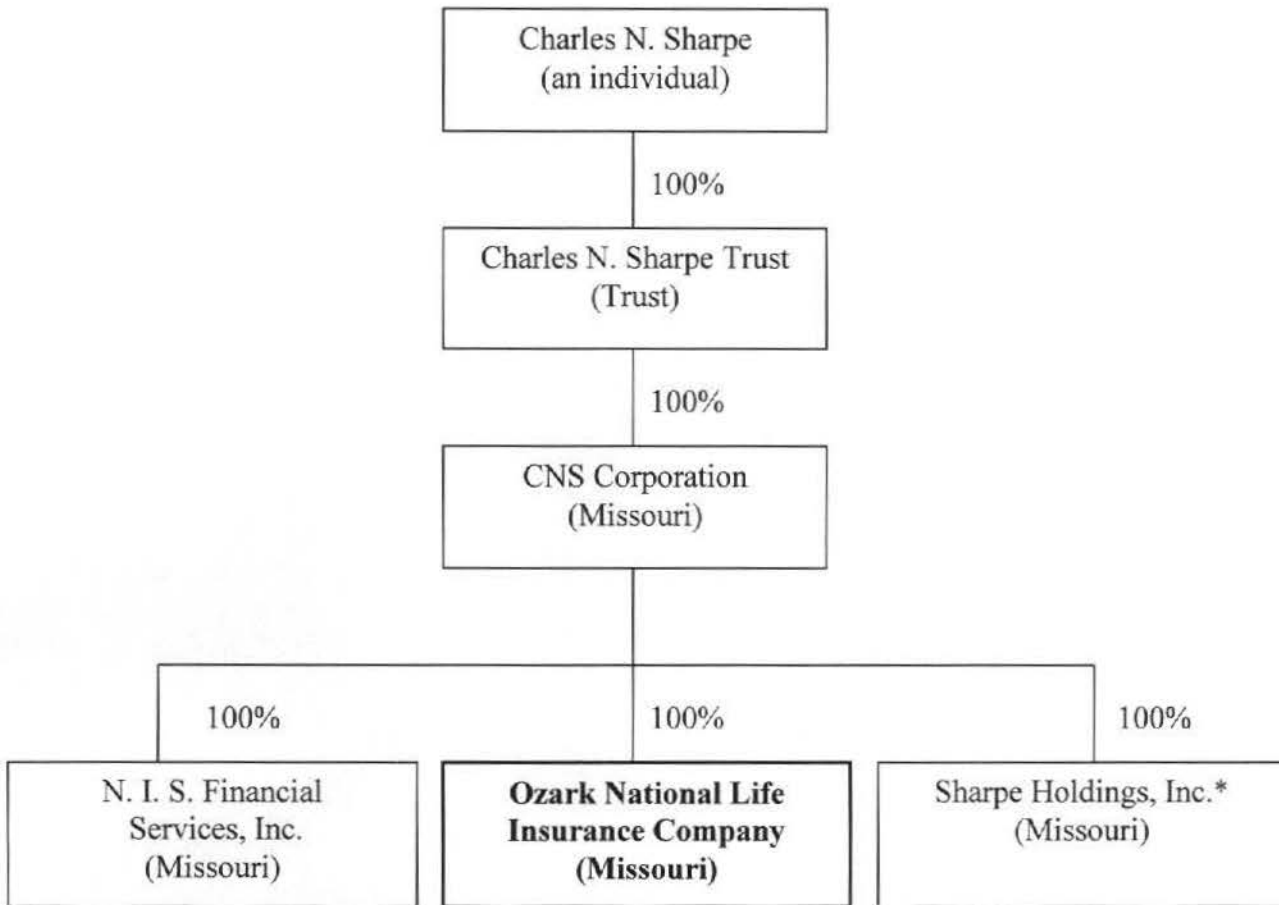
Charles N. Sharpe  
David R. Melton  
James T. Emerson

### **Holding Company, Subsidiaries and Affiliates**

Ozark National Life Insurance Company is a wholly owned subsidiary of CNS Corporation, which is wholly owned by the Charles N. Sharpe Trust (Trust). The Trust is controlled by Charles N. Sharpe, an individual, who is the ultimate controlling person within the holding company system as defined by Section 382.010 RSMo (Definitions).

**Organizational Chart**

The following organizational chart depicts the holding company system of Ozark National Life Insurance Company as of December 31, 2008:



\*Sharpe Holdings, Inc. was incorporated during 2005.

**Intercompany Transactions**

The Company has several agreements with its parent, CNS Corporation and other related parties. The terms of the agreements are outlined below.

- 1. Type:** Agency Agreement

**Parties:** Ozark National and CNS Corporation

**Effective:** January 1, 1986

**Terms:** CNS Corp recruits, trains and supervises the agency force that produces the insurance business of the Company. CNS Corp receives a 15% first year overwrite commission and additional commissions of between 3% and 6% for subsequent years depending on policy type. These commissions are in addition to the commissions paid to agents recruited by CNS Corp on behalf of the Company. CNS Corp pays the agents their agreed upon commissions, and Ozark National provides the funds for these commissions to CNS Corp through wire transfers.
  
- 2. Type:** Data Processing Services Agreement

**Parties:** Ozark National and CNS Corporation

**Effective:** January 13, 1997

**Terms:** Ozark National provides all data processing services, including the use of its mainframe, personal computer network, computer programming, software licenses obtained from third parties (to which CNS Corp has been identified as an additional licensee), and the maintenance and development of the data processing system for CNS Corp. CNS Corp agrees to pay Ozark National the sum of \$3,750 per month for these services.
  
- 3. Type:** Consolidated Tax Allocation Agreement

**Parties:** Ozark National, N.I.S. Financial Services, Inc. (N.I.S. Financial), CNS Corporation, and Sharpe Holdings, Inc.

**Effective:** Original agreement was effective December 1, 1991. A new agreement was entered into effective January 1, 2003.

**Terms:** Ozark National files a consolidated federal income tax return with its parent, CNS Corporation, and two affiliates, N.I.S. Financial and Sharpe Holdings, Inc. Pursuant to the agreement, Ozark National pays CNS Corp the actual tax it would have owed on a separate federal income tax return basis.

- 4. Type:** Commercial and Industrial Lease Agreement
- Parties:** Ozark National and CNS Corporation
- Effective:** December 12, 1985
- Terms:** CNS Corp leases 23,634 square feet of office space from Ozark National at a monthly rent of \$32,387.83. Per amendment number six to the original agreement, the term of the lease shall be month-to-month effective December 1, 1989.
- 5. Type:** Inter-Company Billing Agreement
- Parties:** Ozark National, CNS Corporation, N.I.S. Financial and CNS Travel
- Effective:** August 12, 2004
- Terms:** Ozark National will pay certain operating expenses of CNS Corporation and its affiliates to third party providers through its intercompany billing system. The costs of services provided under the agreement shall be equal to the third party costs and expenses incurred to Ozark National. If Ozark National incurs cost or expenses on behalf of CNS Corporation or its affiliates, Ozark National will allocate any such costs or expenses in good faith between the various businesses on behalf of which such costs were incurred. In no event shall Ozark National be obligated to pay affiliate expenses in excess of \$200,000 in any calendar month. (Note: CNS Travel was dissolved in 2005, and therefore, is no longer a party to the agreement.)
- 6. Type:** Retirement Plan Agreement
- Parties:** Ozark National, N.I.S. Financial and CNS Corporation
- Effective:** January 1, 1991
- Terms:** Ozark National shall serve as the Sponsoring Employer of an unfunded, nonqualified retirement plan covering the employees of Ozark National and the other named affiliates. Each of the affiliates in the plan shall contribute to Ozark National an amount equal to the annual liability applicable to each affiliate as determined by the plan's administrative committee. Payments between the companies are settled through the Inter-Company Billing Agreement.
- Effective January 1, 2009, the Retirement Plan Agreement was amended to only include Ozark National's top executives.

The amounts paid to and (received from) CNS Corporation and the other affiliates pertaining to the above agreements for the years under examination were as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Agency Agreement				
Paid to CNS Corporation	\$ 13,544,492	\$ 14,212,772	\$ 14,327,178	\$ 15,905,542
Data Processing Services Agreement				
Received from CNS Corporation	(45,000)	(45,000)	(45,000)	(45,000)
Consolidated Tax Allocation Agreement				
Paid to CNS Corporation	1,993,600	633,626	1,533,201	1,578,471
Lease Agreement				
Received from CNS Corporation	(388,654)	(388,654)	(394,693)	(406,774)
Inter-Company Billings Agreement				
Received from CNS Corporation	(524,529)	(530,205)	(390,656)	(437,341)
Received from N.I.S. Financial	(212,304)	(153,759)	(114,488)	(125,523)
Net amount paid or (received)	<u>\$ 14,367,605</u>	<u>\$ 13,728,780</u>	<u>\$ 14,915,542</u>	<u>\$ 16,469,375</u>

### FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured along with Charles N. Sharpe, the Charles N. Sharpe Trust, CNS Corporation and the other members of the CNS Corporation holding company system on a fidelity bond providing crime and fidelity coverage with a liability limit of \$1.5 million and a \$25,000 deductible. This level of coverage complies with the suggested minimum amount of fidelity insurance according to NAIC guidelines.

The Company is also a named insured along with the aforementioned entities on various other insurance policies including, but not limited to:

Property	Workers Compensation
Inland Marine	Commercial General Liability
Commercial Automobile	Umbrella Liability

**PENSION, STOCK OWNERSHIP AND INSURANCE PLANS**

Ozark National provides its employees with a range of benefits including, but not limited to, group medical insurance, group term insurance (including accidental death and dismemberment), long-term disability, fully subsidized lunches, and a non-qualified defined contribution retirement plan.

Under the non-qualified defined contribution retirement plan, contributions to the plan are made at the sole discretion of Ozark National. Since 1991, the Company's annual contribution has been 7.5% of the individual employee's salary. Employees become eligible for benefits upon reaching age 62 and having at least seven years employment with the Company.

Effective January 1, 2009, the retirement plan was amended to comply with Section 409A of the Internal Revenue Service Code. The amendment terminated the plan for most participants, with the exception of senior management of the Company. The Company plans to distribute the present value of all participants' account balances, other than senior management, in 2009. The approximate amount of this expected distribution is \$2.6 million. As of the end of July 2009, over 80% of the expected distribution had been dispersed to the eligible employees.

**TERRITORY AND PLAN OF OPERATION**

Ozark National is licensed by the DIFP under Chapter 376 RSMo (Life, Health and Accident Insurance) to write the business of life, annuities, endowments and accident and health insurance. The Company was also licensed in the following 29 states as of December 31, 2008:

Alabama	Georgia	Louisiana	Nevada	Tennessee
Arizona	Illinois	Michigan	New Mexico	Texas
Arkansas	Indiana	Minnesota	North Dakota	Utah
California	Iowa	Mississippi	Ohio	Wisconsin
Colorado	Kansas	Montana	Oklahoma	Wyoming
Florida	Kentucky	Nebraska	South Dakota	

Ozark National primarily sells ordinary life insurance. The Company's main product is a whole life insurance policy with a mutual fund investment product, brokered by an affiliate N.I.S. Financial Services, Inc. (N.I.S.). N.I.S. is a licensed securities broker/dealer that markets mutual funds to Ozark National's policyholders. The Company's captive agency force is supervised by the Company's parent, CNS Corporation.

## GROWTH OF COMPANY AND LOSS EXPERIENCE

The Company has experienced a slow, steady decline in premiums written during the examination period while surplus has consistently grown over the same time period. Loss experience has remained level except for an increase in 2008.

Year	Net Premiums Written	Benefit and Loss Payments	Surplus as Regards to Policyholders	Ratio of Premiums to Policyholders Surplus	Ratio of Benefits Paid to Net Written Premiums
2005	\$94,343,467	\$35,629,589	\$70,380,891	1.34	0.38
2006	93,133,025	36,267,818	79,096,479	1.18	0.39
2007	92,945,331	35,525,634	87,126,412	1.07	0.38
2008	89,872,697	39,918,008	96,580,506	0.93	0.44

## REINSURANCE

### General

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

	2008	2007	2006	2005
Direct premiums written	\$ 92,828,041	\$ 95,699,506	\$ 95,948,697	\$ 97,178,971
Reinsurance assumed	450,432	474,237	493,220	523,746
Reinsurance ceded	(3,405,776)	(3,228,411)	(3,308,892)	(3,359,250)
Net premiums written	<u>\$ 89,872,697</u>	<u>\$ 92,945,332</u>	<u>\$ 93,133,025</u>	<u>\$ 94,343,467</u>

### Assumed

The Company has a 100% coinsurance agreement with Madison Life Insurance Company and a 100% coinsurance agreement with Washington Life Insurance. Under these agreements, Ozark National assumes 100% of the direct business on three closed blocks of business. Ozark National also has a modified coinsurance agreement with Conseco Life Insurance Company (Conseco) under which it assumes 100% of the direct business on two closed blocks of business. Three of the blocks of business assumed are in turn retroceded to Conseco on a 50% coinsurance basis under a separate coinsurance agreement as describe in the Ceded reinsurance section below.



**Ceded**

The Company reported total reserve credits taken on business ceded of \$35,979,582 in Schedule S – Part 3 – Section 1 of the 2008 Annual Statement. Approximately 97% of the total reserve credits taken were on business ceded to Consec Life Insurance Company. Most of this business was ceded under two automatic coinsurance agreements that have been in effect since the 1980s.

Under one of these coinsurance agreements, effective April 1, 1982 the Company cedes 17% of the risk on two closed blocks of business. Pursuant to the second coinsurance agreement, which was also effective April 1, 1982, the Company cedes 50% of the risk on five closed blocks of business including three of the blocks of business assumed under the assuming agreements discussed in the Assumed reinsurance section above.

As of December 31, 2008, the Company’s new business was being ceded to Optimum Re Insurance Company (Optimum Re) under an automatic yearly renewable term reinsurance agreement effective for all new business written after April 1, 2005. Under this agreement, the Company’s retention was \$200,000 on any one life, and Optimum Re’s maximum limit was \$800,000 on any one life.

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.

**STATUTORY DEPOSITS**

**Deposits with the State of Missouri**

The funds on deposit with the DIFP as of December 31, 2008, as reflected below, were sufficient to meet the capital deposit requirements for the State of Missouri in accordance with Section 376.290 RSMo (Deposit and transfer of securities). The funds on deposit as of December 31, 2008 were as follows:

<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
US Treasury Note	\$ 1,800,000	\$ 1,838,250	\$ 1,799,470



**Deposits with Other States**

The Company also has funds on deposit with other states in which it is licensed. The funds on deposit as of December 31, 2008, were as follows:

<u>State</u>	<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
Arkansas	FHLM Corp.	\$ 125,000	\$ 142,266	\$ 122,503
California	FHLB/FHLM Corp.	2,250,000	2,469,855	2,216,903
Colorado	FHLB	750,000	775,785	743,623
Florida	US Treasury Note	300,000	306,375	299,912
Georgia	Quebec Province	26,000	31,908	26,000
New Mexico	FHLM Corp.	125,000	142,266	122,503
Totals		<u>\$ 3,576,000</u>	<u>\$ 3,868,455</u>	<u>\$ 3,531,444</u>

**ACCOUNTS AND RECORDS****Auditor**

The financial statements of Ozark National during the examination period of January 1, 2005 through December 31, 2008 were audited by the CPA firm of BKD, LLP, Kansas City, Missouri.

**Actuary**

The Statement of Actuarial Opinion was completed and certified for the years ending 2005 through 2008 by Gary L. Rose, FSA, MAAA, CLU, President of the firm of Lewis & Ellis, Inc., Actuaries & Consultants. Mr. Rose was duly appointed by the authority of the Board of Directors of Ozark National to render these opinions.

## FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of Ozark National for the period ending December 31, 2008. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Comments on Financial Statements Items." The failure of any column of numbers to add to its respective total is due to rounding or truncation.

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

**Assets**

	<u>Assets</u>	<u>Non Admitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$ 531,315,309	\$ -	\$ 531,315,309
Common Stocks	270,720	-	270,720
Real Estate			
Properties Occupied by the Company	4,211,746	-	4,211,746
Properties Held for Production of Income	4,880,146	-	4,880,146
Cash, Cash Equivalents and Short-Term Investments	18,576,655	-	18,576,655
Contract Loans	18,273,799	108	18,273,691
Investment Income Due and Accrued	4,069,175	-	4,069,175
Premiums and Considerations			
Uncollected Premiums and Agents' Balances in the Course of Collection	860,447	2,913	857,534
Deferred Premiums, Agents' Balances and Installments Booked but Deferred and Not Yet Due	30,568,857	-	30,568,857
Other Amounts Receivable Under Reinsurance Contracts	220,320	-	220,320
Current Federal and Foreign Income Tax Recoverable	1,030,627	-	1,030,627
Net Deferred Tax Asset	21,652,475	18,580,634	3,071,841
Guaranty Funds Receivable or on Deposit	104,225	-	104,225
Electronic Data Processing Equipment and Software	176,147	-	176,147
Other Assets Nonadmitted	1,158,546	1,158,546	-
<b>TOTAL ASSETS</b>	<b>\$ 637,369,194</b>	<b>\$ 19,742,201</b>	<b>\$ 617,626,993</b>

## Liabilities, Surplus and Other Funds

Aggregate Reserve for Life Contracts	\$ 495,929,854
Aggregate Reserves for Accident and Health Contracts	1,692,045
Liability for Deposit-Type Contracts	5,369,616
Contract Claims:	
Life	3,689,236
Accident and Health	287,554
Policyholders' Dividends Apportioned for Payment	169,126
Premiums and Annuity Considerations for Life and Accident and Health	
Contracts Received in Advance	1,866,663
Other Amounts Payable on Reinsurance	11,819
Interest Maintenance Reserve	2,538,105
Commissions to Agents Due or Accrued	114,659
Commissions and Expenses Allowances Payable on Reinsurance Assumed	1,051
General Expenses Due or Accrued	607,985
Taxes, Licenses and Fees Due or Accrued Excluding Federal Income Taxes	1,359,553
Unearned Investment Income	649,845
Amounts Withheld or Retained by Company as Agent or Trustee	330,349
Amounts Held for Agents' Account	98,523
Remittances and Items Not Allocated	1,459,979
Liability for Benefits for Employees and Agents	3,198,888
Asset Valuation Reserve	1,671,637
<b>TOTAL LIABILITIES</b>	<b>521,046,487</b>
Common Capital Stock	8,025,000
Gross Paid In and Contributed Surplus	2,920,113
Unassigned Funds (Surplus)	85,635,393
<b>Total Capital and Surplus</b>	<b>96,580,506</b>
<b>TOTAL LIABILITIES AND SURPLUS</b>	<b>\$ 617,626,993</b>

## Summary of Operations

Premium and Annuity Considerations	\$ 89,872,696
Considerations for Supplementary Contracts with Life Contingencies	18,007
Net Investment Income	29,648,429
Amortization of Interest Maintenance Reserve	381,262
Commissions and Expense Allowances on Reinsurance Ceded	234,329
Aggregate Write-ins for Miscellaneous Income	2,118
<b>TOTAL</b>	<b><u>120,156,841</u></b>
Death Benefits	22,431,342
Matured Endowments	105,238
Annuity Benefits	64,077
Disability Benefits and Benefits Under Accident and Health Contracts	2,918,058
Coupons, Guaranteed Annual Pure Endowments and Similar Benefits	11,066
Surrender Benefits and Withdrawals for Life Contracts	14,136,898
Interest and Adjustments on Contract or Deposit-Type Contract Funds	202,264
Payments on Supplementary Contracts with Life Contingencies	49,065
Increase in Aggregate Reserves for Life and Accident & Health Contracts	21,056,891
Commissions on Premiums, Annuity Considerations and Deposit-Type Funds	14,984,532
Commissions and Expense Allowances on Reinsurance Assumed	9,266
General Insurance Expenses	10,063,410
Insurance Taxes, Licenses and Fees	2,787,762
Increase in Loading on Deferred and Uncollected Premiums	(626,033)
Aggregate Write-ins for Deductions	(36,287)
<b>TOTAL</b>	<b><u>88,157,549</u></b>
<b>NET GAIN FROM OPERATIONS</b>	<b>31,999,292</b>
Dividends to Policyholders	167,853
Federal Income Taxes Incurred	10,780,837
<b>NET INCOME</b>	<b><u><u>\$ 21,050,602</u></u></b>

### Capital and Surplus Account

Capital and Surplus, December 31, 2007	\$ 87,126,412
Net Income	21,050,602
Change in Net Unrealized Capital Gains (Losses)	13,380
Change in Net Deferred Income Tax	(249,374)
Change in Nonadmitted Assets	728,770
Change in Asset Valuation Reserve	(88,164)
Dividends to Stockholders	(12,001,120)
<b>Net Change in Capital and Surplus</b>	<b><u>9,454,094</u></b>
<b>CAPITAL AND SURPLUS, DECEMBER 31, 2008</b>	<b><u><u>\$ 96,580,506</u></u></b>

#### FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None

#### COMMENTS ON FINANCIAL STATEMENT ITEMS

None

#### SUMMARY OF RECOMMENDATIONS

None

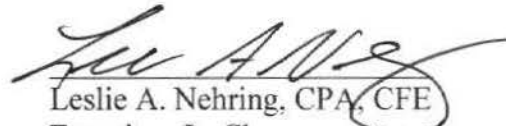
**ACKNOWLEDGMENT**

The assistance and cooperation extended by the officers and the employees of Ozark National Life Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Alvin Garon, CFE and Shannon Schmoeger, CFE, examiners 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. David D. Ramsey, FSA, MAAA of Allen Bailey & Associates, Inc. also participated as a consulting actuary.

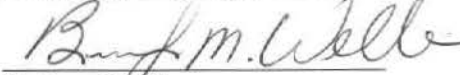
**VERIFICATION**

State of Missouri            )  
  )  
County of Jackson         )

I, Leslie A. Nehring, 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 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.

  
Leslie A. Nehring, CPA, CFE  
Examiner-In-Charge  
Missouri Department of Insurance, Financial  
Institutions and Professional Registration

Sworn to and subscribed before me this 5<sup>th</sup> day of October, 2009.

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 A. Nance, CPA, CFE

Audit Manager

Missouri Department of Insurance, Financial  
Institutions and Professional Registration