



DEPARTMENT OF COMMERCE & INSURANCE

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

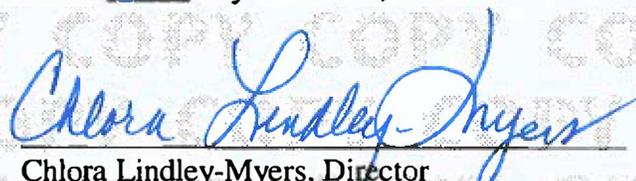
ORDER

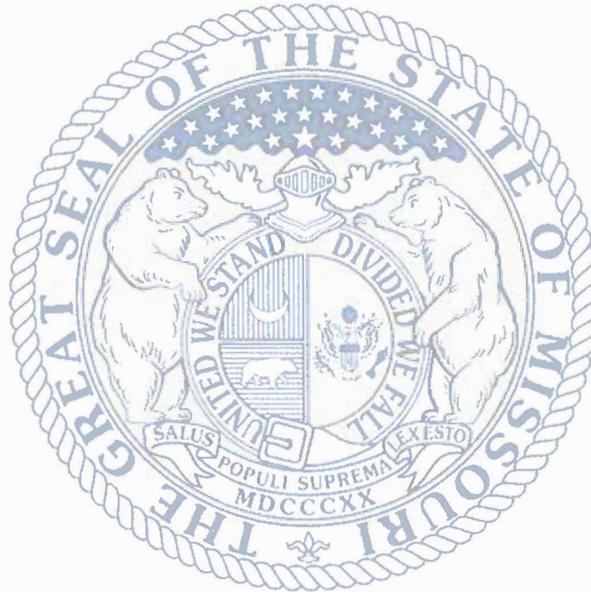
After full consideration and review of the report of the financial examination of Legacy Life Insurance Company of Missouri for the period ended December 31, 2018, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director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

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Legacy Life Insurance Company of Missouri as of December 31, 2018 be and is hereby ADOPTED as filed and for Legacy Life Insurance Company of Missouri 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 10th day of March, 2020.




Chlora Lindley-Myers, Director
Department of Commerce and Insurance



FILED

MAR 20 2020

**DIRECTOR OF
MISSOURI DEPARTMENT OF
COMMERCE AND INSURANCE**

REPORT OF THE
FINANCIAL EXAMINATION OF

**LEGACY LIFE INSURANCE COMPANY
OF MISSOURI**

AS OF
DECEMBER 31, 2018

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Jefferson City, Missouri
January 31, 2020

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

Legacy Life Insurance Company of Missouri

hereinafter referred to as such, as LLIC, or as the Company. Its administrative office is located at 701 South Country Club Drive, Jefferson City, Missouri, 65109, telephone number (573) 893-1400. This examination began on April 10, 2019, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Commerce and Insurance (Department) has performed a full scope financial examination of LLIC. This examination covers the period of December 28, 2016, through December 31, 2018. This examination also included the material transactions or events occurring subsequent to December 31, 2018.

This examination was performed concurrently with the Department's examinations of the Company's affiliates: Farm Bureau Town & Country Insurance Company of Missouri (FBTC), New Horizons Insurance Company of Missouri (NH) and Farm Bureau Life Insurance Company of Missouri (FBL).

Procedures

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

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements. The following key activities were identified during the examination: Investments, Premiums and Underwriting, Claims Handling, Reserving, Reinsurance, and Related Party Transactions.

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

Reliance Upon Others

The examiners relied upon information supplied by the Company's independent auditor, Williams-Keepers, LLC, of Columbia, Missouri, for its audits covering the period from January 1, 2017, through December 31, 2017, and January 1, 2018, through December 31, 2108. Areas in which the testing and results from the CPA workpapers were relied upon in our examination included, but was not limited to, fraud risk analysis, journal entry testing, internal control narratives, tests of internal controls, and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

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

SUBSEQUENT EVENTS

There were no significant subsequent events noted from December 31, 2018, through the date of the report.

COMPANY HISTORY

General

LLIC was incorporated on December 20, 2016, under the laws of the State of Missouri and commenced business on December 28, 2016. The Company operates as a stock life and health insurer under the insurance laws of Chapter 376 RSMo (Life, Health and Accident Insurance).

Dividends and Capital Contributions

The Bylaws allow for dividends to be paid on common stock shares, pursuant to a declaration of the Board of Directors. However, no dividends were declared or paid by LLIC during the examination period.

On December 21 2016, FBTC and FBL each paid \$1,500,000 for 150,000 shares of LLIC common stock. Also on December 21, 2016, FBTC and FBL each contributed an additional \$1,500,000 as paid in capital to LLIC.

Mergers and Acquisitions

There were no mergers or acquisitions involving the Company or the holding company system of the ultimate parent, Missouri Farm Bureau Federation (MFB-Federation), during the examination period.

CORPORATE RECORDS

The Company’s Articles of Incorporation (Articles) and Bylaws were reviewed. The Articles and Bylaws were both approved at the January 24, 2017, Board of Directors’ meeting. There were no amendments to either the Articles or Bylaws during the examination period.

The minutes of the shareholders, Board of Directors, and relevant committee meetings were reviewed for proper approval of corporate transactions. In general, the minutes and written consents appear to properly reflect and approve the Company’s major transactions and events for the period under examination.

MANAGEMENT AND CONTROL

Corporate Governance

The management of the Company is vested in a Board of Directors, which is appointed by the shareholders. The Company’s Bylaws specify that the Board of Directors shall consist of twelve members. The directors of the ultimate parent, MFB-Federation, simultaneously serve as directors all of its subsidiaries, including LLIC. The Board of Directors appointed and serving, as of December 31, 2018, were as follows:

<u>Name</u>	<u>Address</u>	<u>Principal Occupation and Business Affiliation</u>
Charles J. Bassett	Dixon, MO	Farmer, Self-Employed
Frank L. Baxter	Rogersville, MO	Farmer, Self-Employed
Amy J. Estes	Rosebud, MO	Regional Manager, Ayusa
Mary C. Fischer	Rockville, MO	Executive Secretary, First Christian Church
Sharon M. Arnold	Drexel, MO	Branch Manager, Hawthorn Bank
Jason W. Kurtz	Oregon, MO	Farmer, Self-Employed
Todd P. Hays	Monroe City, MO	Farmer, Vice-President of MFB-Federation
Charles B. Hurst	Tarkio, MO	Farmer, President of MFB-Federation
Andy H. Clay	Jamestown, MO	Farmer, Self-Employed
Barry B. Bean	Gideon, MO	Owner, Bean & Bean Cotton Co.
Drew E. Lock	La Plate, MO	Farmer, Self-Employed
Christopher D. Brundick	Argyle, MO	Farmer, Self-Employed

The Company has three board committees which include the Audit Committee, Compensation Committee, and Per Diem & Expense Committee. Each board committee consists of four individuals who are members the Board of Directors. The Company also has five management committees which include the Investment Committee, Personnel Committee, Reinsurance Committee, Long Term Planning Committee, and 401(k) Committee. The management committees consist of management and staff members from all areas of the Company.

Officers

The officers elected by the Board of Directors and serving as of December 31, 2018, were as follows:

<u>Officer</u>	<u>Position</u>
Charles B. Hurst	President
Todd P. Hays	Vice-President
Daniel L. Cassidy	Secretary and Chief Administrative Officer
Randall J. Campbell*	Treasurer and Chief Financial Officer

* Effective April 30, 2019, Randall Campbell retired, and Jana Oliver was appointed to fill the Treasurer and Chief Financial Officer positions.

Holding Company, Subsidiaries and Affiliates

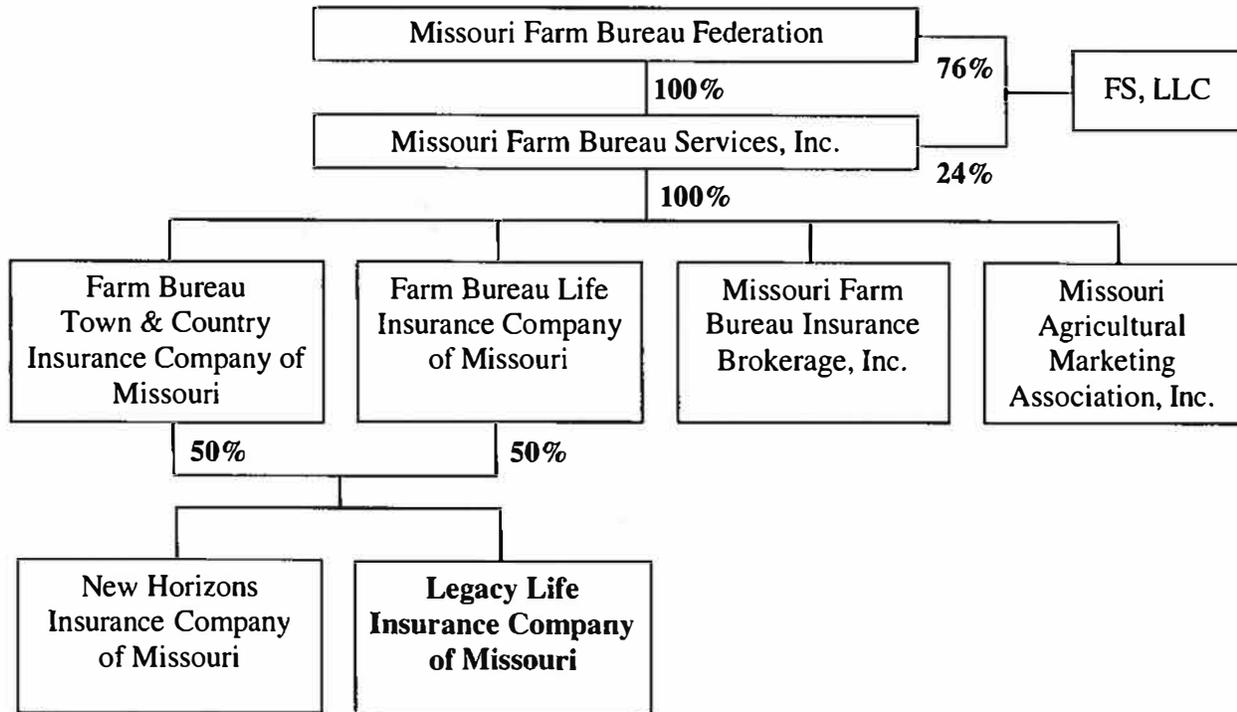
The Company is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions). An Insurance Holding Company System Registration Statement was filed by the holding company, Missouri Farm Bureau Services, Inc. (MFB-Services), on behalf of LLIC and its other insurance subsidiaries for each year of the examination period. LLIC is ultimately owned 100% by MFB- Federation.

Below is a description of the business operations of all affiliated entities.

- **MFB-Federation** – The ultimate parent company is a not-for-profit organization that promotes the interests of its member farmers and the agriculture industry. Profits from the insurance operations of FBTC, FBL, LLIC and NH are the main source of income for the consolidated operations of MFB-Federation.
- **MFB-Services** – A holding company that directly or indirectly owns all insurance entities. Employees of MFB-Services conduct most of the daily operations of the insurance entities.
- **FBTC** – A property and casualty insurer that writes primarily homeowners, farmowners, automobile physical damage and automobile liability lines of business.
- **FBL** – A life insurance company that offers mostly whole life, term life and individual annuity products.
- **NH** – NH compliments FBTC by offering additional products, services and coverages to the non-standard market through an existing captive agency force. In 2017, NH broadened its marketing efforts to develop products and services to appeal to the Spanish-speaking market demographic in Missouri as well as in expansion states. Product offerings in states other than Missouri will be marketed directly to the consumer via electronic platforms.
- **Missouri Farm Bureau Insurance Brokerage, Inc. (Brokerage)** – A brokerage designed to place insurance coverages either not offered by or not available through FBTC, FBL, LLIC or NH. Coverages offered range from workers' compensation, non-standard automobile, professional liability, individual and group health products, disability, Medicare supplements, long-term care and many specialty coverages.
- **Missouri Agricultural Marketing Association, Inc.** – A dormant entity that had no business operations during the examination period.
- **FS, LLC** – An entity formed in 2006 for the sole purpose of holding ownership to the main office building in Jefferson City, Missouri. Ownership of the building was transferred from MFB-Federation to FS, LLC at the time of its formation to provide tax advantages that could not be utilized by MFB-Federation.

Organizational Chart

Below is an organizational chart reflecting LLIC’s ownership and affiliates, as of December 31, 2018. [Note: All entities incorporated / domiciled in Missouri.]



Affiliated Transactions

The Company is a party to significant intercompany agreements in effect as of December 31, 2018, as outlined below:

Service Agreement

Parties: FBL, FBTC, NH, LLIC, Brokerage and MFB-Services

Effective: January 1, 2018

Terms: MFB-Services provides administrative, accounting, investment, information technology, customer support, actuarial, and various other services to FBL, FBTC, NH, and LLIC. Expenses are allocated on an actual cost basis.

Cost Sharing Agreement

Parties: MFB-Services, MFB-Federation, FBTC, FBL, Brokerage, NH and LLIC

Effective: January 1, 2017

Terms: Under the terms of the agreement, the entities share and allocate the following costs: underwriting, sales, sales contests, promotional events, agents’ payroll, partners for growth and operational.

TERRITORY AND PLAN OF OPERATION

LLIC is licensed in the State of Missouri under Chapter 376 RSMo (Life, Health and Accident Insurance). Additionally, LLIC has been approved to write insurance in Nebraska, Oklahoma, Ohio, and New Mexico. The Company's principal line of business is individual life; however, the Company also has authority to offer whole life (non-par), term (non-par) and graded benefit (non-par). Currently, LLIC is only writing business in Missouri.

Business for LLIC is produced by a dedicated multi-line agency force in each of the 114 counties throughout the state of Missouri. This agency force includes 270 agents and 8 regional managers, as of December 31, 2018. The out of state business will be sold direct via the internet. This web-based platform is still in development and is anticipated to be completed in early 2020.

GROWTH OF COMPANY AND LOSS EXPERIENCE

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

Year	Direct Premiums Written	Net Premiums Written	Benefit and Loss Payments	Capital and Surplus	Net Income
2016	\$ 0	\$ 0	\$0	\$5,990,227	\$(9,723)
2017	205	205	0	6,033,447	52,535
2018	52,775	51,937	0	6,105,238	80,814

REINSURANCE

General

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Direct Business	\$ 0	\$ 205	\$ 52,775
Reinsurance Assumed	0	0	0
Reinsurance Ceded:			
Affiliates	0	0	837
Non-affiliates	0	0	0
Net Premiums Written	<u>\$ 0</u>	<u>\$ 205</u>	<u>\$ 51,937</u>

Assumed

The Company does not assume any business.

Ceded

LLIC has two reinsurance agreements with affiliate, FBL. Under the yearly renewal term agreement, FBL reinsures whole life and term series policies on a 100% excess of retention basis. The maximum retention per life is \$15,000, subject to a maximum policy limit of \$235,000. Under the coinsurance agreement, FBL reinsures express life policies on a 50% coinsurance basis.

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

FINANCIAL STATEMENTS

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

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

ASSETS
as of December 31, 2018

	Assets	Non-Admitted Assets	Net Admitted Assets
Bonds	\$ 4,641,535	\$ 0	\$ 4,641,535
Cash, Cash Equivalents and Short-Term Investments	1,440,013	0	1,440,013
Investment Income Due and Accrued	34,523	0	34,523
Deferred Premiums	5,315	0	5,315
Receivable from Parent, Sub., Affiliates	<u>14,709</u>	<u>0</u>	<u>14,709</u>
TOTAL ASSETS	<u>\$ 6,136,094</u>	<u>\$ 0</u>	<u>\$ 6,136,094</u>

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

Aggregate Reserve for Life Contracts	\$ 2,328
Premiums Received in Advance	100
Commissions Due and Accrued	3,209
General Expenses Due or Accrued	1,043
Taxes, Licenses and Fees Due or Accrued	715
Federal Income Taxes Payable	4,239
Net Deferred Tax Liability	4,802
Remittances and Items Not Allocated	835
Asset Valuation Reserve	<u>13,586</u>
TOTAL LIABILITIES	<u>\$ 30,856</u>
Common Capital Stock	3,000,000
Gross Paid In and Contributed Surplus	3,000,000
Unassigned Funds (Surplus)	<u>105,238</u>
Capital and Surplus	<u>\$ 6,105,238</u>
TOTAL LIABILITIES AND SURPLUS	<u>\$ 6,136,094</u>

SUMMARY OF OPERATIONS
For the Year Ended December 31, 2018

Premiums and Annuity Considerations	\$ 51,937
Net Investment Income	162,586
Commission and Expense Allowances on Reinsurance Ceded	<u>804</u>
TOTAL	\$ 215,327
Increase in Aggregate Reserves for Life, A&H Policies	2,324
Commissions on Direct Business	22,065
General Insurance Expenses	70,615
Insurance Taxes, Licenses and Fees	7,182
Increase in Loading on Deferred and Uncollected Premiums	<u>14,234</u>
TOTAL	\$ 116,419
NET GAIN FROM OPERATIONS	\$ 98,908
Federal Income Taxes Incurred	<u>18,094</u>
NET INCOME	\$ 80,814

RECONCILIATION OF SURPLUS
Changes from January 1, 2016 to December 31, 2018

	2016	2017	2018
Capital and Surplus, Beginning of Year	\$ 0	\$ 5,990,227	\$ 6,033,447
Net Income	(9,723)	52,535	80,814
Change in Net Deferred Income Tax	(50)	(1,762)	(2,990)
Change in Asset Valuation Reserve	0	(7,554)	(6,032)
Paid in Capital	3,000,000	0	0
Paid in Surplus	<u>3,000,000</u>	<u>0</u>	<u>0</u>
Change in Capital and Surplus for the Year	<u>\$ 5,990,227</u>	<u>\$ 43,220</u>	<u>\$ 71,793</u>
CAPITAL AND SURPLUS, END OF YEAR	<u>\$ 5,990,227</u>	<u>\$ 6,033,447</u>	<u>\$ 6,105,239</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

EXAMINATION CHANGES

None.

SUMMARY OF RECOMMENDATIONS

None.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Legacy Life Insurance Company of Missouri during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Brian Hammann, CPA, AFE, Anna Duncan, Kimberly Waller, and Kimberly Dobbs, CFE, AES, examiners for the Department, participated in this examination.

VERIFICATION

State of Missouri)
)
County of Cole)

I, Marc Peterson, 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 Legacy Life Insurance Company of Missouri, 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.

Marc Peterson, CFE
Examiner-In-Charge
Missouri Department of
Commerce and Insurance

Sworn to and subscribed before me this 19th day of February, 2020.

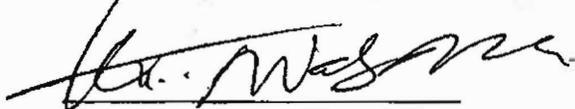
My commission expires: March 30, 2023 Hailey Schubert
Notary Public



HAILEY LUEBERT
My Commission Expires
March 30, 2023
Osage County
Commission #15634366

SUPERVISION

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



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