



MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MISSISSIPPI INSURANCE DEPARTMENT

501 N. WEST STREET, SUITE 1001
WOOLFOLK BUILDING
JACKSON, MISSISSIPPI 39201
www.mid.ms.gov

MAILING ADDRESS
Post Office Box 79
Jackson, Mississippi 39205-0079
TELEPHONE: (601) 359-3569
FAX: (601) 359-2474

MARK HAIRE
Deputy Commissioner of Insurance

RICKY DAVIS
State Chief Deputy Fire Marshal

June 29, 2020

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Mr. Wayne Franklin Pryor, President
Southern Farm Bureau Life Insurance Company
1401 Livingston Lane
Jackson, MS 39213

RE: Report of Examination as of December 31, 2018

Dear Mr. Pryor:

In accordance with Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011), an examination of your Company has been completed. Enclosed herewith is a copy of the Order adopting the report and a copy of the final report as adopted.


Pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 2011), the Mississippi Department of Insurance shall continue to hold the content of said report as private and confidential for a period of ten (10) days from the date of the Order. After the expiration of the aforementioned 10-day period, the Department of Insurance will open the report for public inspection.

If you have any questions or comments, please feel free to contact me.

Sincerely,

MIKE CHANEY
COMMISSIONER OF INSURANCE

BY


Christina J. Kelsey
Senior Attorney

MC/CJK/bs
Encls. Order w/exhibit

**BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF MISSISSIPPI**

**IN RE: REPORT OF EXAMINATION OF SOUTHERN
FARM BUREAU LIFE INSURANCE COMPANY**

CAUSE NO. 20-7525

ORDER

THIS CAUSE came on for consideration before the Commissioner of Insurance of the State of Mississippi ("Commissioner"), or his designated appointee, in the Offices of the Commissioner, 1001 Woolfolk Building, 501 North West Street, 10th Floor, Jackson, Hinds County, Mississippi, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011). The Commissioner, having fully considered and reviewed the Report of Examination together with any submissions or rebuttals and any relevant portions of the examiner's work papers, makes the following findings of fact and conclusions of law, to-wit:

JURISDICTION

I.

That the Commissioner has jurisdiction over this matter pursuant to the provisions of Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011).

II.

That Southern Farm Bureau Life Insurance Company is a Mississippi-domiciled company licensed to write Accident and Health; Life; and Variable Contracts coverages.

FINDINGS OF FACT

III.

That the Commissioner, or his appointee, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011), called for an examination of Southern Farm Bureau Life Insurance Company and appointed R. Dale Miller, Examiner-In-Charge, to conduct said examination.

IV.

On or about June 5, 2020, the draft Report of Examination concerning Southern Farm Bureau Life Insurance Company for the period of January 1, 2014, through December 31, 2018, was submitted to the Department by the Examiner-In-Charge, R. Dale Miller.

V.

That on or about June 9, 2020, pursuant to Miss. Code Ann. § 83-5-209(2) (Rev. 2011), the Department forwarded to the Company a copy of the draft report and allowed the Company a 15-day period to submit any rebuttal to the draft report. The Company responded to the draft by email on or about June 11, 2020.

CONCLUSIONS OF LAW

VI.

The Commissioner, pursuant to Miss. Code Ann. § 83-5-209(3) (Rev. 2011), must consider and review the report along with any submissions or rebuttals and all relevant portions of examiner work papers and enter an Order: (1) adopting the Report of Examination as final or with modifications or corrections; (2) rejecting the Report of Examination with directions to reopen; or (3) calling for an investigatory hearing.

IT IS, THEREFORE, ORDERED, after reviewing the Report of Examination and all relevant examiner work papers, that the Report of Examination of Southern Farm Bureau Life Insurance Company, attached hereto as Exhibit "A", should be and same is hereby adopted as final.

IT IS FURTHER ORDERED that a copy of the adopted Report of Examination, accompanied with this Order, shall be served upon the Company by certified mail, postage pre-paid, return receipt requested.

IT IS FURTHER ORDERED that the Mississippi Department of Insurance shall continue to hold the content of this report as private and confidential information for a period of ten (10) days from the date of this Order, pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 2011).

IT IS FURTHER ORDERED, pursuant to Miss. Code Ann. § 83-5-209(4) (Rev. 2011), that within thirty (30) days of the issuance of the adopted report, Southern Farm Bureau Life Insurance Company shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related orders.

IT IS FURTHER ORDERED that Southern Farm Bureau Life Insurance Company take the necessary actions and implement the necessary procedures to ensure that all recommendations contained in the Report of Examination are properly and promptly complied with.

SO ORDERED, this the 29th day of June 2020.



J. Mark Haire

J. MARK HAIRE
DEPUTY COMMISSIONER OF INSURANCE
STATE OF MISSISSIPPI

CERTIFICATE OF MAILING

I hereby certify that a true and correct copy of the above and foregoing Order and a copy of the final Report of Examination, as adopted by the Mississippi Department of Insurance, was sent by certified mail, postage pre-paid, return receipt requested, on this the 29th day of June 2020, to:

**Mr. Wayne Franklin Pryor, President
Southern Farm Bureau Life Insurance Company
1401 Livingston Lane
Jackson, MS 39213**



Christina J. Kelsey
Senior Attorney

Christina J. Kelsey
Senior Attorney
Counsel for the Mississippi Department of Insurance
Post Office Box 79
Jackson, MS 39205-0079
(601) 359-3577
Miss. Bar No. 9853



Mississippi Insurance Department

Report of Examination

of

**SOUTHERN FARM BUREAU LIFE INSURANCE
COMPANY**

as of

December 31, 2018

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EXAMINER'S AFFIDAVIT AS TO STANDARDS AND PROCEDURES USED IN AN EXAMINATION

State of Mississippi,

County of Madison,

R. Dale Miller, being duly sworn, states as follows:

1. I have authority to represent the Mississippi Insurance Department in the examination of Southern Farm Bureau Life Insurance Company as of December 31, 2018.
2. The Mississippi Insurance Department is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Southern Farm Bureau Life Insurance Comapny was performed in a manner consistent with the standards and procedures required by the National Association of Insurance Commissioners and the Mississippi Insurance Department.

The affiant says nothing further.



R. Dale Miller, CPA, CFE, CFF
Examiner-in-charge

Subscribed and sworn before me by R. Dale Miller on this 19th day of June, 2020.

(SEAL)



Wendy Smith
Notary Public

My commission expires 10/27/2020 [date].



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Commissioner of Insurance
State Fire Marshal

MARK HAIRE
Deputy Commissioner of
Insurance

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June 11, 2020

Honorable Mike Chaney
Commissioner of Insurance
Mississippi Insurance Department
1001 Woolfolk Building
501 North West Street
Jackson, Mississippi 39201

Dear Commissioner Chaney:

Pursuant to your instructions and authorization and in compliance with statutory provisions, an examination has been conducted, as of December 31, 2018, of the affairs and financial condition of:

SOUTHERN FARM BUREAU LIFE INSURANCE COMPANY

1401 Livingston Lane
Jackson, MS 39213

License #	NAIC #	FEETS#	MATS#
7700438	68896	68896-MS-2018-2	MS-MS099-22

This examination was commenced in accordance with Miss. Code Ann. § 83-5-201 *et seq.* and was performed in Jackson, Mississippi, at the statutory home office of the Company. The report of examination is herewith submitted.

SCOPE OF EXAMINATION

We have performed our multi-state examination of Southern Farm Bureau Life Insurance Company (“Company” or “SFBLIC”). The last examination covered the period of January 1, 2010 through December 31, 2013. This examination covers the period January 1, 2014 through December 31, 2018.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook* (“Handbook”). 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.

This examination report includes significant findings of fact, as mentioned in the Miss. Code Ann. §83-5-201, and general information about the insurer 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 separately communicated to other regulators and/or the Company.

COMMENTS AND RECOMMENDATIONS OF PREVIOUS EXAMINATION

There were no comments and/or recommendations deemed necessary for inclusion in the previous examination report.

HISTORY OF THE COMPANY

In 1946, the State Farm Bureau Federations in the states of Alabama, Arkansas, Kentucky, Mississippi, and Texas organized individual investment corporations for the sole purpose of organizing the Company. On October 31, 1946, and with authorized capital of \$200,000, SFBLIC was incorporated under the laws of the State of Mississippi as a life insurance company, with business officially commencing on December 18, 1946. On July 15, 1947, those five State Farm Bureau Federations and their investment corporations entered into an Agreement and Declaration of Trust (the “Charter Treaty”), which, among other provisions, contained certain restrictions on

transfer of the capital stock of the Company.

In 1972, the articles of association were amended, increasing the Company's authorized capital to \$1,000,000; divided into 10,000 shares of \$100 par value common capital stock. Also, the Alabama Farm Bureau withdrew from the American Farm Bureau Federation and, during this same year, the Company reacquired and later cancelled the stock issued to Alabama Farm Bureau Investment Corporation, and the Charter Treaty was amended to reflect this change. In addition, during 1973, the Company issued shares of its capital common stock to companies controlled by State Farm Bureau Federations in the states of Georgia, Louisiana, North Carolina, South Carolina, and Virginia, and the Charter Treaty was again amended to reflect this change.

Pursuant to a stockholder vote on February 21, 1983, the articles of association were further amended, increasing the Company's authorized capital to \$2,000,000; divided into 20,000 shares of \$100 par value common stock.

On October 29, 1984, Florida Farm Bureau Holding Company purchased 400 shares of the Company's common stock and, as a stock dividend, the Company issued 960 shares of its common stock to same. The Charter Treaty was again amended to reflect this change. Florida Farm Bureau Life Insurance Company merged into SFBLIC effective January 1, 1985.

On March 17, 1994, and October 7, 1997, the Company disclaimed control by and affiliation with its shareholders and their parent companies pursuant to Miss. Code Ann. §83-6-17, which was approved by the Commissioner of Insurance for the State of Mississippi. On October 19, 2004, the Charter Treaty was amended and its stated term was extended to perpetuity. On February 1, 2017, the Charter Treaty was amended to incorporate additional recitals and agreements related to the payment of dividends on the common capital stock of the Company and the obligation of the parties relating thereto.

On November 25, 2002, the Company's wholly owned subsidiary, Southern Capital Brokerage Company, LLC, ("Southern Capital Brokerage") was incorporated for the purpose of selling of insurance products not directly offered by the Company, such as long term care, disability insurance, and cancer and survivor life insurance.

On October 16, 2007, the articles of association and the bylaws of the Company were amended and restated, and were approved by the Commissioner of Insurance for the State of Mississippi on January 7, 2008. Such approval did not include or extend to an approval, either in whole or in part, of the Charter Treaty or the terms and conditions thereof.

SFBLIC reached an agreement in principle with the Colorado Farm Bureau Mutual Insurance Company to sell its products in Colorado under the Farm Bureau name through the Colorado Farm Bureau agency force. SFBLIC received a Certificate of Authority and was licensed by the State of Colorado on February 11, 2010.

CORPORATE RECORDS

The minutes of the meetings of the stockholders and Board of Directors (“Board”), regarding the Company’s business affairs as recorded during the period covered by the examination, were reviewed and appeared to be complete and in order with regard to recording action on matters brought up at the meetings for deliberation, which included the approval and support of the Company’s transactions and events, as well as the review of its audit and examination report.

MANAGEMENT AND CONTROL

Stockholders

As of December 31, 2018, the Company had 15,000 outstanding shares of common capital stock with a par value of \$100 per share. The Company was owned by the Farm Bureau Investment Corporations in Arkansas, Kentucky, Mississippi, Texas, Louisiana, South Carolina, and North Carolina, and holding corporations in Virginia, Florida, and Georgia, which are controlled by the Farm Bureau Federation in each state respectively. Each shareholder owns 10% (1,500 shares). The Company paid dividends to its stockholders during the examination period of \$20,000,000, \$45,000,000, \$90,000, \$92,550 and \$95,850 for 2018, 2017, 2016, 2015 and 2014, respectively.

Board of Directors

The Articles of Incorporation and Bylaws vest the management and control of the Company’s business affairs with the Board of Directors (“Board”). The members of the duly elected Board, along with their place of residence, year elected/appointed, and principal occupation, at December 31, 2018, were as follows:

Name and Residence	Year Elected/Appointed	Principal Occupation
Ronald Ray Anderson Baton Rouge, Louisiana	1990	Farmer and President of Louisiana Farm Bureau Federation
Russell Wayne Boening Floresville, Texas	2015	Farmer and President of Texas Farm Bureau
Mark Randall Chamblee Tyler, Texas	2018	Farmer
William Keistler Coleman Blair, South Carolina	2016	Farmer
Robert Quincy Fountain, Jr. Adrian, Georgia	2016	Farmer
Mark Edwin Haney Nancy, Kentucky	2006	Farmer and President of Kentucky Farm Bureau Federation

Jim Toney Harper Cheneyville, Louisiana	2009	Farmer
Richard Edward Hillman Carlisle, Arkansas	2009	Farmer
John Lawrence Hoblick, Sr. DeLeon Springs, Florida	2007	Farmer and President of Florida Farm Bureau Federation
Gerald Wilton Long Bainbridge, Georgia	2009	Farmer and President of Georgia Farm Bureau Federation
Billy Regionald Magee Mount Olive, Mississippi	2007	Farmer
David Michael McCormick Union Church, Mississippi	2015	Farmer and President of Mississippi Farm Bureau Federation
Eddie Alan Melton Sebree, Kentucky	2011	Farmer
Harry Legare Ott, Jr. Columbia, South Carolina	2016	Farmer and President of South Carolina Farm Bureau Federation
Wayne Franklin Pryor Goochland, VA	1999	Farmer and President of Virginia Farm Bureau Federation
Joseph Brantley Schirard, Jr. Fort Pierce, Florida	2011	Farmer
Scott Everett Sink Blacksburg, Virginia	2017	Farmer
Harry Randal Veach Manila, Arkansas	2004	Farmer and President of Arkansas Farm Bureau Federation
Malcolm Scott Whitford Grantsboro, North Carolina	2013	Farmer
Larry Bernard Wooten Raleigh, North Carolina	2000	Farmer and President of North Carolina Farm Bureau Federation

Committees

During the period covered by this examination, the following Board committees were utilized by the Company to carry out certain specified duties: Audit Committee, Executive Committee, Compensation Committee, and Investment Committee. The committee minutes were reviewed and appeared to be in order, and the committees appeared to be provided appropriate oversight by the Board.

Audit Committee:

The Audit Committee's purpose is to review the report of the independent auditors, approve the independent auditors' report, pre-approve non-audit services from the Company's auditors, and

approve auditors for the following years.

Compensation Committee:

The Compensation Committee's purpose is to review and recommend changes to the compensation program and the retirement program. They also provide recommendations to the Board for increases in officers' salaries.

Executive Committee:

The Executive Committee's purpose is to review, receive, and file the reports of the Executive Vice President & Chief Executive Officer, Marketing, Investment Committee, Policy Administration, and the review of the financial statements.

Investment Committee:

The Investment Committee is authorized by Section 2, Article V of the by-laws to buy and sell certain investments for and on behalf of the Company.

The following officers and directors served on the aforementioned committees at December 31, 2018.

Audit	Compensation
Wayne Franklin Pryor, Chairman	Harry Randall Veach, Chairman
Russell Wayne Boening	Ronald Ray Anderson
Mark Edwin Haney	John Lawrence Hoblick, Sr.
Harry Legare Ott, Jr.	Gerald Wilton Long
Larry Bernard Wooten	David Michael McCormick

Executive	Investment
Harry Randall Veach, Chairman	Randy Mitchael Johns, Chairman
Wayne Franklin Pryor	Harry Randall Veach, Ex Officio
Ronald Ray Anderson	Horace Lusby Brown
Russell Wayne Boening	Charles Stanley Dickens
Mark Edwin Haney	David Brannan Hurt
John Lawrence Hoblick, Sr.	William Perry McGaugh, Jr.
Gerald Wilton Long	Billy Earl Sims
David Michael McCormick	Robert Elgin Ward, Jr.
Harry Legare Ott, Jr.	
Larry Bernard Wooten	

Officers

Name	Number of Years with Company	Title
Harry Randall Veach*	14	Chairman of the Board & President
Wayne Franklin Pryor*	19	First Vice President
Randy Mitchael Johns	38	Executive Vice President & CEO
Horace Lusby Brown	12	Senior Vice President, Chief Investment Officer
Charles Stanley Dickens	26	Senior Vice President, Chief Actuary
David Brannan Hurt	18	Senior Vice President, Marketing
William Perry McGaugh, Jr.	32	Senior Vice President, General Counsel & Secretary
Billy Earl Sims	41	Senior Vice President, Policy Administration
Robert Elgin Ward, Jr.	36	Senior Vice President, Chief Financial Officer
Charles Reed Allen	34	Vice President, Chief Technology Officer
Nancy Case Baker	32	Vice President, Claims
Patricia Diane McConnell-Boyette	12	Vice President, Chief Compliance Officer
David Newell Duddleston, MD	31	Vice President, Medical Director
Luther Bernard Goff, III	7	Vice President, Agency
Shelia Renee Hudson	29	Vice President, Internal Auditing
Laura Moore Humphries	17	Vice President, Policy Services
William Harper Keeler	28	Vice President, Realty Investments
Catherine Prevost Martin	18	Vice President, Group Admin & Appointed Actuary
Richard Pernell McKissack	17	Vice President, Marketing Data & E-Services
Joyce McEwen Plunkett	38	Vice President, Human Resources
Douglas Edward Redman	22	Vice President, Pension Admin & Chief Risk Officer
David Mark Simmonds	29	Vice President, Controller
Jeremiah Ridley Wesson	14	Vice President, Underwriting & New Business Admin

** These two members also serve on the Company's Board. They are not part of Company management and are not compensated for their roles as officers. Their roles are strictly titular and are not engaged in the day-to-day operations of the Company.*

Conflict of Interest

The Company had formal procedures whereby disclosure was made to the Board of any material interest or affiliation on the part of any officer or director that was, or would likely be, a conflict with their official duties. These procedures were reviewed, and no conflicts or exceptions to the Company's policies were noted.

HOLDING COMPANY STRUCTURE

During the time period covered by this examination, SFBLIC was owned by entities controlled by the Farm Bureau Federations in the States of Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Texas, and Virginia. Each shareholder owns 10% of SFBLIC's outstanding stock. As previously mentioned, the Company has disclaimed control by and affiliation with its shareholders and their parent companies pursuant to Miss. Code Ann. §83-6-17, which was filed by the Commissioner of Insurance for the State of Mississippi.

The Company's wholly owned subsidiary, Southern Capital Brokerage, was incorporated for the purpose of selling of insurance products not directly offered by the Company, such as long term care, disability insurance, and cancer and survivor life insurance.

Related Party and Other Transactions

The Company had various agreements with the Farm Bureau Federations and Farm Bureaus located in counties of the states in which business was conducted. Substantially all of these transactions represented agency-related costs of operations. According to management, these agreements provided the Company with greater operating efficiency and prompt service to its policyholders. These agreements provided reimbursement for the cost of office space and clerical assistance, as well as the use of the Farm Bureau name and logo within the related territory. Such fees were included in general insurance expenses in the statutory statements of earnings. The amounts paid in regard to these agreements were \$28,026,703, \$27,858,284, \$27,458,200, \$26,897,009 and \$26,239,268 in 2018, 2017, 2016, 2015 and 2014, respectively.

The Company entered into Sponsorship Agreements with each of the State Farm Bureaus of Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Texas, and Virginia. The agreements are renewed annually and call for annual payments of \$100,000 to each State Farm Bureau. The agreements provided the Company with the right to sponsor one or more mutually agreeable Farm Bureau events or programs. The amount paid in regard to these agreements was \$1,000,000 for each year under examination.

On July 15, 2009, the Company executed a promissory note with Southern Capital Brokerage in the principal sum of \$3,000,000, with an annual interest rate of 4%. On January 1, 2010, the Company executed an additional promissory note in the principal sum of \$3,500,000, with an annual interest rate of 4%. On January 1, 2013, the Company consolidated the two aforementioned promissory notes for the remaining principal balance of \$5,500,000, with an initial interest rate of 2.25% adjusted January 1st of each year to reflect the then current Fed Funds rate plus 200 basis points. The promissory note was paid in full during the examination period and at December 31, 2018, the Company's liability for borrowed money payable to Southern Capital Brokerage was \$0.

On April 19, 2006, the Company purchased a surplus note in the amount of \$25,000,000 from Mississippi Farm Bureau Casualty Insurance Company. The stated interest rate on the note was equal to the interest rate payable on a 20 year U.S. Treasury Bond as of the surplus note date. The rate readjusted every second anniversary date equal to the current interest rate payable on the aforementioned bond. The Company received \$25,000,000 in principal payments during the examination period reducing the balance to \$0 at December 31, 2018.

On June 21, 2010, the Company purchased a surplus note in the amount of \$2,349,637 from Oklahoma Farm Bureau Mutual Insurance Company. The stated interest rate on the note was 9.5%. The note contained a credit of 2% simple interest per annum for any and all principal paid to the payee on or before July 1, 2020. The note has a maturity date of July 1, 2040. The Company received \$1,854,993 in principal payments during the examination period reducing the balance to \$494,644 at December 31, 2018.

On December 27, 2011, the Company purchased a surplus note in the amount of \$30,000,000 from Virginia Farm Bureau Mutual Insurance Company. The stated interest rate on the note was 7.5%, with the possibility of a reduction to 5.5% if certain future criteria were met. The Company received \$30,000,000 in principal payments during the examination period reducing the balance to \$0 at December 31, 2018.

During the examination period, the aforementioned surplus notes were carried on the Company's Schedule BA, "Other Long Term Invested Assets", as unaffiliated capital notes.

FIDELITY BOND AND OTHER INSURANCE

The Company maintained a comprehensive corporate insurance program. This program included commercial general liability and commercial property, as well as other policies, as deemed appropriate by the Company's management. The Company also maintained directors and officers coverage, professional liability coverage, cyber liability coverage, and fidelity coverage that, with its \$10 million single loss limit of liability, exceeded the NAIC's suggested minimum amount for fidelity coverage of \$3,500,000 - \$4,000,000.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company provided a non-contributory defined benefit pension plan, a contributory defined contribution plan, a post-retirement benefit plan, and various other deferred compensation plans for its directors, officers, and employees. Obligations under such plans were recognized within the financial statements.

TERRITORY AND PLAN OF OPERATION

The Company is authorized to conduct ordinary life insurance business in the states of Alabama, Arkansas, Colorado, Commonwealth of Puerto Rico, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Texas, and Virginia. The Company markets a portfolio of traditional and interest-sensitive life insurance products and single and flexible premium deferred annuity contracts through joint operations with the ten property and casualty insurance companies that represent the Farm Bureau Federations throughout its territorial region, as well as in the state of Colorado. Through this captive distribution system, sales and services for a full line of insurance products were offered by approximately 3,700 career multi-line agents who worked through offices located in counties within the territorial regions.

GROWTH OF COMPANY

	In thousands				
	2018	2017	2016	2015	2014
Balance Sheet					
Total admitted assets, less separate accounts	\$ 14,269,723	\$ 14,173,511	\$ 13,909,155	\$ 13,291,891	\$ 12,977,838
Total liabilities, less separate accounts	\$ 11,675,573	\$ 11,614,809	\$ 11,371,805	\$ 10,835,046	\$ 10,541,399
Total capital and surplus	\$ 2,594,151	\$ 2,558,702	\$ 2,537,350	\$ 2,456,845	\$ 2,436,439
Cash Flow					
Net cash from operations	\$ 325,113	\$ 390,062	\$ 455,034	\$ 445,884	\$ 289,833
Risk-Based Capital Analysis					
Total adjusted capital	\$ 2,747,358	\$ 2,759,158	\$ 2,726,475	\$ 2,607,482	\$ 2,650,026
Authorized control level risk-based capital	\$ 168,703	\$ 149,286	\$ 150,547	\$ 169,957	\$ 193,707
Income Statement					
Net earned premium income	\$ 865,338	\$ 882,312	\$ 964,820	\$ 904,697	\$ 799,768
Net investment income	\$ 571,768	\$ 582,350	\$ 576,280	\$ 552,856	\$ 550,854
Capital gains & losses	\$ 6,742	\$ 21,522	\$ (4,175)	\$ (6,710)	\$ 65,309
Net income	\$ 118,137	\$ 115,608	\$ 73,744	\$ 76,973	\$ 167,861
Net income/capital and surplus (ROE)	4.6%	4.5%	2.9%	3.1%	6.9%
Net premium & deps/capital and surplus	33.4%	34.5%	38.0%	36.8%	32.8%
Total benefits & exp/premium & deps	150.5%	148.8%	147.1%	146.0%	149.3%
Investment yield	4.2%	4.3%	4.4%	4.4%	4.5%
Non-inv grade bonds/total bonds	2.6%	3.4%	4.3%	3.2%	2.6%

MORTALITY AND LOSS EXPERIENCE

The MID contracted with Marc Altschull, CFA, FSA, MAA of Merlinos & Associates, Inc., to review the actuarial analysis supporting the Company's carried aggregate reserves for life contracts, aggregate reserve for accident and health contracts, uncollected premiums and agent balances, deferred premiums, liability for deposit type contracts, contract claims, and advance premiums. No adjustments to the financial statements were made. The actuarial examination indicated that the Company generally followed accurate and appropriate procedures in determining its actuarial assets, reserves and liabilities.

REINSURANCE

In accordance with the Risk Surveillance Approach contained within the Handbook, the reinsurance program of the Company was considered and no material concerns were noted. Further, no treaties were noted that contained unusual provisions, transfer of risk issues or other relevant concerns. A general description and listing of the reinsurance agreements are presented below.

At December 31, 2018, reinsurance for newly issued business was with Hannover Life Reassurance Company of America ("Hannover"), SCOR Global Life USA Reinsurance Company ("SCOR"), and RGA Reinsurance Company ("RGA"). Hannover reinsured base term policies with surnames beginning with A-K and permanent policies (and associated term riders) with surnames beginning E-Z. SCOR reinsured permanent policies (and associated term riders) with surnames beginning A-D. RGA reinsured base term policies with surnames beginning with L-Z. At December 31, 2018, the maximum ordinary life retention for new sales was \$750,000.

The retention levels effective as of December 31, 2018, were as follows:

Issue Ages	Table A Standard	Tables B - F	Tables G and Above
0	200,000	100,000	75,000
1 to 65	750,000	600,000	300,000
Over 65	375,000	200,000	100,000

Minimum Cession \$100,000

At December 31, 2018, the reinsurers were automatically bound for 100% of the excess over the Company's retention, up to the maximum amounts shown below:

Issue Ages	Table A Standard	Tables B - F	Tables G - P	Over Table P
0	600,000	300,000	225,000	Facultative
1 to 65	2,250,000	1,800,000	900,000	Facultative

66 to 70	1,125,000	600,000	300,000	Facultative
71 to 80	Facultative	Facultative	Facultative	Facultative

Heading Definitions:

- Ages – This represents the age of the insured
- Table – This represents the specific table used by the underwriting department of the Company when determining the appropriate premium. Table A represents standard risk factors, while tables B through P represent progressively higher risk factors.

Example – If the insured is between the ages of 1-65 and qualifies for a Table A rating, the Company will retain \$750,000 and any excess up to \$2,250,000 can be automatically reinsured. However, if the amount of excess is greater than \$2,250,000, underwriting papers must be submitted for facultative review and accepted by the reinsurance company to be binding.

The jumbo limit for SFBLIC’s reinsurers was \$30,000,000 at December 31, 2018. If SFBLIC had a policy that was over this amount or anywhere close to it, the Company’s policy is to contact the reinsurance company to be sure that they could handle the capacity. It would be up to the reinsurer to find a retrocessionaire to reinsure any excess. A reinsurer will accept more than \$30,000,000 at higher rates because they in turn have to retrocede the business.

A list of reinsurers with which SFBLIC has entered reinsurance agreements is as follows:

Federal ID #	Effective Date	Name of Company	Specifics
Accident & Health			
AA-9995056	1/1/1996	AMERICAN LTC REINSURANCE GROUP	80% Reinsured
48-0921045	1/1/2003	WESTPORT INS CORP	80% Reinsured
13-3126819	1/1/1986	SCOR	50% Reinsured
13-3126819	1/1/1995	SCOR	50% Reinsured
Catastrophe			
59-2859797	7/1/2007	HANNOVER	CAT/I
Life & Annuity			
13-3126819	1/1/1994	SCOR	Excess of Retention
13-3126819	1/1/2001	SCOR	Excess of Retention
13-3126819	1/1/2007	SCOR	Excess of Retention
13-3126819	5/1/2011	SCOR	Excess of Retention
59-2859797	11/1/2009	HANNOVER	Excess of Retention
59-2859797	5/1/2011	HANNOVER	Excess of Retention
59-2859797	1/1/2018	HANNOVER	Excess of Retention
23-2038295	1/1/1991	SCOTTISH RE (U.S.) INC	Excess of Retention
23-2038295	6/1/1985	SCOTTISH RE (U.S.) INC	Excess of Retention
42-0175020	6/7/1996	ATHENE ANNUITY & LIFE COMPANY	SWL 100% Reinsured
84-0499703	10/22/1982	SECURITY LIFE OF DENVER INS CO	Coinsurance

84-0499703	6/1/1985	SECURITY LIFE OF DENVER INS CO	Excess of Retention
84-0499703	9/1/1987	SECURITY LIFE OF DENVER INS CO	Excess of Retention
84-0499703	3/1/2004	SECURITY LIFE OF DENVER INS CO	Excess of Retention
35-0472300	12/17/1946	LINCOLN NATL LIFE INS CO	Excess of Retention
35-0472300	6/1/1985	LINCOLN NATL LIFE INS CO	Excess of Retention
35-0472300	1/1/1988	LINCOLN NATL LIFE INS CO	Excess of Retention
35-0472300	1/1/1992	LINCOLN NATL LIFE INS CO	Excess of Retention
35-0472300	1/1/2001	LINCOLN NATL LIFE INS CO	Excess of Retention
58-0828824	1/1/2002	MUNICH AMER REASSUR CO	Excess of Retention
58-0828824	1/1/2002	MUNICH AMER REASSUR CO	Excess of Retention 150,000 for Group
58-0828824	9/1/2004	MUNICH AMER REASSUR CO	Excess of Retention
58-0828824	1/1/2007	MUNICH AMER REASSUR CO	Excess of Retention
13-5582869	1/1/2003	NEW YORK LIFE INS CO	Coinsurance
43-1235868	1/1/1991	RGA	Coinsurance
43-1235868	1/1/1992	RGA	Excess of Retention
43-1235868	1/1/2001	RGA	Excess of Retention
43-1235868	1/1/2018	RGA	Excess of Retention
06-0839705	8/1/1951	SWISS RE LIFE & HEALTH AMERICA	Excess of Retention
06-0839705	6/1/1985	SWISS RE LIFE & HEALTH AMERICA	Excess of Retention
06-0839705	9/1/1987	SWISS RE LIFE & HEALTH AMERICA	Coinsurance
06-0839705	7/1/1987	SWISS RE LIFE & HEALTH AMERICA	Excess of Retention
06-0839705	10/22/1982	SWISS RE LIFE & HEALTH AMERICA	Coinsurance
06-0839705	6/1/1985	SWISS RE LIFE & HEALTH AMERICA	Excess of Retention
06-0839705	7/1/1980	SWISS RE LIFE & HEALTH AMERICA	Excess of Retention
06-0839705	1/1/2012	SWISS RE LIFE & HEALTH AMERICA	Excess of Retention 150,000 for Group
06-0839705	1/1/2012	SWISS RE LIFE & HEALTH AMERICA	Excess of Retention
75-6020048	1/1/1988	SCOR	Excess of Retention

ACCOUNTS AND RECORDS

The 2018 trial balance of the Company's accounts was traced to the balance sheet of the Company's statutory annual statement filed with the MID, with no exceptions noted. SFBLIC was audited annually by an independent CPA firm.

SFBLIC utilizes Microsoft Windows Server 2008, 2012, 2016, 2019 as well as IBM z/OS operating systems to achieve its goals. Windows Active Directory (AD) is utilized for network access security as well as to restrict access to certain folders through AD security group configuration. IBM z/OS access is maintained via RACF. External network defenses include a Checkpoint firewall appliance and Cylance Protect End-Point Anti-Virus/Security software. The Company's significant applications include Ingenium and other internally developed applications.

STATUTORY DEPOSITS

The Company's statutory deposits with the state of Mississippi complied with Miss. Code Ann. §83-19-31(2) and §83-7-21. The following chart displays the Company's total statutory deposits held by the various states at December 31, 2018.

Description	State Deposited	Par Value	Carrying Value	Fair Value
U.S. Treasury Strip	Mississippi	\$ 7,686,408	\$ 6,925,530	\$ 7,376,162
Total held in Mississippi		<u>7,686,408</u>	<u>6,925,530</u>	<u>7,376,162</u>
U.S. Treasury Strip	Arkansas	160,000	132,934	148,997
Treasury Money Market	Georgia	50,000	50,000	50,000
U. S. Treasury Strip	North Carolina	1,200,000	1,081,212	1,151,568
Total Held in all Other States		<u>1,410,000</u>	<u>1,264,146</u>	<u>1,350,565</u>
Total Held		<u>\$ 9,096,408</u>	<u>\$ 8,189,676</u>	<u>\$ 8,726,727</u>

SOUTHERN FARM BUREAU LIFE INSURANCE COMPANY
FINANCIAL STATEMENTS
EXAMINATION AS OF DECEMBER 31, 2018

Introduction

The following financial statements reflect the same amounts reported by the Company and consist of a Statement of Admitted Assets, Liabilities, Surplus and Other Funds - Statutory at December 31, 2018, a Summary of Operations - Statutory for the year ended December 31, 2018, and a Reconciliation of Capital and Surplus - Statutory for the examination period ended December 31, 2018, and a Reconciliation of Examination Changes to Surplus - Statutory at December 31, 2018.

Statement of Admitted Assets, Liabilities, Surplus And Other Funds – Statutory December 31, 2018

Admitted Assets		
Bonds	\$	9,911,056,463
Preferred stocks		32,094,049
Common stocks		605,975,077
Mortgage loans on real estate		1,868,290,517
Real estate occupied by the company		15,218,954
Real estate held for production of income		1,088,764
Cash, cash equivalents, and short term investments		87,226,082
Contract loans		551,135,072
Other invested assets		662,871,352
Receivables for securities		1,647,360
Investment income due and accrued		116,234,533
Uncollected premiums		8,002,063
Deferred premiums		285,791,857
Amounts recoverable from reinsurers		1,802,377
Current federal income taxes recoverable		2,929,512
Net deferred tax asset		68,350,129
Guaranty funds receivable or on deposit		1,685,983
Electronic data processing equipment and software		5,721,707
Receivables from parents, subsidiaries and affiliates		436,996
Company owned life insurance		42,164,355
Separate account assets		16,115,751
Total admitted assets	\$	14,285,838,953
Liabilities, Capital and Surplus		
Aggregate reserve for life contracts	\$	10,060,138,707
Aggregate reserve for accident and health contracts		152,695,113
Liability for deposit-type contracts		898,710,056
Life contract claims		37,054,835
Accident and health contract claims		2,515,097
Policyholders' dividends		10,831
Dividends apportioned for payment		43,436,299
Premiums received in advance		276,240
Provision for experience rating refunds		6,319,393
Commissions to agents due or accrued		13,274,656
General expenses due and accrued		17,819,163
Transfers to Separate Accounts due and accrued		(4,955)
Taxes, licenses and fees due or accrued		7,184,846
Amounts withheld or retained by company		544,634
Remittances and items not allocated		13,198,952
Liability for benefits for employees and agents		2,567,589
Borrowed money		142,838,083
Asset valuation reserve		197,425,779
Payable to parent, subsidiaries and affiliates		1,383,856
Pension and postretirement benefits payable		62,950,498
Accounts payable and other liabilities		14,731,873
Uncashed checks pending escheatment		501,025
Separate account liabilities		16,115,751
Total liabilities		11,691,688,321
Common capital stock		1,500,000
Gross paid in and contributed surplus		400,000
Unassigned funds		2,592,250,632
Total capital and surplus		2,594,150,632
Total liabilities, capital and surplus	\$	14,285,838,953

**Summary of Operations – Statutory
December 31, 2018**

Income

Life premiums	\$ 772,347,390
Annuity premiums and other fund deposits	83,056,751
Accident and health premiums	9,934,061
Supplementary contracts with life contingencies	21,997,382
Investment income, net of expenses	571,767,664
Amortization of interest maintenance reserve	(1,386,251)
Commissions and expense allowances on reinsurance ceded	3,574,365
Separate account fees and other	3,420,153
Total income, net of amortization of interest maintenance reserve	1,464,711,515

Benefits and reserve changes

Death benefits	268,041,846
Matured endowments	893,784
Accident and health benefits	13,766,274
Annuity benefits	135,218,473
Surrender benefits and withdrawals for life contracts	376,929,567
Interest and adjustments on contract or deposit-type contract funds	35,611,136
Payments on supplementary contracts with life contingencies	22,109,520
Increase in aggregate reserves for life and accident and health contracts.	167,757,991
Total benefits and reserve changes, including interest on contract funds	1,020,328,591

Other operating expenses and transfers

Commissions	79,946,671
General insurance expenses	172,380,828
Taxes, licenses and fees, excluding federal income taxes	26,266,616
Increase (decrease) in loading on deferred and uncollected premiums	3,509,171
Net transfers to or (from) separate accounts, net of reinsurance	(702,995)
Other expenses	952,245
Total other operating expenses and transfers	282,352,536

Net gain from operations before dividends to policyholders and federal income taxes	162,030,388
Policyholders' dividends	41,935,460
Net gain from operations after dividends to policyholders and before federal income taxes	120,094,928
Federal income taxes incurred	8,700,000
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains	111,394,928
Net realized capital gains (losses), excluding transfers to interest maintenance reserve	6,742,182
Net income	\$ 118,137,110

**Reconciliation of Capital and Surplus – Statutory
For the Examination Period Ended December 31, 2018**

	2018	2017	2016	2015	2014
Capital and surplus, beginning of the year	\$ 2,558,702,454	\$ 2,537,350,315	\$ 2,456,844,990	\$ 2,436,439,383	\$ 2,327,194,289
Net income	118,137,110	115,608,339	73,744,186	76,972,657	167,861,151
Change in net unrealized capital gains (losses)	(73,460,672)	26,537,163	40,885,215	(88,958,784)	(34,353,441)
Change in net deferred income tax	7,631,830	(115,387,748)	29,972,496	15,869,818	12,152,835
Change in nonadmitted assets	(33,178,830)	58,549,231	(4,358,116)	(47,985,112)	(22,804,721)
Change in asset valuation reserve	43,531,636	(7,475,429)	(53,707,589)	67,041,937	(9,944,467)
Dividends to stockholders	(20,000,000)	(45,000,000)	(90,000)	(92,550)	(95,850)
Change in net actuarial gain on pensions and postretirement benefits	(7,212,896)	(7,726,100)	(5,940,867)	(2,442,359)	(5,749,696)
Adjustment for prior year claim refunds					2,179,283
Prior year adjustment to liability for agent finance plan		(1,021,601)			
Prior year adjustment to liability for compensated absences		(2,731,716)			
Capital and surplus, end of the year	\$ 2,594,150,632	\$ 2,558,702,454	\$ 2,537,350,315	\$ 2,456,844,990	\$ 2,436,439,383

**Reconciliation of Examination Adjustments to Surplus - Statutory
For the year ended December 31, 2018**

There were no changes made to the assets, liabilities or surplus balances reported by the Company for the year ended December 31, 2018. The capital and surplus reported by the Company of \$2,594,150,632 is accepted as reasonably stated for purposes of the balance sheet per the examination and in compliance with Miss. Code Ann. §83-19-31.

MARKET CONDUCT ACTIVITIES

A full scope market conduct examination was not performed; however, limited procedures were performed on certain areas of the Company's market conduct. The specific areas reviewed included those items as indicated below.

Privacy

The Company had a privacy policy in place for the protection of its policyholders. No exceptions were noted during the course of our testing regarding the Company's privacy policy.

Complaints

The Company maintained a complaint log during the period under examination, and the complaints reviewed during our testing were resolved amicably and no policyholder abuse or undesirable patterns were noted.

Producer Licensing

The Company appeared to have the appropriate licensure to issue its products and agents appeared to be properly licensed and appointed.

Underwriting and Rating

The Company appeared to be appropriately applying premium rates for insured policies based on application data. It appeared that all applicable policy forms and rates had been appropriately approved by the MID.

COMMITMENTS AND CONTINGENT LIABILITIES

At December 31, 2018, the Company was involved as a defendant in various litigation matters. Although the outcome of such legal actions cannot be predicted, in the opinion of management, the resolution of any currently pending or threatened actions should not have a material adverse effect on the surplus position of the Company.

SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, U.S. President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Mississippi Insurance Department is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Mississippi Insurance Department and all insurance regulators, with the assistance of the NAIC, are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers. The Mississippi Insurance Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position.

On October 31, 2019, Billy Earl Sims, Senior Vice President – Policy Administration, retired and was replaced by Jeremiah Ridley Wesson. The replacement for Mr. Wesson’s previous position, Vice President – Underwriting & New Business Admin, has not been named at this time. Shelia Renee Hudson, Vice President – Internal Auditing, and David Newell Duddleston, MD, Vice President – Medical Director, retired in 2020 but Vice President replacements have not been named at this time.

The following Directors were added to the Board due to the election of new Presidents or Vice Presidents of the State Farm Bureau Federations:

- Thomas Michael Freeze replaced Harry Randal Veach
- Daniel Lee Johnson replaced Robert Quincy Fountain, Jr.
- William Shawn Harding replaced Larry Bernard Wooten
- Zachary Xavier Yanta replaced Mark Randall Chamblee

Additionally, in February 2020, Harry Randal Veach’s term as Chairman of the Board and President expired, and Wayne Franklin Pryor was elected to fill the position. Upon Mr. Pryor’s

election, Russell Wayne Boening was named the new First Vice President.

COMMENTS AND RECOMMENDATIONS

The examination did not identify any material comments and/or recommendations deemed appropriate for inclusion in the examination report.

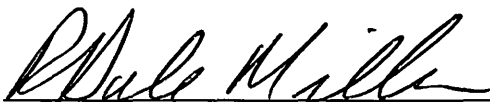
ACKNOWLEDGMENT

The examiners representing the Mississippi Insurance Department and participating in this examination were:

Supervising Examiner	Joseph R. May, CPA, CFE, CFF, CIE
Examiner-in-Charge	R. Dale Miller, CPA, CFE, CFF
Lead IT Specialist	David Mills, CISA, CRISC, CGEIT, MCSE
Examination Actuary	Marc Altschull, FSA, MAAA
Examiner	Larry Knight, CFE
Examiner	Andrea Harbison, CPA
Examiner	Taylor Phillips, CPA, CFE
Examiner	Landon Weaver, CPA
Examiner	Sophia Tran

The courteous cooperation of the officers and employees responsible for assisting in the examination is hereby acknowledged and appreciated.

Respectfully submitted,



R. Dale Miller, CPA, CFE, CFF
Examiner-in-Charge



Mark Cooley, CFE
MS Insurance Department Designee