



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON ORGANIZATIONAL EXAMINATION
OF
FARMERS LIFE INSURANCE COMPANY
(NAIC # 60230)
KNOXVILLE, TENNESSEE

AS OF
MARCH 31, 2021

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Knoxville, Tennessee
May 18, 2021

Honorable Carter Lawrence
Commissioner
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, Tennessee 37243

Dear Commissioner:

In accordance with your instructions and pursuant to Tennessee Code Annotated ("Tenn. Code Ann.") §§ 56-1-401 and 56-2-102, an organizational examination, as of March 31, 2021, has been made of the financial condition and affairs of:

FARMERS LIFE INSURANCE COMPANY

NAIC # 60230
243 North Peters Road
Knoxville, Tennessee 37923

hereinafter referred to as the "Company" or "FLIC" and a report thereon is submitted as follows:

INTRODUCTION

This examination was arranged by the Commissioner of the Tennessee Department of Commerce and Insurance ("TDCI" or "Department"). The examination was conducted by duly authorized representatives of the Department.

SCOPE OF EXAMINATION

Due to the Company's previous license as a credit life and credit accident and health reinsurer, FLIC was exempt from most regulatory filings and examination requirements. As such, no examination has been conducted since the full-scope examination as of December 31, 1999.

The Company was recently issued a Certificate of Authority to establish and operate as a "Life Insurer" according to the provisions of Tenn. Code Ann. § 56-2-103. This examination, as of March 31, 2021, is an organizational examination of the Company after

its conversion to a traditional life insurer. This examination was conducted to determine compliance with the statutory and regulatory requirements for the Company. The examination included a review of assets and liabilities, and a review of organizational documents and the proposed plan of operation.

The following documents and records of the Company were reviewed:

- Amended and Restated Charter for FLIC;
- FLIC's Application Filing;
- Written Consents and Resolutions of the Board of Directors ("Board");
- Biographical affidavits of all directors and officers;
- FLIC's proposed Plan of Operation;
- Investment statements;
- Tri-party Depository Agreement between the Company, the Commissioner of the TDCI, and Pinnacle Bank; and
- Custodian Agreement between the Company and Pinnacle Bank.

COMPANY HISTORY AND ORGANIZATION

FLIC was originally approved to do business within the State of Tennessee as a credit life and credit accident and health reinsurer on November 19, 1997. On March 23, 2020, the Department received a Form A application from Arrowhead Capital Group, LLC (ACG), a Delaware limited liability company formed for the primary purpose of acquiring FLIC from Farmers Bank. ACG's Form A, for the acquisition of control of FLIC, was approved by the TDCI on July 20, 2020.

The Company filed a Uniform Certificate of Authority Application for licensure as a traditional life insurer with the TDCI on November 17, 2020. To satisfy the minimum capital and surplus requirements of Tenn. Code Ann. §§ 56-2-114 and 56-2-115, funds in the amount of \$2,010,000 were contributed to FLIC by ACG. The TDCI approved the conversion of FLIC's license to a traditional life insurer via a Consent Order on March 4, 2021. Pursuant to the Consent Order, FLIC agrees to maintain a minimum Risk Based Capital (RBC) ratio of three hundred percent (300%) and to notify the TDCI at least thirty (30) days in advance of the effective date of any reinsurance transaction with an unauthorized reinsurer.

MANAGEMENT AND CONTROL

MANAGEMENT

Directors

The Company's Bylaws state the number of directors shall consist of no fewer than three (3) or more than twelve (12) members. The exact number of directors, the range for the size of the Board, and whether the size of the Board shall be fixed or variable-range, may be set, changed, or determined from time to time by the Board. Directors shall be elected by the shareholders at each annual meeting and each director shall be elected to serve for a term of one (1) year, or until his or her successor is elected and qualifies; subject, however, to the removal of any director as provided in the Bylaws.

The annual meeting of the shareholders shall be held on such date as may be determined by the Board. The business to be transacted at such meeting shall be the election of directors and such other business as shall be properly brought before the meeting.

Regular meetings of the Board may be held without notice of the date, time, place, or purpose of the meeting.

On November 17, 2020, the sole shareholder, ACG announced the following persons as members of FLIC's Board:

<u>Name</u>	<u>Principal Occupation</u>
Benjamin Ira Jacobs	President and Chief Executive Officer – FLIC
Phillip Daniel Haire	President – Financial Services, Inc.
Benjamin Lawrence Keslowitz	U.S. Life Leader – Guy Carpenter
Zachary King Haire	Marketing Director – Senior Benefit Inc.

Officers

The Bylaws provide that the officers of the corporation shall consist of a President, Secretary and such other officers as may be from time to time appointed by the Board or by the President with Board approval.

The following officers were duly elected by the Board on November 17, 2020, and were serving as officers of the Company, as of March 31, 2021:

<u>Name</u>	<u>Title</u>
Benjamin Ira Jacobs	President and Chief Executive Officer
Phillip Daniel Haire	Treasurer
Benjamin Lawrence Keslowitz	Chief Operating Officer and Secretary
Zachary King Haire	Vice President
Anatoly Burman	Vice President

CONTROL

The Company is a wholly-owned subsidiary of ACG. A change in ownership from Farmers Bank to ACG was approved by TDCI on July 20, 2020.

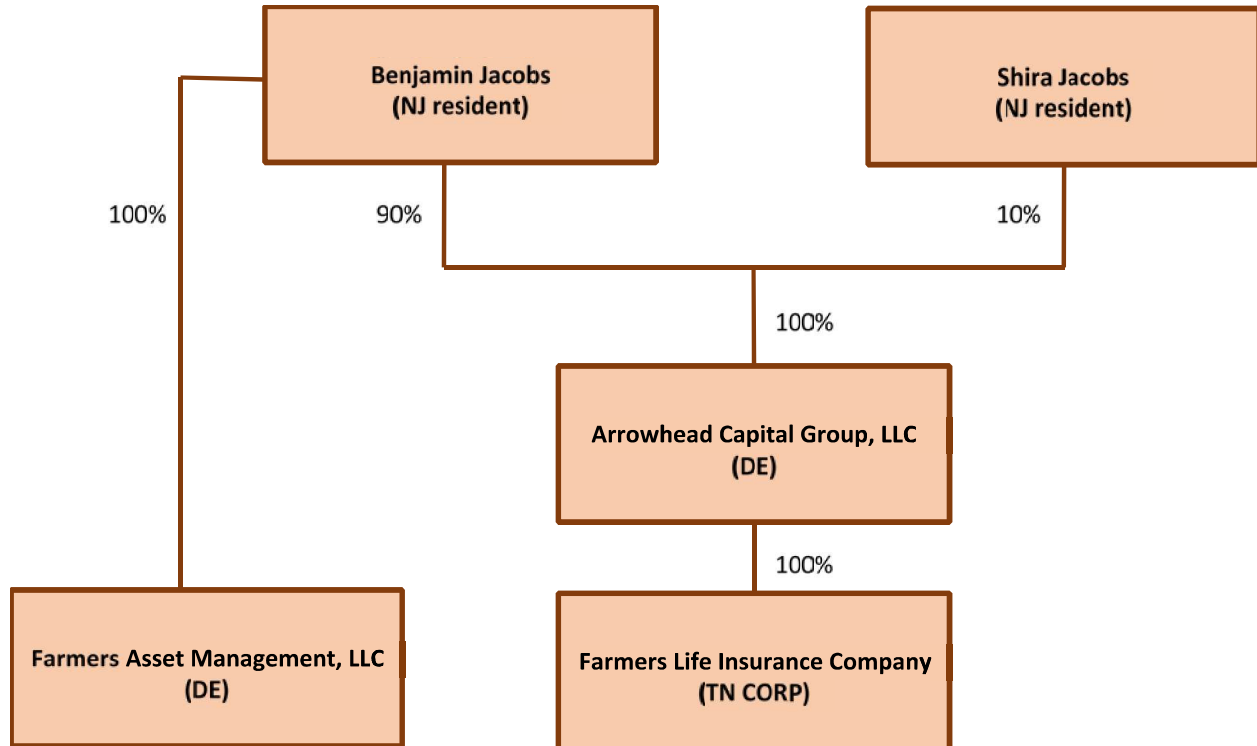
CONFLICTS OF INTEREST AND PECUNIARY INTEREST

The Company has a formal conflict of interest policy to govern the actions of all directors and officers.

There is a conflict concerning Ben Keslowitz, whose principal occupation is reported as the U.S. Life Leader for Guy Carpenter, while serving as a Director, the Chief Operating Officer, and Secretary of the Company. Mr. Keslowitz also owns Coeus Consulting, LLC (“Coeus”), a reinsurance intermediary that has a Reinsurance Intermediary Broker Agreement with FLIC. Mr. Keslowitz’s status contravenes Tennessee’s pecuniary interest law, Tenn. Code Ann. § 56-3-103 and reinsurance intermediary act, Tenn. Code Ann. §§ 56-6-801, *et seq.* See “Subsequent Events” section of this report for further comments.

ABBREVIATED ORGANIZATIONAL CHART

The following abbreviated organizational chart shows the relationship between the Company's parent, ACG, and its affiliated companies:



CORPORATE RECORDS

The Original Charter was adopted by the sole shareholder of the Company on December 11, 1996, and approved by the TDCI on January 24, 1997.

On May 7, 2021, the TDCI approved two amendments to FLIC's Charter. The first amendment changed the Company's address to the current Knoxville, Tennessee location. The second amendment increased the minimum capital and surplus to \$2,000,000 and authorized the Company to exercise all of the powers of a Life Insurer enumerated in Tenn. Code Ann. § 56-2-203.

On May 18, 2021, the TDCI approved a third amendment to the Company's Charter to increase the number of shares and par value. See "Subsequent Events" for further details.

SIGNIFICANT AGREEMENTS

Administrative Services Agreement

The Company receives certain management services through an Administrative Services Agreement (“Agreement”) with Universal Fidelity Life Insurance Company (UFLIC). UFLIC provides services including, but not limited to, policyholder services, accounting, premium billing, payment of claims and other policy benefits, and supervisory and clerical services as required by FLIC.

Upon implementation of its proposed plan of operation, administration of business underwritten by the Company will be performed by UFLIC in Oklahoma City, Oklahoma pursuant to the Agreement between the Company and UFLIC. In accordance with the Agreement, all data and information prepared, maintained, or collected by UFLIC in the performance of its duties under the Agreement shall become the sole property of the Company and shall be furnished to the Company immediately upon request or demand. The Agreement also provides the Commissioner of the TDCI and his designated representatives will be given access to the books and records for the purpose of examination, audit, inspection, and any other lawful reason. See also the “Accounts and Records” section of this report.

The Agreement was executed on November 16, 2020.

Reinsurance Intermediary Broker Agreement

The Company has a Reinsurance Intermediary Broker Agreement with Coeus dated October 30, 2020. Coeus has the right to solicit reinsurance business with certain approved counterparties. As of the date of this examination, Coeus was not licensed as a reinsurance intermediary broker pursuant to Tenn. Code Ann. § 56-6-803. No reinsurance business has been written subject to this Agreement, as of the examination date. Ben Keslowitz is the President of Coeus and is also the Chief Operating Officer and Secretary of FLIC. See “Subsequent Events” and “Comments and Recommendations” sections of this report for further comments.

PROPOSED PLAN OF OPERATION

The Company’s initial stated plans are to write direct business in Tennessee and then expand into other states in the future. FLIC intends to write life and annuity business on a statewide basis within the ambit of Tenn. Code Ann. § 56-2-203 and intends to expand offerings beyond Tennessee in geographical scope. The Company plans to write direct business and to provide reinsurance capacity to life and annuity insurance companies. The Company and its executive management plan to promote solutions in fixed and

indexed annuity, and specific asset intensive mortality product lines. Risk selection is planned to focus on specific flow and in-force blocks of long-term business that have definable underwriting risks, long-tailed liability patterns, and the ability to provide economic value.

The Company plans to focus on long-tailed risks, with low volatility and predictable cash flows including, but not limited to:

- Fixed Annuities – including multi-year guarantee annuities and fixed indexed annuities
- Specific Asset Intensive Mortality – including pre-need life insurance
- Structured Annuities – including payout annuities and structured settlements with limited exposure to substandard lives.

As noted above in “Significant Agreements”, administration of business underwritten by the Company will be performed by UFLIC.

As of the date of this examination report, the Company continues to assume credit insurance as it did prior to its conversion to a traditional life insurer.

ACCOUNTS AND RECORDS

As noted above in “Significant Agreements” and “Plan of Operation,” records of the business of the Company will be subject to the Agreement between the Company and UFLIC, including access by the TDCI to the books and records for the purpose of examination, audit, inspection, and any other lawful reason.

The Company reports its statutory home office, main administrative office, and primary location of its books and records as 243 North Peters Road, Knoxville, TN 37923.

The Company’s investment securities were confirmed with the custodian of such securities as of March 21, 2021.

The Company does not have a fidelity bond in effect as of the date of this examination. See “Comments and Recommendations” section of this report for further comments.

The Company maintains a custodial agreement to ensure the safekeeping of its assets. During the examination, the agreement was reviewed and found to not comply with Tenn. Comp. R. & Regs. 0780-01-46 or the NAIC *Financial Condition Examiners Handbook*

("Handbook") guidance. See "Subsequent Events" section of this report for further comments.

STATUTORY DEPOSITS

The Company executed a depository agreement and placed a deposit with the Commissioner of the TDCI pursuant to Tenn. Code Ann. § 56-2-104(a)(2)(A). The securities are held pursuant to a Tri-party Depository Agreement - General Deposit between the Company, the Commissioner of the TDCI, and Pinnacle Bank.

The following table reflects the securities that comprise the Company's statutory deposit held by Pinnacle Bank in accordance with Tenn. Code Ann. § 56-2-104(a)(2)(A), confirmed as of March 21, 2021.

Jurisdiction - Institution	Interest Rate	Issue Date	Due Date	Certificate Number	Par Value	Market Value
Federal National Mortgage Assn.	0.875%	12/31/2020	12/18/2026	3135G06L2	\$225,000	\$221,652
Federal National Mortgage Assn.	1.15%	2/18/2021	12/18/2026	3130ALF90	\$270,000	\$263,660

SUBSEQUENT EVENTS

On May 18, 2021, the TDCI approved an amendment to the Company's Charter. The amendment increased the number of shares of common capital stock the Company is authorized to issue from one million (1,000,000) shares to ten million (10,000,000) shares and increased the par value of such shares from \$1.00 per share to \$5.00 per share.

Subsequent to the date of this examination report, Mr. Keslowitz resigned from his positions as a director and officer of the Company. The Company intends to enter into a reinsurance intermediary agreement with Mr. Keslowitz that will supersede its Reinsurance Intermediary Broker Agreement with Coeus. Tenn. Code Ann. § 56-6-803(a) requires any person acting as a reinsurance intermediary to be a licensed producer in Tennessee. As of the date of this report, Mr. Keslowitz was not licensed as a producer in Tennessee.

Subsequent to the date of this examination report, an amended custodial agreement was submitted to the Department and was found to be in compliance with Tenn. Comp. R. & Regs. 0780-01-46 and the NAIC Handbook guidance.

FINANCIAL STATEMENTS

The following provides a statement of assets, liabilities, surplus and other funds as of March 31, 2021, based upon the Company's unaudited financial statements, which are prepared in accordance with Statutory Accounting Principles. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

ASSETS

	<u>Assets</u>	<u>Non-Admitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$2,420,922		\$2,420,922
Cash, cash equivalents, and short-term investment	119,471		119,471
Investment income due or accrued	4,127		4,127
Reinsurance:			
Funds held by or deposited with reinsured companies	627		627
Current federal income tax recoverable	<u>7,504</u>	<u>\$7,504</u>	<u>0</u>
Totals	<u><u>\$2,552,651</u></u>	<u><u>\$7,504</u></u>	<u><u>\$2,545,147</u></u>

LIABILITIES, SURPLUS, AND OTHER FUNDS

	<u>Per Quarterly Statement</u>		<u>Per Examination</u>
Aggregate reserve for life contracts	\$4,732		\$4,732
Contract claims: Life	782		782
Asset Valuation Reserve (AVR)	<u>4,091</u>		<u>4,091</u>
Total Liabilities	9,605		9,605
Common capital stock	\$1,004,500		\$200,900
Gross paid in and contributed surplus	1,515,500		2,319,100
Unassigned funds (surplus)	<u>15,542</u>		<u>15,542</u>
Capital and Surplus	<u><u>2,535,542</u></u>		<u><u>2,535,542</u></u>
Totals	<u><u>\$2,545,147</u></u>		<u><u>\$2,545,147</u></u>

<u>Quarterly Statement Line Item</u>	<u>Balance per Quarterly Statement</u>	<u>Increase</u>	<u>Decrease</u>	<u>Adjusted Balance</u>
Common capital stock	\$1,004,500		\$803,600	\$200,900
Gross paid in and contributed surplus	\$1,515,500	\$803,600		\$2,319,100

In conjunction with the acquisition of FLIC by ACG, the original stock certificate issued to Farmers Bank was cancelled and two stock certificates, for a total of 200,900 shares having a par value of \$1.00 per share, were issued to ACG. The Company incorrectly reported the balance of its common capital stock at a par value of \$5.00 per share rather than at a par value of \$1.00 per share as stipulated by its Charter. Therefore, a reclassification was made to correctly report common capital stock and gross paid in and contributed surplus as of March 31, 2021.

COMMENTS AND RECOMMENDATIONS

The following list presents a summary of comments and recommendations noted in this report:

Comments

1. The Company does not have fidelity bond coverage in effect as of the date of this examination. It is suggested that the Company obtain and maintain fidelity bond coverage in accordance with NAIC Handbook guidance. See "Accounts and Records" section of this report.

Recommendations

1. With Mr. Keslowitz's resignation, the Company should appoint a corporate Secretary in accordance with its Bylaws. See "Subsequent Events" section of this report.
2. The Company should ensure that Mr. Keslowitz is licensed and properly appointed as a producer in Tennessee before he engages in activities as a reinsurance intermediary on behalf of the Company. See "Subsequent Events" section of this report.
3. The Company should ensure the intended reinsurance intermediary agreement with Mr. Keslowitz meets all of the requirements of Tenn. Code Ann. § 56-6-801, *et. seq.* See "Subsequent Events" section of this report.

CONCLUSION

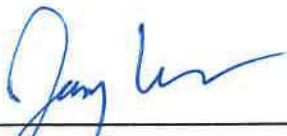
Through this examination, it was determined that, as of March 31, 2021, the Company had admitted assets of \$2,545,147, liabilities of \$9,605 and capital and surplus of \$2,535,542. As discussed in the "Summary of Reclassifications" section of this report, the Company incorrectly reported the balance of its common capital stock at a par value of \$5.00 per share rather than at a par value of \$1.00 per share, as stipulated by its Charter. As a result of the reclassification made pursuant to this examination, the Company did not meet the minimum capital requirements of Tenn. Code Ann. § 56-2-114(a) as of March 31, 2021. As discussed in the "Subsequent Events" section of this report, the Company amended its Charter on May 18, 2021, to increase the par value of its common capital stock from \$1.00 per share to \$5.00 per share. See "Summary of Reclassifications" and "Subsequent Events" sections above for further details.

In addition to the undersigned, Rachelle Gowins, CFE, MCM, Insurance Examiner with Examination Resources, LLC participated in the work of this examination.

Respectfully submitted,



Bryan Fuller, CPCU, ARe, AIE, MCM
Examiner-in-Charge
Examination Resources, LLC
Representing the State of Tennessee



A. Jay Uselton, CFE
Department Designee
State of Tennessee

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of Farmers Life Insurance Company, dated May 18, 2021, and made as of March 31, 2021, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says he is familiar with such instrument and the contents thereof, and the facts therein set forth are true to the best of his knowledge, information, and belief.



Bryan Fuller, CPCU, ARe, AIE, MCM
Examiner-in-Charge
Examination Resources, LLC
Representing the State of Tennessee

State Missouri

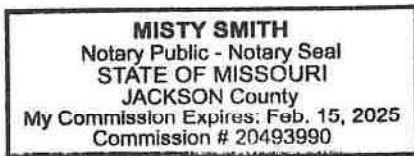
County Jackson

Subscribed to and sworn before me

this 21st day of July, 2021


(NOTARY)

My Commission Expires: Feb. 15th, 2025



AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of Farmers Life Insurance Company, dated May 18, 2021, and made as of March 31, 2021, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says he is familiar with such instrument and the contents thereof, and the facts therein set forth are true to the best of his knowledge, information, and belief.



A. Jay Uselton, CFE
Department Designee
State of Tennessee

State Tennessee

County Davidson

Subscribed to and sworn before me

this 23rd day of July, 2021



(NOTARY)

My Commission Expires: 1-3-2022

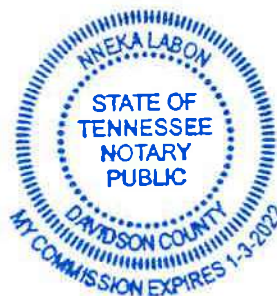


EXHIBIT B



FARMERS LIFE INSURANCE COMPANY

Farmers Life Insurance Company
234 N. Peters Rd.
Knoxville, TN 37923

07/26/2021

E. Joy Little
Director of Financial Examinations/Chief Examiner
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, TN 37243-1135

RE: Report of Examination – Farmers Life Insurance Company

Dear Ms. Little:

We hereby acknowledge receipt of the final Report of Examination for Farmers Life Insurance Company, made as of March 31, 2021.

By signing below, we indicate acceptance of the report, as transmitted, and without rebuttal.

Sincerely,

Benjamin Jacobs



President and CEO