

MARKET CONDUCT  
EXAMINATION REPORT OF  
FARM BUREAU LIFE INSURANCE COMPANY  
WEST DES MOINES, IOWA  
AS OF DECEMBER 31, 2016

West Des Moines, Iowa  
February 26, 2018

HONORABLE DOUG OMMEN  
Commissioner of  
Insurance State of Iowa  
Des Moines, Iowa

Commissioner Ommen:

In accordance with your authorization, and pursuant to Iowa statutory provisions, a risk-focused market conduct examination has been made of the business and marketing practices of

FARM BUREAU LIFE INSURANCE COMPANY

WEST DES MOINES, IOWA

AS OF DECEMBER 31, 2016

The statutory Home Office is located at 5400 University Avenue, West Des Moines, Iowa 50266.

Introduction

This examination report, containing applicable comments, explanations and findings, is presented herein. In general, this is a report by exception. Comments regarding practices and procedures reviewed during this examination have been omitted from this report if no improprieties were found. Farm Bureau Life Insurance Company, hereinafter the "Company", was previously examined as of December 31, 2011. This market conduct examination covered the intervening period from January 1, 2012 to the close of business on December 31, 2016. It was conducted and performed solely for the Iowa Insurance Division by its examiners. A general review and survey was made of the Company's marketing operations and treatment of policyholders for statutory compliance during the stated period. Other supporting evidence has been examined and evaluated to the extent deemed necessary.

TERRITORY AND PLAN OF OPERATION

The Company is licensed to do business in the following jurisdictions:

Arizona	Colorado	Idaho	Iowa
Kansas	Minnesota	Montana	Nebraska
Nevada	New Mexico	North Dakota	Oklahoma
Oregon	South Dakota	Utah	Washington
Wisconsin	Wyoming		

The Company offers a variety of ordinary life and annuity products for its membership. Term life insurance products can be provided for indeterminate or guaranteed premiums, from periods of 10 to 30 years, and to age 65 with yearly renewable term renewals. Whole life products offered are participating, and are either protection or accumulation focused, with multiple premium options. The Company offers Universal life (UL) products. The indexed UL product was launched in 2015. The annuity product offerings include fixed annuities, flexible premium annuities, single premium immediate annuities, and fixed indexed annuities (FIA).

The Company also offers several non-manufactured products on an accommodation basis including retail mutual funds, disability income, long term care, and a life product with a long term care rider.

The Company's agents are multi-lined agents who sell both property-casualty insurance products as well as the life insurance and investment products.

The five states with the largest direct premium writings in 2016 were:

<u>State</u>	<u>Direct Premium Collected</u>	<u>Percentage of Total</u>
Iowa	\$ 215,514,392	29.4%
Kansas	128,262,948	17.5%
Oklahoma	54,160,978	7.4%
Nebraska	46,734,853	6.4%
Wyoming	39,848,754	5.4%
Total all states	\$ 731,976,244	100.00%

RISK FOCUSED PROCEDURES

The risk-focused exam reviews the Company's internal policies, procedures, and control structures for compliance with applicable Iowa Codes and Administrative Rules. The exam then focuses on the Company's compliance with those policies, procedures, and control structures. The following areas of operations were reviewed as part of the risk-focused exam process:

Complaints - This portion of the exam is designed to provide a view of how the regulated entity treats individuals that have filed complaints with the entity and whether that treatment is in compliance with applicable statutes, rules and regulations. A complaint is any written communication that expresses dissatisfaction with a specific person or entity subject to regulation under the state's insurance laws.

The examiners reviewed the complaint register and complaint handling procedures. A sample of 40 complaints was reviewed. All complaints were answered timely and compliant with applicable state insurance laws. Complaints were logged into a complaint register which was found to be compliant with Iowa Administrative Code Section 191.15.13.

Marketing and Sales - This portion of the examination is designed to evaluate the representations made by the regulated entity about its product(s) or services, controls in place to ensure the suitability of annuity sales and required training of the agency force prior to issuance of new business.

The Examiners reviewed the Company's suitability procedures and supporting documentation. The suitability procedures were found to be in compliance with applicable statutes, rules, and regulations.

Iowa Administrative Code 191-15.75(6)a requires each insurer selling annuities to establish a supervision system that is reasonably designed to achieve the insurer's and its insurance producers' compliance with the requirements of applicable statutes, rules, and regulations for suitability of annuity sales recommendations. The Company informs its Producers of the requirements and standards for product training by including applicable material in its Annuity Product Producer Training Module which required training for new agents.

Producer Licensing - This portion of the examination is designed to test a regulated entity's compliance with state producer licensing laws and rules.

During the review of Producer licensing, it was discovered that the Company did not properly notify the Iowa Insurance Division of an agent termination. This violates Iowa Administrative Code 191-10.17 (1) which states that when a Company terminates its relationship with a producer, the Company shall notify the Iowa Insurance Division using the NIPR Gateway. The termination must be filed within 30 days of the date the insurer terminated its agency relationship with the producers. The producer was terminated from the Company's computer system on December 24, 2015. The Company sent the termination to NIPR Gateway as of discovery of the error during the examination in January 2017.

Policyholder Services - The policyholder service portion of the examination is designed to evaluate a regulated entity's compliance with statutes regarding policy issuance/cancellation, premium notice/billing/refund, consumer inquiry delays/no response and coverage questions.

The Examiners reviewed the Company's procedures for non-forfeiture options, annual reports to policy owners, and quality assurance reviews over billing and accounting. All were found to be in compliance with state statutes and regulations.

Claims Practices - The claims portion of the examination is designed to provide a view of how the regulated entity treats claimants and whether that treatment is in compliance with applicable statutes, rules and regulations.

The Examiners reviewed the Company's claim handling procedures. Examiners reviewed 56 annuity claims and 52 life claims to ensure their claim handling process is appropriate and paid in a timely fashion. The Examiners also reviewed a sample of 27 denied claims to ensure appropriate claim handling and timely responses. All samples and procedures were in compliance with applicable statutes and regulations.

Underwriting Practices - The underwriting portion of the examination is designed to provide a view of how the regulated entity treats the public and whether that treatment is in compliance with applicable statutes, rules and regulations.

The Examiners reviewed the Company's procedures relating to underwriting including the Company's quality review process of this function. The Examiners reviewed the policy and procedures for denied applications. All denied applications go through a quality assurance review before they are declined. All procedures were found to be in compliance with applicable statutes and regulations.

Operations and Management - The operations and management portion of the examination is designed to provide a view of how the regulated entity protects the integrity of computer, insurance and policyholder privacy information and disclosures, monitors and enforces contracts with third-party administrators and entities assuming a business function or acting on behalf of the regulated entity and ensures that all data required to be reported to the appropriate departments of insurance is complete and accurate.

The Examiners reviewed the policies and procedures in place for handling of nonpublic personal information. All were found to be in compliance with state statutes and regulations.

CONCLUSION

In addition to the undersigned Randy Guzman, Alex Matovu, Josh Pietan, and Bob Wong, CFE, CISA examiners for the Iowa Insurance Division, participated in the examination and preparation of this report.

Respectfully submitted,

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/s/ Jeff Payne  
Jeff Payne, CFE  
Insurance Company Examiner Specialist  
Iowa Insurance Division  
State of Iowa