*FBL Financial Group, Inc.*
*2Q18 Conference Call*

**Jim Brannen**
**Chief Executive Officer**

Thanks, Kathleen. And thank you to everyone on the call. I'm glad you are able to join us today.

FBL Financial Group reported excellent earnings for the second quarter of 2018. Net income totaled $1.30 per share and non-GAAP operating income was a record at $1.31 per share. These results reflect a growing book of business, financial discipline, and lower taxes due to tax reform.

Don will review the financial results in detail. I'll focus my comments primarily on sales and underwriting.

Total premium collected for the second quarter of 2018 was $171 million. I am pleased that total premium collected was almost equally comprised of life insurance and annuity sales. I'm also happy to report that we had good growth from both product segments.

Annuity premium collected for the second quarter totaled $79.8 million. This is a 4.3% increase from the second quarter of 2017, and a 1.3% increase from the first quarter of 2018. As you're aware, annuity sales last year were negatively impacted by the Department of Labor's fiduciary rule amongst other factors. With that rule now vacated and a slightly more favorable interest rate environment, second quarter annuity sales were up 37% from the low levels in the third quarter of 2017.

Life premium collected for the second quarter of 2018 totaled $77.9 million, up 3.6% from the second quarter of 2017 and up 2.1% compared to the first quarter of 2018. Compared to the year-ago quarter, premiums collected are up in all categories: universal life, whole life and term life insurance.

We're particularly pleased with the growth of our indexed universal life product. In the second quarter we were recognized by Wink, the competitive intelligence and market research firm, as their 2017 Trailblazer in Indexed Life Insurance sales. Per Wink's Sales & Market Report, Farm Bureau Life Insurance Company increased its market share for Indexed Life Insurance the greatest percentage of any company, from 2016 to 2017.

I'd like to take a moment and talk about life insurance. Our purpose at FBL Financial Group is to protect livelihoods and futures, and a primary way we do that is through life insurance. Life sales are also positive for FBL as they provide a long term profit stream and allow us to balance the spread income we earn from our interest sensitive products with earnings from other sources such as mortality.

Life sales and the life insurance underwriting process are evolving. We are investing to make the life sales experience more customer friendly, while we also increase automation and become more efficient in our administration of the life products.

Last year we began a pilot of accelerated underwriting. This is a non-medical underwriting approach and makes the sale of life insurance a better overall customer experience. We've limited the program in order to minimize risk. This approach allows us to attract additional middle market customers who need to protect their family's livelihood with life insurance.

With this pilot we have developed strategies to incorporate new and expanded data-driven underwriting decisions while removing fluid testing or paramedical exams, when we believe doing so will not materially increase risk. Customers find this simplified underwriting approach appealing, and are more likely to complete the sales process without a physical exam.

We've also making the purchase of life insurance more appealing to certain customer segments. This summer, after extensive research, we introduced a new life insurance underwriting rating for smokeless tobacco users. Previously, customers who used chewing tobacco were classified under the smokers rate. This new underwriting rating was requested by our agents and has been very well received. It allows agents to have the life insurance conversation with clients who previously opted not to purchase life insurance because their smokeless tobacco usage classified them under the smokers rate. This change enables us to meet the needs of our customers and agents, and more importantly, fulfill our purpose of protecting livelihoods and futures.

While we are improving the customer experience and making life insurance more attractive to customers, we've also become more efficient in our life insurance underwriting and administration. We're implementing additional automation in our life underwriting area. We believe this will improve the efficiency and consistency of our underwriting process as well as provide data to improve future risk selection and product offerings.

Turning now to our agency force, as of June 30, 2018, we had 1,787 exclusive agents and agency managers. We have had higher agent attrition over the past year. As a result, we are modifying certain elements of our agent recruiting and compensation plans and introducing a new agent development plan.

I'll also briefly update you on our new wealth management initiative. Our goal with this initiative is to allow our agents to add more value, making them the go-to person for all of their clients' insurance and financial needs.

Earlier this year we introduced a new mutual fund platform for our exclusive agents. Agent engagement in this initiative is high, and we have seen significant growth in new accounts opened and increased mutual fund deposits as a result.

We're now working on phase three. In this phase our existing investment advisor representatives will be able to position themselves as financial advisors and offer products and tools to deliver holistic financial planning services and advice, as well as to offer managed account products. Then, in 2019, we plan to add the role of a Farm Bureau wealth management advisor to our distribution system.

To conclude, I feel very good about our position halfway through the year – we reported record non-GAAP operating results, grew our sales, and continue to protect livelihoods and futures.

Now I'll turn the call over to Don Seibel to review our financial results. Don.

**Don Seibel**
**Chief Financial Officer**

Thanks Jim. I also want to welcome everybody on the call.

As Jim indicated, for the second quarter of 2018 we had net income of $1.30 per share and record non-GAAP operating income of $1.31 per share.

Non-GAAP operating income for the second quarter of 2018 was higher than our expectations. The primary driver of this outperformance was favorable mortality experience. By its nature mortality results fluctuate from quarter to quarter, so it's good to take a longer view. In the first quarter of this year, we had unfavorable mortality experience, followed by fewer death claims in the second quarter. On a year-to-date basis, mortality experience is in line with our expectations.

Looking at the investment environment, I'm pleased that we have seen higher market interest rates in 2018, but our portfolio yield continues to decline. The tax-adjusted yield on new investment acquisitions backing our long-term business was 4.34% for the second quarter of 2018, which is less than our portfolio yield. This continues to pressure spreads, with June 30 point-in-time spreads lower than our targets.

Annuity segment results for the second quarter of 2018 reflect a growing book of business, as well as $1.2 million of investment prepayment fee income. Point-in-time spreads on our individual annuities decreased three basis points during the second quarter of 2018 due to a decline in the portfolio yield. Crediting rates in the quarter remained steady.

Life insurance segment results were also strong for the quarter and reflect growing life insurance in force. Mortality experience was in line with expectations for this segment. This segment had $400,000 in investment prepayment fee income earned during the quarter. It also continues to benefit from a small investment in alternatives. We have tagged a portion of our alternative investments to the Life Insurance segment since the beginning of 2017. This allocation allowed us to add capacity to invest in alternative investments, lengthened the duration of our Life Insurance portfolio and increased the investment yield in the Life Insurance segment. These investments, with a carrying value of $36.3 million, contributed $1.3 million of income before tax to this segment in the second quarter.

Point-in-time spreads on universal life disclosed in our investor supplement were refined in the second quarter of 2018 to account for the cost of hedging our growing block of indexed universal life business. For comparability, we have adjusted prior periods for this refinement, the impact being a three-to-six basis point increase to the disclosed crediting rate.

Point-in-time spreads on universal life decreased during the second quarter of 2018 due to a couple of factors. First, similar to the annuity segment, the portfolio yield declined. Second, the credited rate increased due to a change in the mix of business and increased option costs. Spreads on universal life business, which were 126 basis points at June 30, 2018, are lower than annuity spreads due to additional profit components on universal life business aside from spread income.

Corporate and Other Segment results were better than our expectations for the second quarter due primarily to lower death benefits because of fewer variable universal life insurance claims. The favorable mortality experience in this segment accounted for approximately $0.04 per share. We are investing in the startup of our wealth management initiative and incurred $800,000 of related expenses in this segment during the second quarter.

Next I would like to comment on our effective tax rate. Excluding equity income and related taxes, the second quarter 2018 effective tax rate was 18.0%. This is right in line with our expected effective tax rate of 17.5% to 18.5% for full year 2018. This tax rate is less than the statutory rate of 21% due primarily to the impact of tax exempt dividend and interest income.

The effective tax rate on pre-tax non-GAAP operating income, including equity income, was 7.8% for the second quarter of 2018. This rate is significantly impacted by tax credits received on our low income housing tax credit investments.

Next I'll comment on our capital levels.

At June 30, 2018, our subsidiary, Farm Bureau Life, had an estimated company action level risk based capital ratio of 541%. This is a decline of only two points from the end of the first quarter, but there are several significant offsetting components. Our RBC ratio benefited from an increase in capital during the quarter due to our strong earnings. Additionally, asset risk charges declined due to security rating upgrades and the disposition of lower quality investments. These positive items were offset by a 40 point decrease related to the NAIC's recently adopted change to the RBC formula to reflect the lower tax rate due to the Tax Act. These new factors are effective for year-end 2018. We have incorporated this change in our estimated RBC as of June 30. Our capital levels remain high, despite this change, and we have significant financial flexibility.

A.M. Best also views our capital levels as very strong. In June, A.M. Best affirmed Farm Bureau Life's financial strength rating of A (Excellent). Per A.M. Best, Farm Bureau Life has very strong capital, solid liquidity and strong financial flexibility with access to capital markets. This commentary is notable as A.M. Best has a new capital model in place.

One last item I'll mention is that Farm Bureau Life was recently named to the 2018 Ward's 50® group of top performing companies. This marks the 19th time that Farm Bureau Life has been named to the Life-Health Ward's 50® list. Our managed property casualty company was also named to Ward's 50®, for the fourth year in a row. This makes Farm Bureau Financial Services one of only nine organizations with affiliated companies named to both lists. Ward group analyzes more than 700 life insurance companies and 3,000 P&C insurers, so we are honored to be recognized for strong operating performance and consistent financial strength.

To recap, we had great financial results for the first half of the year. Spread pressure continues, but we see some relief with higher market interest rates. We are focused on financial discipline as we grow our business.

We will now turn the call over to the operator and open it up to any questions you may have.