



MISSISSIPPI INSURANCE DEPARTMENT

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

March 30, 2016

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

MIKE CHANEY  
Commissioner of Insurance  
State Fire Marshal

MARK HAIRE  
Deputy Commissioner of Insurance

RICKY DAVIS  
State Chief Deputy Fire Marshal

**CERTIFIED MAIL  
RETURN RECEIPT REQUESTED**

Mr. Richard H. Laird, President  
Family Security Life Insurance Company, Inc.  
118 South Wall Street  
Natchez, MS 39120

**RE: Report of Examination as of December 31, 2014**

Dear Mr. Laird:

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

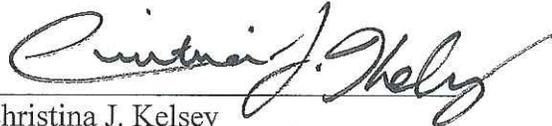
Pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 2011), the Mississippi Department of Insurance shall continue to hold the content of said report as private and confidential for a period of ten (10) days from the date of the Order. After the expiration of the aforementioned 10-day period, the Department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

**CAUSE NO. 16-6950**

**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 Family Security Life Insurance Company, Inc., is a Mississippi-domiciled Company licensed to write Accident & Health; Industrial Life, Industrial Accident and Health; Life; and Life (Burial) 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 Family Security Life Insurance Company, Inc. and appointed Kim Strong, Examiner-In-Charge, to conduct said examination.

### IV.

That on or about December 21, 2015, the draft Report of Examination concerning Family Security Life Insurance Company, Inc. for the period of January 1, 2011 through December 31, 2014, was submitted to the Department by the Examiner-In-Charge, Kim Strong.

### V.

That on or about March 4, 2016, 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. On or about March 17, 2016, the Company responded by letter to the Department.

## 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, all relevant examiner work papers and the Company's rebuttal, that the Report of Examination of Family Security Life Insurance Company, Inc. 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 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, Family Security Life Insurance Company, Inc. 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 Family Security Life Insurance Company, Inc. 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 30<sup>th</sup> day of March 2016.



  
MIKE CHANEY  
COMMISSIONER OF INSURANCE

**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 30<sup>th</sup> day of March 2016, to:

**Mr. Richard H. Laird, President  
Family Security Life Insurance Company, Inc.  
118 South Wall Street  
Natchez, MS 39120**

  
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**

**FAMILY SECURITY LIFE INSURANCE  
COMPANY, INC.**

**as of**

**December 31, 2014**

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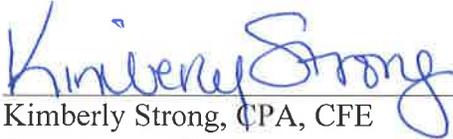
**EXAMINER'S AFFIDAVIT AS TO STANDARDS AND  
PROCEDURES USED IN AN EXAMINATION**

State of Mississippi,  
County of Madison,

Kimberly Strong, being duly sworn, states as follows:

1. I have authority to represent the Mississippi Insurance Department in the examination of Family Security Life Insurance Company, Inc. as of December 31, 2014.
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 Family Security Life Insurance Company, Inc. 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.



Kimberly Strong, CPA, CFE  
Examiner-in-Charge

Subscribed and sworn before me by Elaine H. Manuel on this 4<sup>th</sup> day of



Notary Public

My commission expires 10/1/17 [date].



**MIKE CHANEY**  
Commissioner of Insurance  
State Fire Marshal

**MARK HAIRE**  
Deputy Commissioner of  
Insurance

**MISSISSIPPI INSURANCE DEPARTMENT**

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FAX: (601) 576-2568

December 15, 2015

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, 2014, of the affairs and financial condition of:

**FAMILY SECURITY LIFE INSURANCE COMPANY, INC.**

118 South Wall Street  
Natchez, MS 39120

License #	NAIC Group #	NAIC #	FEETS#
7700160	N/A	75337	75337-MS-2014-1

This examination was commenced in accordance with Miss. Code Ann. § 83-5-201 *et seq.* and was performed in Natchez, 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 Family Security Life Insurance Company, Inc. (“Company” or “FSLIC”). The last exam was completed as of December 31, 2010. This examination covers the period January 1, 2011 through December 31, 2014.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners 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 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**

Following are comments made in the previous examination report, as of December 31, 2010 that were not adequately addressed subsequent to the previous examination. As such, the recommendations or related recommendations are being repeated in the Comments and Recommendations section of this report. It is recommended that management aggressively pursue addressing these issues to fully comply with the directives of the Mississippi Insurance Department (“MID”).

Previous Exam Report Recommendation No. 1: It is recommended that the board of directors meet quarterly as prescribed in the Company's bylaws and that minutes of those meetings be maintained which reflect the Board's review and approval of the financial reports and investment transactions of the Company.

Current status: The Company's board of directors did not meet during all quarters of the examination period as prescribed in the Company’s bylaws. This issue is repeated in the Comments and Recommendations of this report.

## **HISTORY OF THE COMPANY**

The Company was incorporated on May 13, 1970 under the laws of the State of Mississippi as Family Security Life Insurance Company, Inc., for the purpose of writing life, health and accident insurance policies on the industrial plan, burial insurance contracts for the funeral expenses of any one person, and to otherwise issue Class "B" types of insurance policies under subsection B of Section 5597 of the 1942 Mississippi Insurance Code, as amended.

In February, 1985, the Company amended its Articles of Association by adding to and expanding its primary business purpose; to carry on the business known as life and health insurance and issue life and health insurance policies of every kind and nature allowed under Miss. Code Ann. § 83-19-1. This amendment also changed the authorized shares of the Company from 30,000 shares of \$10 par common stock to 5,000 shares of \$100 par value common stock.

## **CORPORATE RECORDS**

The minutes of the meetings of the board of directors ("Board"), prepared during the period under examination, were reviewed. The articles of association and bylaws, along with any amendments thereto, were reviewed.

The Board did not meet each quarter during the examination period, in accordance with the Company's bylaws. It is recommended that the Board hold its meetings according to the schedule prescribed in the Company's by-laws and that minutes of these meetings be maintained as part of the Company's corporate records.

In addition, it is recommended that the minutes of these meetings reflect the following:

- The minutes of the board of directors did not indicate that the audited financial statements had been presented to the Board on an annual basis. It is recommended that the board of directors implement policies and procedures to ensure the audited financial statements are presented to and reviewed by the Board on an annual basis.
- The minutes of the board of directors did not indicate that the Board approved the engagement letter of the external auditor. It is recommended that the board of directors implement policies and procedures to ensure the engagement of the external auditor is presented to and reviewed by the Board on an annual basis.
- The minutes of the board of directors did not include that the actuarial opinion and asset adequacy memorandum had been presented to the Board on an annual basis in compliance with Annual Statement Instructions. It is recommended that the board of directors implement policies and procedures to ensure the actuarial opinion and asset adequacy memorandum are presented to and reviewed by the Board on an annual basis, in accordance with Annual Statement Instructions.

- It was noted the Company executed a safekeeping agreement with Regions Bank during the examination period. Per review of the board of director meeting minutes, no evidence of Board review and approval of this agreement was noted. It is recommended that the board of directors review and approve all agreements executed by the Company and reflect the review and approval in the minutes of the board of directors meetings.

## **MANAGEMENT AND CONTROL**

### **Stockholders**

The Company is a Mississippi domestic stock insurance company whose common stock at December 31, 2014 was jointly owned by the estate of Charles M. Laird and Richard H. Laird, with the estate of Charles M. Laird owning in excess of 99% of the outstanding stock. The Company paid no dividends during the examination period.

### **Board of Directors**

The articles of association and bylaws vest the management and control of the Company's business affairs with the Board. The members of the duly elected Board, along with their place of residence, number of years as a Director, and principal occupation, at December 31 2014, were as follows:

Name and Residence	Year Elected/Appointed	Principal Occupation
Richard H. Laird Natchez, Mississippi	1970	President Family Security Life Insurance Company, Inc. Funeral Director Laird Funeral Home, Inc.
Billie R. Laird Natchez, Mississippi	1970	Secretary Family Security Life Insurance Company, Inc.
Walter W. Barker Natchez, Mississippi	1970	Sales Manager Family Security Life Insurance Company, Inc.

### **Committees**

There were no active committees of the Board as of the examination date.

## **Officers**

Name and Residence	Year Elected/Appointed	Title
Richard H. Laird	2012	President
Billie R. Laird	1970	Secretary
Dennis Switzer	2014	Treasurer
Walter W. Barker	2012	Vice President

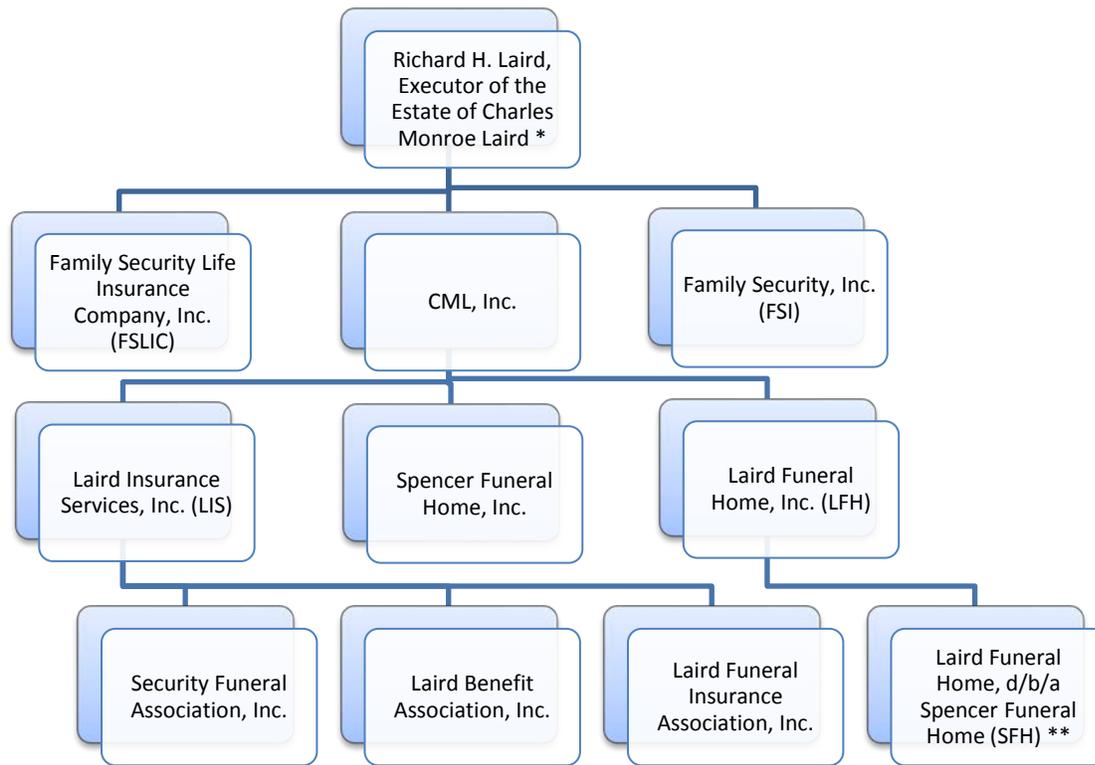
## **Conflict of Interest**

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 the official duties of such persons. It was noted the Company was unable to provide signed conflict of interest statements for all years under examination. It is recommended that the Board execute conflict of interest statements annually and that the executed statements be maintained with the minutes of the Board meetings.

## **HOLDING COMPANY STRUCTURE**

The Company is a member of an insurance holding company system as defined in Miss. Code Ann. § 83-6-1. For the period covered by the examination, the Company filed holding company registration statements with the MID in compliance with Miss. Code Ann. §§ 83-6-5 and 83-6-9.

## Organizational Chart



\* It was noted that the Company's registered agent with the Secretary of State is Mr. Charles Laird. Also, it was noted that the board of directors per the Secretary of State's website was not current for Family Security Life Insurance Company, Inc.

It is recommended that the Company update the registered agent and board of directors with the Secretary of State's office.

\*\* Laird Funeral Home, d/b/a Spencer Funeral Home (SFH): SFH is a funeral home located in Fayette, Mississippi. Transactions described in this report related to premiums, claims and related party transactions with SFH refer to Laird Funeral Home, d/b/a Spencer Funeral Home.

## Related Party Agreements

During the period under examination, the Company was a party to numerous agreements with its affiliates. The Company had executed written agreements which governed these transactions as required by SSAP 25.

Agreement between FSLIC, LFH and SFH: Pursuant to this agreement, FSLIC agrees to pay claims, upon submission of all appropriate, required claims documentation received from LFH and SFH on the last Friday of each month, no later than the 28<sup>th</sup> day of the month.

In relation to Class A burial association policies, LFH agreed to accept payment of fifty percent (50%) on benefit payments of claims submitted by LFH and SFH.

In accordance with this agreement, FSLIC agrees to reimburse LFH for one hundred percent (100%) of the premiums related to FSLIC employees under LFH's group insurance policy on March 31<sup>st</sup>, June 30<sup>th</sup>, September 30<sup>th</sup> and December 31<sup>st</sup> of each year.

Agreement between FSLIC and LIS: Pursuant to this agreement, FSLIC grants LIS the authority to solicit and sell industrial and ordinary life products on behalf of the Company. LIS agrees to remit all collections to the Company on, or before, Friday of each week. The Company agrees to compensate LIS at a commission rate of thirty percent (30%) of any funds collected by the LIS within 30 days after each quarter year.

The Company agrees to service Class A burial association premiums and claims. LIS agrees to compensate the Company up to the maximum of thirty percent (30%) of the funds it collects for Class A fees. The Company agrees to reimburse LIS any excess funds after the Company pays any claims associated with the Class A business; likewise, LIS agrees that the Company shall deduct from any commissions paid any deficits associated with the Class A claims paid by the Company. The reimbursements shall be submitted on the same quarterly basis as the industrial and ordinary commissions are paid.

As of the examination date, LIS did not appear to have been a licensed insurance producer entity with the MID. It is recommended that the Company utilize the services of a licensed insurance producer pursuant to Miss. Code Ann. §83-17-55. Further, it is recommended that the Company not pay commissions to any insurance producer not appropriately licensed with the MID in accordance with Miss. Code Ann. §83-17-73.

Pre-Need Trust Agreement and Enforcement Agreement: Agreement includes all policies issued between FSI ("Trustee"), LFH ("Agent"), and FSLIC on behalf of all pre-need purchasers of funeral services and merchandise. Pre-need purchasers, through LFH, have appointed FSI as the Trustee of pre-need arrangements established pursuant to the provisions of Chapter 63 of Title 75, Miss. Code Ann. LFH agrees to make all deposits with FSI on or before the time required by law. Immediately upon deposit of the required funds, LFH directs FSI to purchase life insurance and/or annuity contracts that will be owned by FSI for the benefit of insuring the life of the pre-need contract holder from FSLIC. Such contracts are purchased on or about the 15<sup>th</sup> of each month. The policy will provide an increasing death benefit after the first policy year, which will increase annually for the first forty (40) years, on the policy anniversary, by three percent (3%) of the initial death benefit plus any additional excess interest earned.

Upon the death of the pre-need contract holder, LFH will be required to file an affidavit certifying that funeral services have been provided with FSLIC. The face value of the contracts, along with its accretions (increasing death benefit), at the time of death of the pre-need contract holder shall be paid to LFH on the 30<sup>th</sup> day of each month for all completed claims.

## **FIDELITY BOND AND OTHER INSURANCE**

The Company maintained a commercial insurance policy for employee theft with a limit of \$100,000. This amount meets the NAIC suggested minimum fidelity coverage for a company of its size. The Company also maintained an insurance program that appeared to provide adequate coverage to protect it from hazards that it may encounter.

## **PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS**

The Company provided a generally complete health and welfare program for its officers and employees on a non-contributory basis, and dependents could be included on a contributory basis. Additionally, the Company offered paid vacation, holidays, and sick leave. No pension obligation existed as of December 31, 2014.

## **TERRITORY AND PLAN OF OPERATION**

The Company was licensed to issue Life, Accident & Health, Industrial Life, Industrial Accident & Health and Life (Burial) in the State of Mississippi and Life, Accident & Health in the State of Louisiana. Approximately ninety-three percent (93%) of premiums written by the Company were written in the state of Mississippi. During the examination period, FSLIC issued these insurance contracts through captive agents.

## **GROWTH OF COMPANY**

The review of the growth of the Company was performed based on balances as reported in the annual statements filed with the MID during the period under examination.

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Change in surplus	\$ 81,374	\$ 58,308	\$ (35,830)	\$ 93,051
Ratio of premiums to capital and surplus	.509 to 1	.564 to 1	.567 to 1	.543 to 1
Ratio of assets to liabilities	.754 to 1	.763 to 1	.771 to 1	.758 to 1
Ratio of revenues to expenses	1.08 to 1	1.06 to 1	.98 to 1	1.09 to 1
Cash flows from operations	\$ 116,509	\$ 57,036	\$ 219,44	\$ 179,111
Net income (loss)	\$ 82,684	\$ 59,872	\$ (32,915)	\$ 86,742

## **ACCOUNTS AND RECORDS**

The Company's 2014 trial balance was tied to the financial statements within the statutory annual statement filed with the MID, with no material exceptions noted. The Company was audited

annually by an independent CPA firm and the Company's aggregate reserve liability was calculated by a consulting actuarial firm.

The Company is licensed as a single-line insurance company pursuant to Miss. Code Ann. § 83-19-31(1)(a), which requires the Company to maintain a minimum capital of \$400,000 and surplus of \$600,000. Pursuant to Miss. Code Ann. § 83-5-55, the Company is required to file an NAIC Life Annual Statement. The Company is also required to file a risk-based capital (RBC) report pursuant to Miss. Code Ann. § 83-5-401 through § 83-5-427.

The Company was unable to provide documentation to support the existence of an anti-money laundering program. It is recommended that the Company implement an anti-money-laundering program that adheres to the requirements of the NAIC *Financial Condition Examiners Handbook* Section 1(IV)(E)(c).

### **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 deposits at December 31, 2014:

<b>Description of Security</b>	<b>Par Value</b>	<b>Fair Value</b>
Corporate Bond	\$ 100,000	\$ 99,690
Corporate Bond	100,000	111,265
Corporate Bond	100,000	101,618
Corporate Bond	50,000	55,616
US Treasury Bond	50,000	72,246
US Treasury Bond	100,000	137,055
Total	<u>\$ 500,000</u>	<u>\$ 577,490</u>

## **FINANCIAL STATEMENTS**

### **Introduction**

The financial statements consist of a Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2014, a Summary of Operations for year ended December 31, 2014, a Reconciliation of Capital and Surplus for the examination period ended December 31, 2014, and a Reconciliation of Examination Changes to Surplus at December 31, 2014.

The following financial statements are based on the statutory financial statements filed by the Company with the Mississippi Insurance Department and present the financial condition of the Company for the period ending December 31, 2014. 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.

**Statement of Assets, Liabilities, Surplus and Other Funds  
December 31, 2014**

**Assets**

Bonds	\$	5,059,523
Preferred stocks		118,237
Common stocks		22,973
Real estate: Properties occupied by the Company		294,652
Cash and short-term investments		1,044,467
Investment income due and accrued		58,748
Uncollected premiums		1,637

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Total assets		6,600,237
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**Liabilities, Surplus and Other Funds**

Aggregate reserve for life contracts	\$	4,847,964
Contract claims: life		14,000
Premiums received in advance		8,707
Interest maintenance reserve		19,556
Taxes, licenses and fees due or accrued		7,835
Liability for benefits for employees and agents		3,922
Asset valuation reserve		76,297

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Total liabilities		4,978,281
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Common capital stock, \$100 par value; 5,000 shares authorized; 4,000 shares issued and outstanding		400,000
Gross paid in and contributed surplus		426,065
Unassigned funds (surplus)		795,891

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Total surplus and other funds		1,621,956
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Total liabilities, surplus and other funds	\$	6,600,237
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**Summary of Operations**  
**For the examination period ended December 31, 2014**

<b>Revenue</b>		
Premiums	\$	824,821
Net investment income		235,440
Amortization of Interest Maintenance Reserve (IMR)		1,346
<b>Total income</b>		<b>1,061,607</b>
<b>Expenses</b>		
Death benefits	\$	528,722
Surrender benefits and other withdrawals for life contracts		31,235
Increase in aggregate reserves for life policies		24,226
Commissions of premiums and annuity considerations		161,646
General insurance expenses		192,387
Insurance taxes, licenses and fees		39,024
Increase in loading on deferred and uncollected premiums		(1,061)
<b>Total expenses</b>		<b>976,179</b>
Net gain from operations before dividends to policyholders and federal income tax		85,428
Federal tax expense		2,743
Net income from operations after federal income tax		82,685
Net realized capital losses less capital gains tax		(1)
Net income	\$	82,684

**Reconciliation of Capital and Surplus  
For the examination period ended December 31, 2014**

	2014	2013	2012	2011
Capital and surplus, beginning of the year	\$ 1,540,582	\$ 1,482,274	\$ 1,518,104	\$ 1,425,053
Net income (loss)	82,684	59,872	(32,915)	86,742
Change in net unrealized capital gains	1,511	240	-	-
Change in non-admitted assets	1,601	2,032	(10,344)	4,878
Change in asset valuation reserve	(4,437)	(3,836)	7,429	1,431
Aggregate write-ins or gains and losses in surplus	15	-	-	-
<b>Capital and surplus, end of the year</b>	<b>\$ 1,621,956</b>	<b>\$ 1,540,582</b>	<b>\$ 1,482,274</b>	<b>\$ 1,518,104</b>

**Reconciliation of Examination Adjustments to Surplus  
as of December 31, 2014**

	Balance Per Annual Statement	Balance Per Examination	Increase (Decrease) In Surplus
<b>LIABILITIES</b>			
Contract claims	\$ 14,000	\$ 53,850	\$ (39,850)
Surplus per annual statement			1,621,956
Surplus per examination report			<u>\$ 1,582,106</u>

The Company's total Surplus and Other Funds per the December 31, 2014 examination was \$1,582,106 and consisted of \$400,000 in capital stock and \$1,182,106 in surplus. Surplus as regards policyholders was determined to be in compliance with Miss. Code Ann. § 83-19-31.

## **COMMENTS ON FINANCIAL STATEMENTS**

Contract claims: Life

\$53,850

The contract claims liability was understated by approximately \$39,850 per review of claims paid subsequent to the examination date. It is recommended that the Company review claims paid subsequent to year end in an effort to accurately report the contract claims liability.

## **MARKET CONDUCT ACTIVITIES**

A full market conduct examination was not conducted; however, specific areas of the market conduct activities were reviewed. The specific areas reviewed included those items as indicated below.

### **Policyholder Service**

The Company maintained a complaint log during the period under examination. All complaints appeared to have been appropriately resolved and no policyholder abuse was noted.

### **Underwriting and Rating**

The Company appeared to be appropriately applying premium rates for insured policies based on application data.

Examiners identified no first year death claims or causes of death that would indicate significant deficiencies related to underwriting.

It appeared that all applicable policy forms had been appropriately approved by the MID.

### **Claims Handling**

Claim files were reviewed for general indicators of policyholder treatment concerns without material exception.

### **Producer Licensing**

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

### **Privacy**

Privacy notices were sent to the Company's policyholders annually which appeared to be in compliance with applicable laws and standards.

## **COMMITMENTS AND CONTINGENT LIABILITIES**

Procedures performed during the course of the examination revealed no pending litigation, commitments or other contingent liabilities to which the Company was a party.

## COMMENTS AND RECOMMENDATIONS

The following comments and recommendations reflect findings as of the examination date. Updates or changes to the status of these items noted during the period subsequent to the examination date but prior to the issuance of the report are included in the “Subsequent Events” section of the report.

1. It is recommended that the Board hold its meeting according to the schedule prescribed in the Company’s by-laws and that minutes of these meetings be maintained as part of the Company’s corporate records. (Page 4)
2. It is recommended that the board of directors implement policies and procedures to ensure the audited financial statements are presented to and reviewed by the Board on an annual basis. (Page 4)
3. It is recommended that the board of directors implement policies and procedures to ensure the engagement of the external auditor is presented to and reviewed by the Board on an annual basis. (Page 4)
4. It is recommended that the board of directors implement policies and procedures to ensure the actuarial opinion and asset adequacy memorandum are presented to and reviewed by the Board on an annual basis, in accordance with Annual Statement Instructions. (Page 4)
5. It is recommended that the board of directors review and approve all agreements executed by the Company and that the review and approval be reflected in the minutes of the board of directors meetings. (Page 5)
6. It is recommended that the Board execute conflict of interest statements annually and that the executed statements be maintained with the minutes of the Board meetings. (Page 6)
7. It is recommended that the Company update the registered agent and board of directors with the Secretary of State's office. (Page 7)
8. It is recommended that the Company utilize the services of a licensed insurance producer pursuant to Miss. Code Ann. §83-17-55. Further, it is recommended that the Company not pay commissions to any insurance producer not appropriately licensed with the MID in accordance with Miss. Code Ann. §83-17-73. (Page 8)
9. It is recommended that the Company implement an anti-money laundering program that adheres to the requirements of the NAIC *Financial Condition Examiners Handbook* Section 1(IV)(E)(c). (Page 10)
10. It is recommended that the Company review claims paid subsequent to year end in an effort to accurately report the contract claims liability. (Page 16)

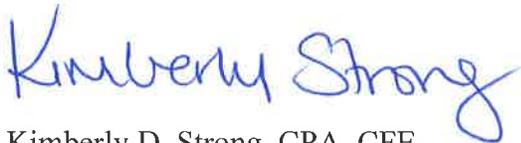
## ACKNOWLEDGMENT

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

Examiner-in-charge	Kimberly D. Strong, CPA, CFE
Administrative Examiner	Jimmy D. Blissett, CFE
Actuary	Mike Presley, FSA, MAAA
Actuary	John Humphries, ASA, MAAA, CFE, AES
Examiner	Mary Anne King, CPA
Examiner	Katie Lewis, CPA
Examiner	Brooke Blackwell

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

Respectfully submitted,



Kimberly D. Strong, CPA, CFE  
Examiner-in-charge