



MISSISSIPPI INSURANCE DEPARTMENT

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WOOLFOLK BUILDING
JACKSON, MISSISSIPPI 39201
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April 30, 2009

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MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Charles Laird, President
Family Security Life Insurance Company, Inc.
Post Office Box 1226
Natchez, MS 39120

RE: Report of Examination as of December 31, 2007

Dear Mr. Laird:

In accordance with Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999), 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. 1999), 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. 09-5905

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. 1999). 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. 1999).

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. 1999), called for an examination of Family Security Life Insurance Company, Inc. and appointed Dale Miller, Examiner-In-Charge, to conduct said examination.

IV.

That on or about February 7, 2009, the draft Report of Examination concerning Family Security Life Insurance Company, Inc. for the period of January 1, 2005 through December 31, 2007, was submitted to the Department by the Examiner-In-Charge, Dale Miller.

V.

That on or about April 3, 2009, pursuant to Miss. Code Ann. § 83-5-209(2) (Rev. 1999), 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 April 22, 2009, the Department received a response from the Company, and in response thereto, no revisions were made.

CONCLUSIONS OF LAW

VI.

The Commissioner, pursuant to Miss. Code Ann. § 83-5-209(3) (Rev. 1999), 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. 1999).

IT IS FURTHER ORDERED, pursuant to Miss. Code Ann. § 83-5-209(4) (Rev. 1999), 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.

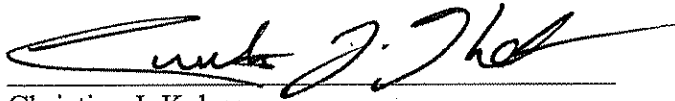
SO ORDERED, this the 30 day of April, 2009.


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 30th day of April, 2009, to:

**Mr. Charles Laird, President
Family Security Life Insurance Company, Inc.
Post Office Box 1226
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.

118 South Wall Street

Natchez, Mississippi 39120

As of December 31, 2007

NAIC Company Code 75337

NAIC ETS No. MS029-C53

Family Security Life Insurance Company, Inc.

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December 31, 2007

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

State of Mississippi,

County of Madison,

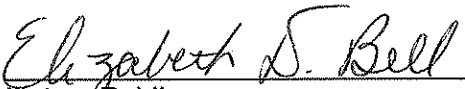
R. Dale Miller being duly sworn, states as follows:

1. I have authority to represent the Mississippi Insurance Department in the examination of Family Security Life Insurance Company, Inc.
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 Commissioner of Insurance of the State of Mississippi.

The affiant says nothing further.


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

Subscribed and sworn before me by R. Dale Miller on this 29 day of April, 2009.


Notary Public

My commission expires _____
MISSISSIPPI STATEWIDE NOTARY PUBLIC
MY COMMISSION EXPIRES NOV 23, 2010 [date].
BONDED THRU STEGALL NOTARY SERVICE



MISSISSIPPI INSURANCE DEPARTMENT

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January 15, 2009

Honorable Scott H. Richardson
Financial Condition (EX4) Subcommittee
Southeastern Zone
Director, South Carolina Department
of Insurance
1201 Main Street, Suite 100
Columbia, SC 29201

Honorable James J. Donelon
Commissioner of Insurance
Louisiana Insurance Department
1702 North 3rd Street
Post Office Box 94214
Baton Rouge, Louisiana 70802

Honorable Mike Chaney
Commissioner of Insurance
Mississippi Insurance Department
1001 Woolfolk Building (39201)
Post Office Box 79
Jackson, Mississippi 39205

Dear Sirs:

Pursuant to the instructions and authorization from the Commissioner of Insurance for the State of Mississippi and in compliance with statutory provisions, an examination as of December 31, 2007, has been conducted of the affairs and financial condition of:

FAMILY SECURITY LIFE INSURANCE COMPANY, INC.
(NAIC COMPANY CODE 75337; NAIC-ETS No. MS029-C53)

Statutory Home Office:
118 South Wall Street
Natchez, Mississippi 39120

This examination was conducted in accordance with Miss. Code Ann. §83-5-205, et seq., and the report of examination is herewith submitted for your review.

INTRODUCTION

The examination period, for purposes of this report, is defined as January 1, 2005 through December 31, 2007, and the examination date is December 31, 2007. The examination was performed by examiners representing the Mississippi Insurance Department (MID) and covered Family Security Life Insurance Company's (Company or FSLIC) operations and financial condition through the examination period, including material transactions and/or events that occurred subsequent to the examination date and were noted during the course of the examination. The Company's previous examination was as of December 31, 2004, and the previous report of examination was dated July 14, 2005.

SCOPE OF EXAMINATION

This examination was a full scope financial examination that included assessing the Company's financial condition, its ability to fulfill and manner of fulfillment of its obligations, the nature of its operations, and compliance with applicable laws. A full scope market conduct examination was not performed; however, limited procedures were performed on specific areas of the Company's market conduct.

The affairs, transactions, accounts, records, assets and liabilities of the Company were reviewed and tested by acceptable methods to the extent deemed necessary to comply with Miss. Code Ann. § 83-5-205. The examination procedures, as recommended by the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook, were followed in the conduct of this examination and in the preparation of this report. These procedures included a review of material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination. The amounts included within the financial statements contained in this report for the aggregate reserves were reviewed by the actuary that was assigned to the examination by the MID.

HISTORY OF THE COMPANY

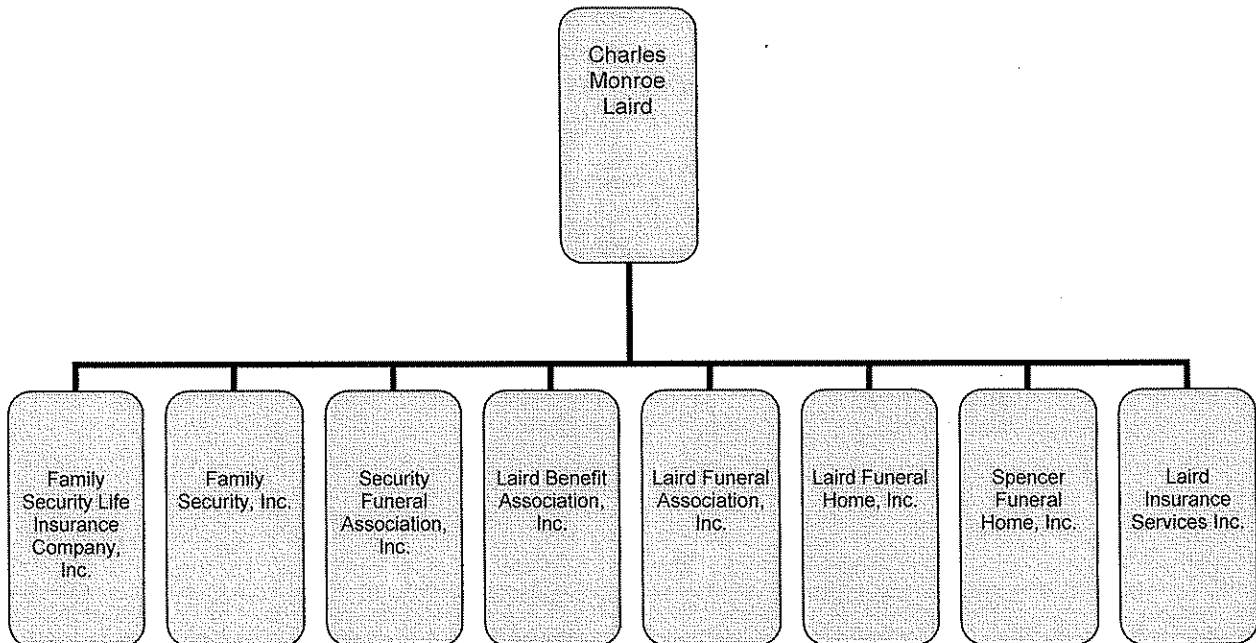
The Company was incorporated on May 13, 1970 under the laws of the State of Mississippi as Family Security Life Insurance Company, Inc., for the purpose of writing life, health and accident insurance policies on the industrial plan, burial insurance contracts for the funeral expenses of any one person, 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.

HOLDING COMPANY STRUCTURE

The Company appeared to be a member of an insurance holding company system as defined in Miss. Code Ann. § 83-6-1. Historically, the Company did not file Holding Company Registration Statements with the MID in accordance with Miss. Code Ann. §§ 83-6-5 and 83-6-9. However, in 2007 the Company began filing holding company registration statements with the MID in compliance with Miss. Code Ann. §§ 83-6-5 and 83-6-9.

Organizational Chart



Related Party Transactions

During the period under examination the Company was a party to numerous transactions with its affiliates. However, no written agreements were in place which governed these transactions as required by Statement of Statutory Accounting Principles (SSAP) 96. It is recommended that written agreements be executed which clearly identifies the duties of all parties, monetary considerations for the duties performed and specific settlement requirements for all affiliated transactions in accordance with SSAP 96.

MANAGEMENT AND CONTROL

Stockholders

The Company is a Mississippi domestic stock insurance company whose common stock at December 31, 2007 was jointly owned by Charles M. Laird and Richard H. Laird with 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 of Directors (Board). As of December 31, 2007, the members of the duly elected Board with their place of residence and principal occupation were as follows:

<u>Name and Place of Residence</u>	<u>Principal Occupation</u>
Charles M. Laird Natchez, Mississippi	President Family Security Life Insurance Company
Billie R. Laird Natchez, Mississippi	Secretary/Treasurer Family Security Life Insurance Company
Richard H. Laird Natchez, Mississippi	Funeral Director Laird Funeral Home, Inc.
Mr. Walter W. Barker Natchez, Mississippi	Sales Manager Family Security Life Insurance Company

Officers

The officers duly elected by the board of directors and holding office at December 31, 2007:

<u>Name</u>	<u>Position</u>
Charles M. Laird	President
Richard H. Laird	Vice-President
Billie R. Laird	Secretary-Treasurer

Committees

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

Conflict of Interest

The Company had formal procedures whereby disclosure was made to the Board of Directors 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. These procedures were reviewed and no exceptions to the Company's policy were noted.

CORPORATE RECORDS

Minutes of the Board of Directors meetings of FSLIC for the period under examination were reviewed in conjunction with the Articles of Association and Bylaws, along with any amendments thereto.

Review of the Company's Bylaws revealed that Article 3, Section 2 of the Company's Bylaws stated that each director must be a stockholder or an original subscriber to the Articles of Association. It is recommended that all directors meet the qualifications established by the Bylaws or that the Bylaws be amended to reflect the current organization of the Company.

It was noted that Article IV, Section 1 of the Company's Bylaws did not agree to the Articles of Association, as amended. (Article IV, Section 1 of the Bylaws state that all common capital stock of the Company shall have a par value of \$10 per share.) It is recommended that the Company amend its Bylaws to reflect the correct par value of the Company's capital stock.

In addition, it was noted that Article V, Section 1 of the Company's Bylaws stated that the offices of the President and Treasurer may be held by the same person. It is recommended that the Company amend its Bylaws to reflect that the offices of the president and treasurer may not be held by the same person, in order to comply with Miss. Code Ann. § 83-19-15.

FIDELITY BOND AND OTHER INSURANCE

The Company maintained a commercial insurance policy for employee theft with a limit of \$100,000. This amount meets 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.

DIRECTORS', OFFICERS', AND EMPLOYEES' WELFARE

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.

ACCOUNTS AND RECORDS

The Company's 2007 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 unpaid loss estimates were calculated by a consulting actuarial firm.

It was noted that not all of the Company's investment acquisitions and disposals were reported on the trade date as required by SSAP 26, paragraph 4. It is recommended that the Company report investment acquisitions and disposals on the trade date as required by SSAP 26, paragraph 4.

STATUTORY DEPOSITS

The Company's statutory deposits with the State of Mississippi complied with Miss. Code Ann. § 83-19-15(2). The following chart displays the Company's deposits at December 31, 2007.

Description of Security	Par Value	Fair Value
Corporate Bond	\$ 100,000	\$ 101,195
Corporate Bond	100,000	83,796
US Treasury Bond	50,000	64,289
US Treasury Bond	100,000	118,344
Total	<u>\$ 350,000</u>	<u>\$ 367,624</u>

FAMILY SECURITY LIFE INSURANCE COMPANY, INC.
FINANCIAL STATEMENTS
EXAMINATION AS OF DECEMBER 31, 2007

Introduction

The following financial statements, as determined by the examination, consist of a Statement of Assets, Liabilities, Surplus and Other Funds at December 31, 2007, a Summary of Operations for year ended December 31, 2007, a Reconciliation of Capital and Surplus for examination period ended December 31, 2007 and a Reconciliation of Examination Changes to Surplus at December 31, 2007.

Family Security Life Insurance Company, Inc.

Statement of Assets, Liabilities, Surplus and Other Funds

<i>December 31,</i>	<i>2007</i>
Assets	
Bonds	\$ 4,604,321
Preferred stocks	291,502
Common stocks	21,847
Real estate: Properties occupied by the Company	473,459
Cash and short-term investments	339,547
Contract loans	1,448
Investment income due and accrued	42,511
Uncollected premiums	4,477
Total assets	\$ 5,779,112
Liabilities, Surplus and Other Funds	
Aggregate reserve for life contracts	\$ 4,293,396
Contract claims: life	53,701
Premiums received in advance	14,676
Interest maintenance reserve	24,291
Taxes, licenses and fees due or accrued	6,210
Asset valuation reserve	58,325
Payable to parent, subsidiaries and affiliates	59,096
Total liabilities	4,509,695
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)	443,352
Total surplus and other funds	1,269,417
Total liabilities, surplus and other funds	\$ 5,779,112

Family Security Life Insurance Company, Inc.

Summary of Operations

<i>For the Year Ended December 31,</i>	2007
Income	
Premiums	\$ 930,607
Net investment income	273,531
Amortization of interest maintenance reserve	1,232
Miscellaneous income	12,094
Total income	1,217,464
Expenses	
Death benefits	565,809
Surrender benefits and withdrawals	13,973
Increase in aggregate reserves for life contracts	160,770
Commissions on premiums	157,246
General insurance expenses	225,021
Insurance taxes, licenses and fees, excluding federal income taxes	40,392
Increase in loading on uncollected premiums	154
Total expenses	1,163,365
Net gain from operations	54,099
Less: Federal and foreign income taxes incurred	-
Net income	\$ 54,099

Family Security Life Insurance Company, Inc.

Reconciliation of Capital and Surplus

For the examination period ended December 31, 2007

	2005	2006	2007
Capital and surplus, beginning of the year	\$ 1,209,420	\$ 1,154,804	\$ 1,234,885
Net income (loss)	(51,415)	82,859	54,099
Change in net unrealized capital gains or (losses)	(2,454)	1,360	(14,578)
Change in non-admitted assets	-	-	(14,025)
Change in asset valuation reserve	(747)	(4,138)	9,036
Paid in capital adjustment	-	-	(780)
Surplus adjustment	-	-	780
Capital and surplus, end of the year	\$ 1,154,804	\$ 1,234,885	\$ 1,269,417

**RECONCILIATION OF EXAMINATION CHANGES TO SURPLUS
DECEMBER 31, 2007**

There were no changes made to the admitted assets, liabilities or surplus balances reported by the Company for the year ended December 31, 2007. The capital and surplus, which totaled \$1,269,417 as of the examination date, was determined to be reasonably stated and in compliance with Miss. Code Ann. §83-19-31.

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.

Policy Forms and Underwriting

Based upon procedures performed during the course of the examination, the Company appeared to have the appropriate licensure to issue its products, and the applicable policy forms appeared to be appropriately approved by the MID.

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. During the examination period, FSLIC issued these insurance contracts primarily through independent agents.

Advertising and Sales Material

The Company's advertising and sales materials that were utilized during the time period covered by this examination were reviewed with no exceptions or material concerns noted.

Treatment of Policyholders

The Company maintained a complaint log during the period under examination and all complaints appeared to have been appropriately resolved amicably and no policyholder abuse was noted. Additionally, claim files were reviewed for general indicators of policyholder treatment concerns without material exception.

Privacy

Privacy notices were sent to the Company's policyholders annually, and based upon the procedures performed during the course of the examination, these annual notices appeared to be in compliance with applicable laws and standards. However, it is recommended that the Company execute an amendment to its pre-need trust agreement to include language prohibiting the use of any personal information other than for the purposes for which the information was disclosed pursuant to the requirements of MID Regulation 2001-1, Section 14.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

Following are comments made in the previous examination report, as of December 31, 2004 that were not adequately addressed subsequent to the previous examination. As such, the same recommendations or related recommendations are again recorded in the Current Examination 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. The recommendations below are recorded exactly as originally reported in the previous examination, as of December 31, 2004.

Previous Exam Report Recommendation No. 2:

- Review of the Company's Bylaws revealed that Article 3, Section 2 of the Company's Bylaws stated that each director must be a stockholder or an original subscriber to the Articles of Association. It is recommended that all directors meet the qualifications established by the Bylaws or that the Bylaws be amended to reflect the current organization of the Company.

Current Status:

The Company did not file an amendment to the Company's Bylaws with the MID which addressed this issue. This issue is again addressed in the Current Examination Comments and Recommendations of this report.

Previous Exam Report Recommendation No. 3:

- It was noted that Article IV, Section 1 of the Company's Bylaws did not agree to the Articles of Association, as amended. (Article IV, Section 1 of the Bylaws state that all common capital stock of the Company shall have a par value of \$10 per share.) It is recommended that the Company amend its Bylaws to coincide with the Articles of Association, as amended.

Current Status:

The Company did not file an amendment to the Company's Bylaws with the MID which addressed this issue. This issue is again addressed in the Current Examination Comments and Recommendations of this report.

Previous Exam Report Recommendation No. 4:

- It was noted that Article V, Section 1 of the Company's Bylaws stated that the offices of the president and treasurer may be held by the same person. It is recommended that the Company amend its Bylaws to reflect that the offices of the president and treasurer may not be held by the same person, in compliance with Miss. Code Ann. § 83-19-15.

Current Status:

The Company did not file an amendment to the Company's Bylaws with the MID which corrected this issue. This issue is again addressed in the Current Examination Comments and Recommendations of this report.

Previous Exam Report Recommendation No. 5:

- It was noted that 3 of 4 acquisitions and 2 of 7 disposals were reported on the settlement date rather than the trade date. It is recommended that the Company report acquisitions and disposals on their trade date in compliance with SSAP No. 26, paragraph 4.

Current Status:

Per the current examination review, the Company's investment acquisitions and disposals were not consistently reported on the trade date. This issue is again addressed in the Current Examination Comments and Recommendations of this report.

Previous Exam Report Recommendation No. 7:

- It was recommended that the Company execute an amendment to the Pre-Need Trust Agreement to adopt language prohibiting a third party from utilizing any information in any manner, other than to carry out the purposes for which the information was disclosed; pursuant to the requirements of MID Regulation 2001-1, Section 14.

Current Status:

The Company's Pre-Need Trust Agreement was not amended during the examination period. This issue is again addressed in the Current Examination Comments and Recommendations of this report.

CURRENT EXAMINATION COMMENTS AND RECOMMENDATIONS

1. It is recommended that all directors meet the qualifications established by the Bylaws or that the Bylaws be amended to reflect the current organization of the Company. (Page 7)
2. It is recommended that the Company amend its Bylaws to reflect the correct par value of the Company's capital stock. (Page 7)
3. It is recommended that the Company amend its Bylaws to reflect that the offices of the president and treasurer may not be held by the same person in order to comply with Miss. Code Ann. § 83-19-15. (Page 7)
4. It is recommended that the Company report investment acquisitions and disposals on the trade date as required by SSAP 26, paragraph 4. (Page 7)
5. It is recommended that the Company execute an amendment to its pre-need trust agreement to include language prohibiting the use of any personal information other than for the purposes for which the information was disclosed pursuant to the requirements of MID Regulation 2001-1, Section 14. (Page 14)
6. It is recommended that written agreements be executed which clearly identifies the duties of all parties, monetary considerations for the duties performed and specific settlement requirements for all affiliated transactions in accordance with SSAP 96. (Page 5)

ACKNOWLEDGMENT

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

Examiner-in-charge	R. Dale Miller, CPA, CFE, CFF
Administrative Review	Joseph R. May, CPA, CMA, CFE, CIE, FAHM
Actuary	Thomas L. Burger, FSA, MAAA
Examiner	Jonathan Taylor

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