



MISSISSIPPI INSURANCE DEPARTMENT

501 N. WEST STREET, SUITE 1001
WOOLFOLK BUILDING
JACKSON, MISSISSIPPI 39201
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April 1, 2010

MAILING ADDRESS
Post Office Box 79
Jackson, Mississippi 39205-0079
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FAX: (601) 359-2474
WATS: 1-800-562-2957 (Incoming - USA)

MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Mr. Clifton J. Saik, President
Magna Insurance Company
One Hancock Plaza, 2510 14th Street
Gulfport, MS 39501-1947

RE: Report of Examination as of December 31, 2008

Dear Mr. Saik:

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

A handwritten signature in cursive script, appearing to read "Christina J. Kelsey".

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
 MAGNA INSURANCE COMPANY**

CAUSE NO. 10-6059

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 Magna Insurance Company is a Mississippi-domiciled Company licensed to write Life; Accident and Health; and Credit Life, Credit Health and Accident 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 Magna Insurance Company and appointed Dale Miller, Examiner-In-Charge, to conduct said examination.

IV.

That on or about February 18, 2010, the draft Report of Examination concerning Magna Insurance Company for the period of January 1, 2006 through December 31, 2008, was submitted to the Department by the Examiner-In-Charge, Dale Miller.

V.

That on or about March 16, 2010, 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 30-day period to submit any rebuttal to the draft report. The Department received the Company's response in a letter on or about March 24, 2010, and in response thereto, minor revisions were made to the draft report.

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 and all relevant examiner work papers and the Company's rebuttal, that the Report of Examination of Magna Insurance Company, 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, Magna Insurance Company 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 Magna Insurance Company 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.

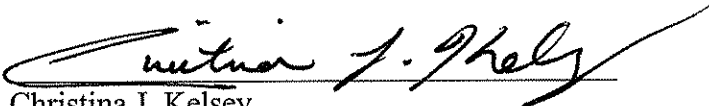
SO ORDERED, this the 12 day of April, 2010.


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 15th day of April, 2010, to:

**Mr. Clifton J. Saik, President
Magna Insurance Company
One Hancock Plaza, 2510 14th Street
Gulfport, MS 39501-1947**


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

**Magna Insurance Company
One Hancock Plaza
2510 14th Street
Gulfport, Mississippi 39501**

As of December 31, 2008

**NAIC Company Code 61018
NAIC ETS No. MS029-C61**

Magna Insurance Company

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EXAMINER AFFIDAVIT AS TO STANDARDS AND
PROCEDURES USED IN AN EXAMINATION

State of Mississippi,

County of Madison,

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

1. I have authority to represent the State of Mississippi in the examination of Magna Insurance Company as of December 31, 2008.
2. The Mississippi Insurance Department is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.
3. I have prepared the examination report, and the examination of Magna Insurance Company, as of December 31, 2008, 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.

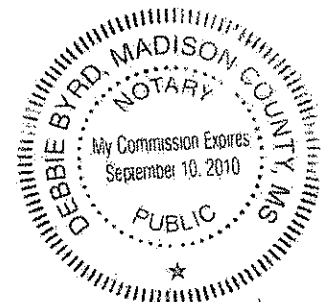
R Dale Miller
R. Dale Miller, CPA, CFE, CFF
Examiner-In-Charge

Subscribed and sworn before me by Dale Miller on MARCH 29, 2010.

Debbie Byrd
Notary Public

My commission expires 9-10-2010

(SEAL)





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MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

January 15, 2010

Honorable Mike Chaney
Commissioner of Insurance
Mississippi Insurance Department
501 N. West Street
1001 Woolfolk Building (39201)
Post Office Box 79
Jackson, Mississippi 39205-0079

Honorable Alfred W. Gross
Chair, Financial Condition (E) Committee
Commissioner
State Corporation Commission
Bureau of Insurance
Commonwealth of Virginia
Post Office Box 1157
Richmond, Virginia 23218

Dear Sirs:

Pursuant to your instructions and authorization, and in compliance with statutory provisions, an examination as of December 31, 2008 has been conducted of the affairs and financial condition of:

MAGNA INSURANCE COMPANY
(NAIC COMPANY CODE 61018; NAIC-ETS No. MS029-C61)
Statutory Home Office
One Hancock Plaza
2510 14th Street
Gulfport, Mississippi 39501

This examination was performed at Magna Insurance Company's (Magna or Company) statutory home office in Gulfport, Mississippi, and was conducted in accordance with Miss. Code Ann. §83-5-201 et seq., and the report of examination is herewith submitted for your review.

INTRODUCTION

The Mississippi Insurance Department (MID) engaged Carr, Riggs & Ingram, LLC (CRI) to perform the financial and market conduct sections of the examination and Taylor, Walker & Associates, Inc. to perform the actuarial section of the examination.

The examination covered the Company's operations and financial condition from January 1, 2006, through December 31, 2008, including material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

For purposes of this examination report, the examination period is defined as January 1, 2006 through December 31, 2008, and the examination date is defined as December 31, 2008. Magna was previously examined by the MID as of December 31, 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. 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 and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The procedures performed included a review of material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

HISTORY OF THE COMPANY

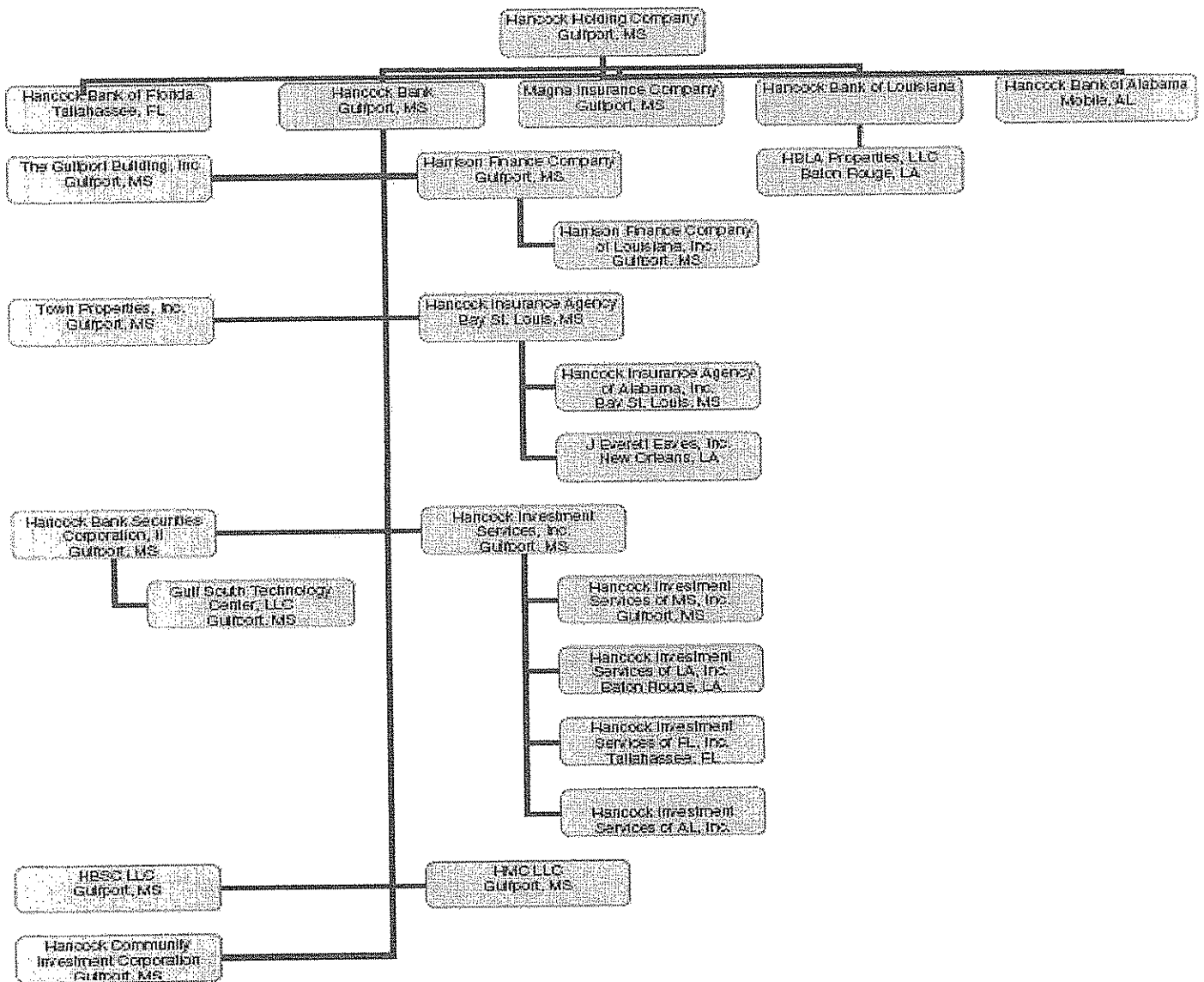
On June 13, 1960, the Company was formed under the laws of the State of South Carolina as Argus Life Insurance Company (Argus). In December 1994, Magna Bancorp, Inc. (MBI) acquired the Company and redomiciled its operations to the State of Mississippi. Thereafter, by Articles of Merger executed June 13, 1995, the former Magna Insurance Company was merged with and into Argus, with Argus being the surviving entity and the corporate name being changed to its current title. In 1997, MBI merged into Union Planters Corporation, leaving the Company as an indirect subsidiary of Union Planters and in December 2003, the Company was purchased by Hancock Holding Company (HHC). Effective March 1, 2004 and January 1, 2005, the Company assumed group credit life and credit accident & health insurance from Harrison Life Insurance Company, and, effective March 1, 2004, the Company assumed insurance business from Family Financial Life Insurance Company.

HOLDING COMPANY STRUCTURE

Organizational Chart

The Company was a member of an insurance holding company system as defined in Miss. Code Ann. §83-6-1. The Company was required to file with the MID Holding Company Registration Statements in accordance with Miss. Code Ann. §83-6-5 and §83-6-9. These filings set forth material changes in structure, identity or relationships of affiliates and any material transactions by and between the Company and its affiliates.

The following chart depicts the Company's ownership as of December 31, 2008:



Related Party and Other Significant Agreements

The day to day operations of the Company are managed through various affiliated and non-affiliated agreements. These agreements were reviewed and it appeared that the parties were adhering to the terms of the respective agreements. Following is a discussion of the significant agreements:

Investment and Custodial Agreement with Hancock Bank: Effective January 5, 2005, the Company executed an investment management and custodial agreement with Hancock Bank (HB), a related banking institution. Pursuant to the agreement, HB agreed to make sales, exchanges, investments, and reinvestments, subject to the investment limitations set forth in Miss. Code Ann. §83-19-51. HB further agreed to act as a custodian for the Company's investment holdings.

Service Agreement with Hancock Bank: Effective July 1, 2007, the Company executed a service agreement with Hancock Bank. Under the terms of this agreement HB provides general management support, accounts payable services and other management administrative services as necessary.

Administrative Services Agreement with LOTSolutions, Inc.: Effective June 1, 2007, the Company executed a service agreement with LOTSolutions, Inc. (LOTS) Under the terms of this agreement LOTS provides administrative and other services required in connection with the Company's credit life and credit accident & health insurance business issued by the Company including: Policy underwriting, application, and issuance functions, as well as other policyholder services.

Management Services Agreement with GPW and Associates, Inc.: Effective May 1, 2007, the Company executed a service agreement with GPW and Associates, Inc. (GPW) Under the terms of this agreement GPW provides ongoing management services which include: maintenance of the books and ledgers of the Company, preparation of the quarterly and annual statutory statements including all required forms for the states in which the Company is licensed, and general consultation with the Company regarding documents prepared by GPW.

Premium Tax Services Agreement with TriTech Services, Inc.: Effective November 3, 2008, the Company executed a premium tax services agreement with TriTech Services, Inc. (TriTech) Under the terms of this agreement TriTech prepares and processes all required premium tax returns for the Company. TriTech also provides general consultation with and for the Company on the returns filed.

MANAGEMENT AND CONTROL

Stockholders

The Company is a Mississippi domestic stock insurance company whose common stock at December 31, 2008 was wholly owned by HHC. At December 31, 2008, the Company had 32,100 shares of its 40,000 authorized shares of \$37.50 par value common stock issued and outstanding. The Company paid an ordinary dividend of \$537,399 in 2006. No additional dividends were paid 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). The members of the duly elected Board, along with their place of residence and principal occupation, at December 31, 2008, follow:

<u>Name and Place of Residence</u>	<u>Principal Occupation</u>
Mr. Carl J. Chaney Gulfport, Mississippi	President and CEO Hancock Holding Company
Mr. Clifton J. Saik Gulfport, Mississippi	Executive Vice President, Sr. Trust Officer Hancock Holding Company
Mr. George A. Schloegel* Gulfport, Mississippi	Chairman of the Board of Directors Hancock Holding Company

* Subsequent to the examination date George A. Schloegel resigned from the Board and was replaced by John M. Hairston.

Officers

The following officers were duly elected by the Board and holding office at December 31, 2008:

<u>Name</u>	<u>Position</u>
Clifton J. Saik	President
Richard H. McCollum	Secretary and Treasurer

Committees

The Company did not have any active committees at the examination date.

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 is, or would likely be, a conflict with their official duties. These procedures were reviewed, and no conflicts or exceptions to the Company's policies were noted.

CORPORATE RECORDS

The minutes of the meetings of the Stockholders and Board, regarding the Company's business affairs, as recorded during the period covered by the examination, were reviewed and appeared to be complete and in order with regard to recording action on matters brought up at the meetings for deliberation, which included the approval and support of the Company's transactions and events, as well as the review of its audit and examination reports.

FIDELITY BOND AND OTHER INSURANCE

The Company maintained fidelity coverage of \$350,000 which met the NAIC's suggested minimum amount of fidelity coverage for this size company. The Company's fidelity bond included language which stated that the policy would be terminated or cancelled "immediately upon any takeover of the insured by a receiver or other liquidator or by State or Federal officials. It is recommended that the Company obtain fidelity coverage that does not include the exclusionary language discussed above.

DIRECTORS' OFFICERS', EMPLOYEES' AND AGENTS' WELFARE

The Company did not have any direct employees, but instead received management services through various administrative agreements.

REINSURANCE

The Company had reinsurance with various insurance carriers, including: Union Security Life Insurance Company, American Bankers Life Assurance Company and Swiss Re Life and Health America, Inc. The reinsurance transactions and agreements were reviewed during the examination and the treaties did not contain any provisions considered unusual, and the projected final accounting did show proper transfer of risk. It was noted that the Company's reinsurance coverage was limited to discontinued lines of business. The Company retained all risk associated with its credit life and credit accident & health line of business.

ACCOUNTS AND RECORDS

The Company's accounting records are maintained electronically through the use of various systems due to the accounting and processing systems being handled through administrative and other agreements with different entities. These agreements are discussed within the Related Party and Other Significant Agreements section of this report.

The Company is audited annually by a CPA firm. Work performed by the CPAs during the annual audit was incorporated into the examination of the Company as deemed appropriate.

STATUTORY DEPOSITS

The Company's statutory deposits with the State of Mississippi complied with Miss. Code Ann. §83-19-31(2). The following chart displays the Company's deposits at December 31, 2008.

<u>Description of Security</u>	<u>State Deposited</u>	<u>Book Value</u>	<u>Fair Value</u>
Bond and Money Market	Arkansas	\$ 122,605	\$ 122,683
Bond	Florida	295,999	323,064
Money Market	Georgia	35,050	35,050
Bond	Louisiana	100,000	100,000
Bonds	Mississippi	4,332,861	4,062,546
Bond	South Carolina	150,000	175,922
Bond	Tennessee	149,162	161,532
Bond	Texas	49,476	54,467
Money Market	Virginia	90,000	90,000
		<u>\$ 5,325,153</u>	<u>\$ 5,125,264</u>

**MAGNA INSURANCE COMPANY
FINANCIAL STATEMENTS
EXAMINATION AS OF DECEMBER 31, 2008**

Introduction to Statutory Financial Statements

The following financial statements consist of a Statement of Admitted Assets, Liabilities, Surplus and Other Funds - Statutory at December 31, 2008, a Summary of Operations - Statutory for year ended December 31, 2008, a Reconciliation of Capital and Surplus - Statutory for examination period ended December 31, 2008 and a Reconciliation of Examination Adjustments to Surplus and Other Funds – Statutory at December 31, 2008.

Magna Insurance Company

Statement of Admitted Assets, Liabilities, Surplus and Other Funds - Statutory

<i>December 31,</i>	2008
Admitted Assets	
Bonds	\$ 38,263,321
Common stocks	434,605
Cash and short-term investments	2,520,651
Investment income due and accrued	493,835
Amounts recoverable from reinsurers	479,316
Current federal income tax recoverable and interest thereon	585,649
Net deferred tax asset	1,401,977
Guaranty funds receivable or on deposit	27,738
Franchise tax recoverable	148,900
Furniture and equipment	3,221
Total admitted assets	\$ 44,359,213
Liabilities, Capital and Surplus	
Aggregate reserve for life policies	\$ 17,140,349
Aggregate reserve for accident and health policies	2,002,608
Life contract claims payable	135,553
Accident and health contract claims payable	138,675
Commissions to agents due or accrued	28,769
General expenses due or accrued	228,341
Taxes, licenses and fees due or accrued	163,004
Remittances and items not allocated	25,530
Asset valuation reserve	223,101
Payable to parent, subsidiaries and affiliates	11,884,085
Reinsurance in unauthorized companies and other misc. payables	84
Total liabilities	31,970,099
Capital common stock	1,203,750
Gross paid in and contributed surplus	10,041,695
Unassigned funds	1,143,669
Total surplus and other funds	12,389,114
Total liabilities, surplus and other funds	\$ 44,359,213

Magna Insurance Company

Summary of Operations - Statutory

For the Year Ended December 31,

2008

Income:

Life premiums and annuity considerations	\$ 2,823,247
Net investment income	1,553,762
Amortization of interest maintenance reserve	(339,607)
Other income	102,284

Total income 4,139,686

Benefits and Reserve Changes:

Death benefits	860,105
Annuity benefits	3,528,145
Disability benefits	595,488
Decrease in aggregate reserves for life and A&H contracts	(3,769,539)

Total benefits and reserve changes 1,214,199

Other Operating Expenses:

Commissions and expense allowances	1,278,523
General insurance expenses	1,266,089
Taxes, licenses and fees	401,228
Transition fees	52,469

Total other operating expenses 2,998,309

Net loss from operations before federal income taxes (72,822)

Federal income tax benefit 25,258

Net realized capital gains transferred to IMR 79,162

Net income \$ 31,598

Magna Insurance Company

Reconciliation of Capital and Surplus - Statutory

For the examination period ended December 31, 2008

	2006	2007	2008
Capital and surplus, beginning of year	\$ 15,529,233	\$ 15,448,368	\$ 14,838,094
Net income (loss)	465,640	(428,905)	31,598
Change in net unrealized capital gains or (losses)	19,730	(32,453)	(79,713)
Change in net deferred income tax	552,358	(305,519)	(106,901)
Change in non-admitted assets	(482,936)	294,583	(2,312,981)
Change in liability for reinsurance in unauthorized companies	2,175	1,235	607
Change in asset valuation reserve	(100,433)	(139,215)	134,404
Prior period adjustments	-	-	162,907
Dividends to stockholders	(537,399)	-	-
Examination adjustments	-	-	(278,901)
Capital and surplus, end of the year	\$ 15,448,368	\$ 14,838,094	\$ 12,389,114

Magna Insurance Company

Reconciliation of Examination Adjustments to Surplus and Other Funds - Statutory

December 31, 2008

	Balance per per Annual Statement	Balance per Examination	Increase (Decrease) in Surplus
Assets			
Current federal income tax recoverable and interest thereon	\$ 1,962,043	\$ 585,649	\$ (1,376,394)
Net deferred tax asset	249,731	1,401,977	1,152,246
EDP equipment	280,556	-	(280,556)
Franchise tax recoverable	-	148,900	148,900
Liabilities			
Taxes, licenses and fees due or accrued	239,907	163,004	<u>76,903</u>
Total decrease in surplus and other funds			<u>\$ (278,901)</u>

MARKET CONDUCT ACTIVITIES

A full scope market conduct examination in accordance with the NAIC's *Market Regulation Handbook* was not performed; however, limited procedures were performed on certain areas of the Company's market conduct. The areas in which limited procedures were performed included: policy forms and underwriting, territory and plan of operations, advertising and sales, treatment of policyholders and privacy. No significant exceptions were noted in regard to the limited procedures performed.

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. As a component of the life reserve liability testing associated with the related sample items selected, and in conjunction with both the controls and substantive testing, the information on the face of the application was reviewed in order to ensure that all pertinent information on the applications appeared complete and accurate. No material concerns were noted.

Territory and Plan of Operation

The Company primarily writes credit life and credit accident & health insurance and at December 31, 2008, was authorized to conduct business in the States of Alabama, Arkansas, Florida, Illinois, Indiana, Kentucky, Louisiana, Mississippi, Missouri, South Carolina, Tennessee and Texas.

Advertising and Sales

During the period under examination the Company issued credit life, credit accident and health through various financial institutions, with approximately 80% of business being written in the States of Mississippi (35%), Louisiana (26%) and Indiana (19%) for calendar year 2008. The Company also received premiums from existing annuity business. The amount of annuity premiums received for 2008 represented less than 2% of direct premiums.

Treatment of Policyholders

The Company maintained a complaint log during the period under examination and all complaints appeared to have been appropriately resolved. Additionally, claim files were reviewed for general indicators of policyholder treatment concerns without material exception.

Privacy

The Company had a privacy policy in place for the protection of its policyholders, and this policy appeared to be in compliance with applicable laws and standards.

COMMITMENTS AND CONTINGENCIES

At December 31, 2008, the Company was involved as a defendant in litigation matters. Although the outcome of such legal actions cannot be predicted, in the opinion of management and its legal representatives, the resolution of any currently pending or threatened actions should not have a material adverse effect on the surplus position of the Company.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

Following are comments made in the previous examination report, as of December 31, 2005, that were not adequately addressed subsequent to the previous examination. As such, the same recommendations or related recommendations are again recorded in the Comments, Directives and Recommendations section of this report. Management should address 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, 2005.

Previous Exam Report Recommendation No. 2:

Fidelity Coverage: It was recommended that the Company obtain fidelity coverage that does not exclude claims made as a result of violations relating to the laws or regulations of insurance companies.

Current Status:

As discussed in more detail on page 7 of this report the fidelity coverage utilized by the Company terminates immediately upon any takeover of the insured by a receiver or other liquidator or by State or Federal officials. This issue is also addressed again in the Comments, Directives and Recommendations section of this report.

COMMENTS ON FINANCIAL STATEMENTS

Current Federal Income Tax Recoverable and Interest Thereon: \$ 585,649

The above captioned amount is \$1,376,394 less than the amount reported by the Company within the filed annual statement. This decrease is primarily the result of the Company originally recording the effects of capital loss amounts as income taxes recoverable as opposed to a deferred tax asset. This misclassification resulted in an overstatement in the Company's income taxes recoverable and an understatement of the Company's deferred tax asset. The tax effect of capital losses that were originally recorded as income taxes recoverable has appropriately been reclassified as a deferred tax asset.

Net Deferred Tax Asset: \$ 1,401,977

The above captioned amount is \$1,152,294 more than the amount reported by the Company within the filed annual statement. This increase is primarily the result of the Company originally recording the effects of capital loss amounts as income taxes recoverable as opposed to a deferred tax asset. This misclassification resulted in an overstatement in the Company's income taxes recoverable and an understatement of the Company's deferred tax asset. The tax effect of capital losses that were originally recorded as income taxes recoverable has appropriately been reclassified as a deferred tax asset.

Aggregate Reserve for Life Policies: \$ 17,140,349

The above captioned amount is the same amount as that reported by the Company within the filed annual statement. However, during the review of the Company's life reserves by the examination actuary, it was noted that the Company did not report in the Annual Statement Exhibit 5 the reserves for all in-force ordinary life insurance policies. It is recommended that the Company report the reserves for all in-force ordinary life insurance policies within Exhibit 5 of the filed Annual Statement. Additionally, during the testwork on the Company's credit life and credit accident & health reserves, the Company was unable to provide all of the requested original insurance certificates. It is recommended that the Company and its third party administrator adopt procedures to ensure that insurance certificates are maintained for all of the Company's outstanding credit insurance business.

Taxes, Licenses and Fees Due or Accrued: \$ 163,004

The above captioned amount is \$76,903 less than the amount reported by the Company within the filed annual statement. This decrease is primarily the result of the Company inadvertently accruing franchise tax in a state in which it did not owe franchise tax.

Franchise Tax Recoverable: \$ 148,900

The above captioned amount is \$148,900 more than the amount reported by the Company within the filed annual statement. This increase is primarily the result of the Company inadvertently paying franchise tax in a state in which it did not owe franchise tax.

Electronic Data Processing Equipment and Software:

\$ 0

The above captioned amount is \$280,556 less than the amount reported by the Company within the filed annual statement. This decrease is the result of the Company recording claims processing software as an admitted asset. Pursuant to NAIC Statement of Statutory Accounting Principles (SSAP) No. 16, EDP equipment and operating system software are admitted assets to the extent they conform to the requirements of statutory guidance, however non-operating system software are non-admitted assets.

**COMMENTS, DIRECTIVES AND RECOMMENDATIONS
EXAMINATION AS OF DECEMBER 31, 2008**

1. The Company maintained fidelity coverage of \$350,000 which met the NAIC's suggested minimum amount for fidelity coverage for this size company. The Company's fidelity bond included language which stated that the policy would be terminated or cancelled "immediately upon any takeover of the insured by a receiver or other liquidator or by State or Federal officials". It is recommended that the Company obtain fidelity coverage that does not include this exclusionary language discussed above. (Page 7)
2. During the review of the Company's life reserves by the examination actuary, it was noted that the Company did not report in the Annual Statement Exhibit 5 the reserves for all in-force ordinary life insurance policies. It is recommended that the Company report the reserves for all in-force ordinary life insurance policies within Exhibit 5 of the filed Annual Statement. (Page 15)
3. During the testwork on the Company's credit life and credit accident & health reserves, the Company was unable to provide all of the requested original insurance certificates. It is recommended that the Company and its third party administrator adopt procedures to ensure that insurance certificates are maintained for all of the Company's outstanding credit insurance business. (Page 15)

ACKNOWLEDGMENT

Key engagement team members representing the Mississippi Insurance Department and participating in this examination were:

Administrative Supervisor	Joseph R. May, CPA, CMA, CFE, CIE, FAHM
Examiner-in-charge	R. Dale Miller, CPA, CFE, CFF
Examiner	James Carter
Examination Actuary	Thomas L. Burger, FSA, MAAA

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