



## MISSISSIPPI INSURANCE DEPARTMENT

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

June 18, 2015

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. Tracy Tucker, President  
Indemnity National Insurance Company  
4800 Old Kingston Pike  
Knoxville, TN 37919

**RE: Report of Examination as of December 31, 2013**

Dear Mr. Tucker:

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

A handwritten signature in black ink, appearing to read "Christina J. Kelsey", written over a horizontal line.

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 INDEMNITY  
NATIONAL INSURANCE COMPANY**

**CAUSE NO. 15-6871**

**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 Indemnity National Insurance Company is a Mississippi-domiciled company licensed to write Accident & Health; Automobile Physical Damage/Liability; Boiler & Machinery; Casualty/Liability; Fidelity; Fire/Allied Lines; Guaranty; Home/Farm Owners; Industrial Fire; Inland Marine; Legal; Mortgage Guaranty; Ocean Marine; Plate Glass; Surety; Title and Workers' Compensation 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 Indemnity National Insurance Company and appointed Kimberly Strong, Examiner-In-Charge, to conduct said examination.

### **IV.**

That on or about March 23, 2015, the draft Report of Examination concerning Indemnity National Insurance Company for the period of January 1, 2010, through December 31, 2013, was submitted to the Department by the Examiner-In-Charge, Kimberly Strong.

### **V.**

That on or about May 29, 2015, 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. The Company responded to the draft on or about June 12, 2015.

## **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, the Company's rebuttal, and all relevant examiner work papers, that the Report of Examination of Indemnity National 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 information 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, Indemnity National 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 Indemnity National Insurance Company take the necessary actions and implement the necessary procedures to properly and promptly comply with all recommendations contained in the Report of Examination.

**SO ORDERED**, this the 18<sup>th</sup> day of June 2015.



*J. Mark Haire*  
\_\_\_\_\_  
J. MARK HAIRE  
DEPUTY COMMISSIONER OF INSURANCE  
STATE OF MISSISSIPPI

**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 18<sup>th</sup> day of June 2015, to:

**Mr. Tracy Tucker, President  
Indemnity National Insurance Company  
4800 Old Kingston Pike  
Knoxville, TN 37919**



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**

**Indemnity National Insurance Company**

**as of**

**December 31, 2013**

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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 Indemnity National Insurance Company as of December 31, 2013.
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 workpapers and examination report, and the examination of Indemnity National Insurance Company 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  
Kimberly Strong, CPA, CFE  
Examiner-in-Charge

Subscribed and sworn before me by Kimberly Strong on this 19<sup>th</sup> day of May, 2015.



Elaine H. Manuel  
Notary Public

My commission expires 10/1/2017 [date].



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

**MARK HAIRE**  
Deputy Commissioner of  
Insurance

**MISSISSIPPI INSURANCE DEPARTMENT**

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Post Office Box 79  
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FAX: (601) 359-1951

March 23, 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, 2013, of the affairs and financial condition of:

**INDEMNITY NATIONAL INSURANCE COMPANY**

4800 Old Kingston Pike  
Knoxville, Tennessee 37919

License #	NAIC Group #	NAIC #	FEETS #	ETS #
9300036	4765	18468	18468-MS-2013-3	MS129-M8

This examination was commenced in accordance with Miss. Code Ann. § 83-5-201 *et seq.* and was performed in Knoxville, Tennessee at the home office of the Company. The report of examination is herewith submitted.

## **SCOPE OF EXAMINATION**

We have performed a multi-state examination of Indemnity National Insurance Company ("Company" or "INIC"). The last exam was completed as of December 31, 2009. This examination covers the period January 1, 2010 through December 31, 2013.

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.

## **COMMENTS AND RECOMMENDATIONS OF PREVIOUS EXAMINATION**

The comments and recommendation included in the previous examination report were addressed by the Company in a manner deemed to be acceptable by the MID.

## **HISTORY OF THE COMPANY**

The Company was incorporated as Great River Insurance Company ("Great River") on December 2, 1993, under the laws of the State of Mississippi and commenced business on that date. The purpose for which the Company was formed, as stated in the Articles of Association, was to enter into all forms of insurance contracts insuring perils similar to those described within Miss. Code Ann. § 83-19-1 "Class One (1) – Fire and Casualty", and accident and health, and to carry on any other business activities and financial services that an insurance company can lawfully conduct under the laws of the State of Mississippi.

On July 1, 2004, Great River entered into a 100% Transfer and Assumption Agreement with a former affiliate, Union Insurance Company ("Union"), under which all policies in force, all policy liabilities, and all non-policy liabilities were transferred to Union. This transaction was approved by the domiciliary insurance departments of both companies.

On December 15, 2005, the Mississippi Insurance Commissioner approved the sale of all of the issued and outstanding shares of Great River to Knox Holdings, Inc. ("Knox"). Knox is a holding company organized in August 2005 as a corporation under the laws of Tennessee for the purposes of acquiring Great River.

On December 27, 2005, Great River amended its Articles of Association to change the name of the company to Indemnity National Insurance Company.

## **CORPORATE RECORDS**

The minutes of the meetings of the stockholders and board of directors, prepared during the period under examination, were reviewed and appeared to be complete with regard to the matters brought up at the meetings for deliberation, which included approval of the Company's investment portfolio and actions of the Company's officers.

## **MANAGEMENT AND CONTROL**

### **Stockholders**

As of December 31, 2013, the Company had issued and outstanding thirty-three thousand eight hundred fifty-nine (33,859) shares of common capital stock with a par value of \$65 per share. Knox owned 92.96% and various investors, some representing management, owned the balance of the outstanding shares. The Company paid extraordinary dividends in the amount of \$2,713,920 during 2013.

### **Board of Directors**

The Articles of Incorporation 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, 2013, were as follows:

<b>Name and Residence</b>	<b>Principal Occupation</b>
Matthew Tracy Tucker Knoxville, Tennessee	President, Indemnity National Insurance Company
Charles Kyle Slatery Memphis, Tennessee	Chief Executive Officer, NFC Investments, LLC
James Donald Lackie Memphis, Tennessee	President, Lackie Trading, Inc.

## **Officers**

Name	Title
Matthew Tracy Tucker	President
Charles Kyle Slatery	Secretary
James Donald Lackie	Treasurer
Robert Willard Shepard	Chief Financial Officer

## **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. Written statements were signed annually by all officers and members of the Board.

## **Corporate Governance**

The risk-focused surveillance approach requires examiners to consider the insurer's corporate governance and established risk management processes. This evaluation included assessing the "tone-at-the-top", board of directors and management oversight and understanding and conveyance of the necessity of internal controls to employees. Strong corporate governance encompasses a clearly defined vision of ethics, appropriate goals, effective strategy, effective implementation of the strategy, and appropriate reporting systems emphasizing feedback and transparency.

It was noted that the Company's management, as of December 31, 2013, consisted of a President, Secretary, Treasurer and Chief Financial Officer. In accordance with the Company's Bylaws, the Board consisted of three board members. Information regarding the Board members and officers can be found in the "Management and Control" section of this report.

The appropriateness of the Company's organizational structure and its ability to provide the necessary information flow to manage its activities were considerations in obtaining an understanding of the organizational structure. This consideration also encompassed an understanding of the assignment of authority and responsibility. It was noted that the Company maintained informal internal control policies during the period under examination. Management maintained controls over its IT environment and frequently corresponded with its external auditors, Plante & Moran. The management structure of the Company showed clear assignment of responsibilities within the Company. It was determined that the Company exhibited acceptable internal controls for the size and nature of the Company; however, additional procedures need to be implemented in the area of segregation of duties.

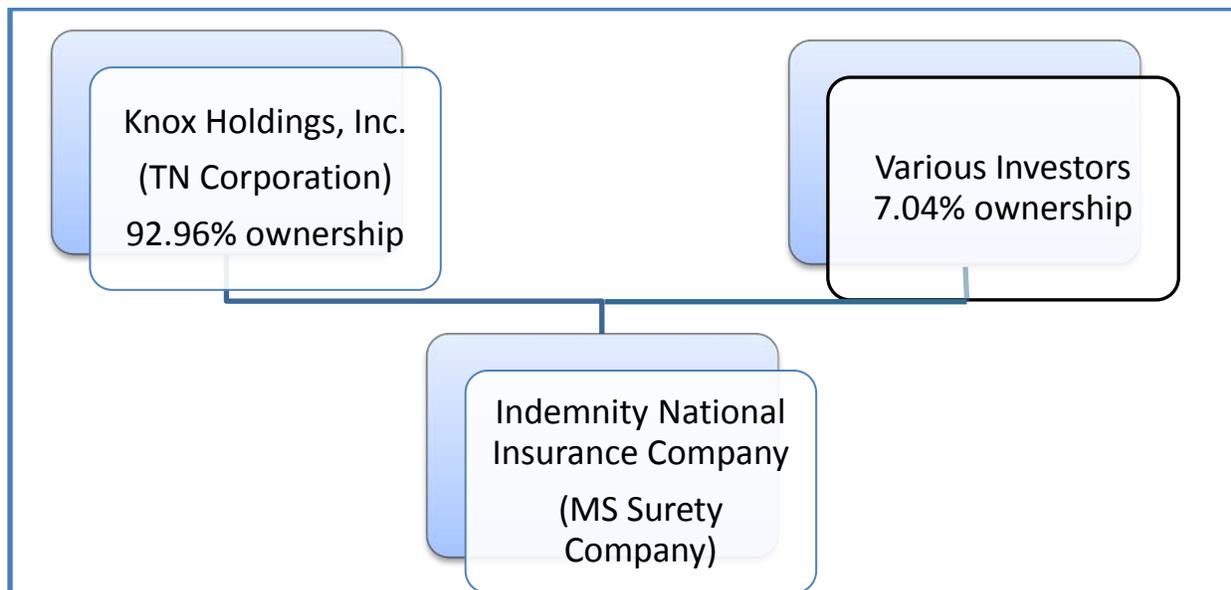
Management competence was a consideration in the overall assessment of corporate governance. Factors such as management's experience level and management turnover were considered as part of the assessment. It was determined that management had significant experience with the Company and the surety bond industry.

The Company's enterprise risk management was informal. Risk management was discussed in regular meetings by management and plans were developed to manage and mitigate those risks. Management interacted and communicated frequently.

## **HOLDING COMPANY STRUCTURE**

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.

### **Organizational Chart**



The above organizational chart represents the direct ownership of the Company. The complete organizational chart is included as Appendix A to this report.

### **Parent and Subsidiaries:**

**KNOX HOLDINGS, INC ("Knox"):** Knox Holdings, Inc. is a Tennessee corporation organized in August 31, 2005 for purpose of acquiring Great River Insurance Company.

## **Related Party Transactions**

### **Tax Sharing Agreement among Affiliates:**

The Company and Knox entered into an Intercompany Tax Sharing Agreement effective January 1, 2006. Pursuant to the terms of the agreement, the Company will file a consolidated tax return and pay any taxes due on or before the due date. The Company will compute its tax as if a separate return was filed using currently applicable federal income tax rates. If the Company has a tax due, the amount will be paid to Knox on a quarterly basis. If the Company has a net loss that will reduce the consolidated tax liability, Knox will reimburse the Company on a quarterly basis. This agreement appears to be in compliance with the requirements of SSAP No. 25.

### **Investment Advisory Agreement:**

Effective January 1, 2006, the Company entered into an investment advisory agreement with CKS Advisors, LLC, now NFC Investments. The agreement states that NFC Investments will provide investment advice and investment management services. Investment fees will be charged a rate of six-tenths of one percent (0.6%) of the monthly market value to be paid monthly in arrears. For the year end December 31, 2013, the Company paid NFC Investments, LLC \$99,810. This agreement appears to be in compliance with the requirements of SSAP No. 25.

## **FIDELITY BOND AND OTHER INSURANCE**

The Company had a comprehensive corporate insurance program in place, which included commercial general liability and commercial property; as well as, other policies deemed appropriate by management. At December 31, 2013, the Company was covered by a financial institutions bond with a \$500,000 single loss limit. The amount recommended by the NAIC was \$175,000. It is noted the Company is in compliance with the Financial Examiners Handbook requirements.

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

The Company had three employees that performed its day-today operations. The Company provided paid vacation, holidays, and sick leave for these employees. The Company does not currently offer pension, stock ownership and insurance plans to its employees.

## TERRITORY AND PLAN OF OPERATION

As of December 31, 2013, the Company was authorized to write the following lines of business in the State of Mississippi:

Accident & health	Industrial fire
Automobile physical damage/liability	Inland marine
Boiler and machinery	Legal
Casualty/liability	Mortgage guaranty
Fidelity	Ocean marine
Fire/allied lines	Plate glass
Guaranty	Surety
Home/farm owners	Title
Workers' compensation	

As of December 31, 2013, the Company was licensed in the following states:

Alabama	Arizona	Arkansas	Colorado
Georgia	Kentucky	Louisiana	Mississippi
Nevada	New Mexico	Oklahoma	South Carolina
Tennessee	Texas	Utah	

INIC's single line of business is coal reclamation surety bonds marketed through a limited number of agents. These bonds warrant that land used for coal mining will be returned to its pre-existing condition. For the year ended December 31, 2013, approximately 98% of the Company's direct premiums were written in the State of Kentucky. As of December 31, 2013, the Company had approximately 1,790 bonds outstanding.

## 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.

	2013	2012	2011	2010
Change in surplus	\$ (575,059)	\$ 219,686	\$ (872,645)	\$ 950,369
Ratio of premiums to capital and surplus	.20 to 1	.20 to 1	.20 to 1	.19 to 1
Ratio of assets to liabilities	3.0 to 1	3.3 to 1	3.5 to 1	3.9 to 1
Ratio of revenues to expenses	1.7 to 1	1.7 to 1	2.0 to 1	1.6 to 1
Cash flows from operations	\$ 1,646,015	\$ 1,583,425	\$ 1,835,893	\$ 1,821,571
Net income (loss)	\$ 1,502,111	\$ 1,615,342	\$ 1,835,893	\$ 1,821,571

## REINSURANCE

### Reinsurance Intermediary:

The Company used the services of the Integro Insurance Brokers, Limited, a Mississippi licensed reinsurance intermediary.

### Ceded Reinsurance Agreements:

The Company had two reinsurance agreements in force as of the examination date. These agreements were in excess of loss agreements with various Lloyd's Underwriting Syndicates and R&V Allgemeine Versicherung Ag. and provide reinsurance on any occurrence in excess of \$2,000,000 up to \$22,500,000 per principal.

## ACCOUNTS AND RECORDS

The Company's 2013 trial balances were tied to the financial statements within the statutory annual statements filed with the MID, with no material exceptions noted. The Company was audited annually by an independent CPA firm. The Company utilized the services of a consulting actuary to review loss and loss adjustment expenses and provide an actuarial opinion to be submitted to the MID.

The Company is licensed as a multi-line insurance company pursuant to Miss. Code Ann. § 83-19-31(1)(b), which requires the Company to maintain a minimum capital of \$600,000 and surplus of \$900,000. Pursuant to Miss. Code Ann. § 83-5-55, the Company is required to file an NAIC Property and Casualty 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.

It was noted that Other Invested Assets (Schedule BA) exceeded the statutory limitation of ten percent (10%) of total admitted assets as permitted by Miss. Code Ann. § 83-19-51(2). The adjustment for the excess in the amount of \$218,459 was considered immaterial and no financial statement adjustment was included in the financial statements included in this report at pages 11 through 14. It is recommended the Company appropriate non-admit assets in excess of statutory limitations as established by Miss. Code Ann. § 83-19-51(2).

It was noted that as of December 31, 2013, the Company's surety bond detail included surety bonds issued to a single principal in excess of the U. S. Treasury underwriting limitation. Code of Federal Regulation ("CFR") Part 223.10 states that "no company shall underwrite any risk on any bond or policy on behalf of any corporation the amount of which is greater than ten percent of the paid – up capital and surplus of such company". In addition, Miss. Code Ann. § 83-27-9, states that "no company shall be accepted as a surety on any bond for an amount larger than one tenth (1/10) of the company's paid up capital and surplus as reflected in its last annual statement, unless it shall be secured from loss beyond such amount by reinsurance in an authorized company or by the amount

of any "cosuretyship". It is recommended the Company implement procedures to ensure that no bonds are issued to a single principal in excess of the U. S. Treasury underwriting limitation (CFR 223.10) and Miss. Code Ann. § 83-27-9.

### **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, 2013:

<b>Description of Security</b>	<b>State Deposited</b>	<b>Book/Adjusted Carrying Value</b>	<b>Fair Value</b>
Bonds	Arkansas	\$ 208,108	\$ 197,228
Bonds	Georgia	75,000	75,270
Bonds	Mississippi	1,700,804	1,713,193
Bonds	New Hampshire	300,728	304,782
Bonds	New Mexico	630,097	648,505
Total		<b>\$ 2,914,737</b>	<b>\$ 2,938,978</b>

## **FINANCIAL STATEMENTS**

### **Introduction**

The following financial statements consist of a Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2013, a Statement of Income for the year ended December 31, 2013, a Reconciliation of Surplus as Regards Policyholders for the examination period ended December 31, 2013 and a Reconciliation of Examination Adjustments to Surplus as Regards Policyholders at December 31, 2013.

**Statement of Assets, Liabilities, Surplus and Other Funds  
December 31, 2013**

<b>Assets</b>	
Bonds	\$ 8,115,674
Preferred stock	2,427,447
Common stock	3,365,426
Cash and short-term investments	834,280
Derivatives	141,760
Other invested assets	1,957,078
Receivables for securities	271,759
Investment income due and accrued	108,197
Uncollected premiums and agents' balances in the course of collection	164,566
<b>Total assets</b>	<b>\$ 17,386,187</b>
<b>Liabilities, Surplus and Other Funds</b>	
Losses	\$ 2,739,877
Loss adjustment expenses	1,105,806
Other expenses	3,353
Taxes, licenses and fees	32,111
Current federal and foreign income taxes	136,558
Net deferred tax liability	232,907
Unearned premiums	1,502,887
Ceded reinsurance premiums payable (net of ceding commissions)	(137,053)
Amounts withheld or retained by company for account of others	200,000
<b>Total liabilities</b>	<b>5,816,446</b>
Common capital stock: \$65 par value; 100,000 shares authorized; 33,859 shares issued and outstanding	2,200,245
Gross paid-in and contributed surplus	10,499,960
Unassigned funds (surplus)	(1,130,464)
<b>Surplus as regards policyholders</b>	<b>11,569,741</b>
<b>Total liabilities, surplus and other funds</b>	<b>\$ 17,386,187</b>

**Statement of Income**  
**For the Examination Period Ended December 31, 2013**

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**Underwriting Income**

Premiums earned	\$ 2,324,412
Losses incurred	596,144
Loss adjustment expenses incurred	108,389
Other underwriting expenses incurred	877,659
<hr/>	
Total underwriting deductions	1,582,192
<hr/>	
Net underwriting gain (loss)	742,220

**Investment income**

Net investment income earned	1,020,232
Net realized capital gains	184,911
<hr/>	
Net investment gain (loss)	1,205,143
<hr/>	
Net income before federal income taxes	1,947,363
<hr/>	
Federal and foreign income taxes	445,252
<hr/>	
Net income	\$ 1,502,111
<hr/>	

**Reconciliation of Surplus as Regards Policyholders  
For the Examination Period Ended December 31, 2013**

	2013	2012	2011	2010
Surplus as regards policyholders, beginning of the year	\$ 12,144,800	\$ 11,925,114	\$ 12,797,759	\$ 11,847,390
Net income	1,502,111	1,615,342	1,412,612	1,309,700
Change in net unrealized capital gains	685,330	310,536	(791,191)	496,554
Change in net deferred income tax	(98,643)	(566,282)	204,325	601,361
Change in non-admitted assets	-	2,218,490	(693,043)	(515,307)
Capital changes: paid in	50,063	50,075	50,006	50,061
Dividends to stockholders	(2,713,920)	(3,408,475)	(1,055,354)	(992,000)
Surplus as regards policyholders, end of the year	\$ 11,569,741	\$ 12,144,800	\$ 11,925,114	\$ 12,797,759

**RECONCILIATION OF EXAMINATION ADJUSTMENTS TO SURPLUS AS REGARDS  
POLICYHOLDERS  
DECEMBER 31, 2013**

There were no changes made to the admitted assets, liabilities or surplus balances reported by the Company for the year ended December 31, 2013. Surplus as regards policyholders, which totaled \$11,569,741 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.

### **Policyholder Service**

The examiners noted no complaints filed with the Company or the MID during the period under examination.

### **Underwriting and Rating**

Based upon procedures performed during the course of the examination, the Company appeared to be appropriately applying premium rates for surety bonds based on application data and was actively underwriting bonds on an individual basis.

### **Producer Licensing**

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

## **COMMITMENTS AND CONTINGENT LIABILITIES**

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

## **COMMENTS AND RECOMMENDATIONS**

1. It is recommended the Company appropriately non-admit assets in excess of statutory limitations as established by Miss. Code Ann. § 83-19-51(2).
2. It is recommended the Company implement procedures to ensure that no bonds are issued to a single principal in excess of the U. S. Treasury underwriting limitation (CFR 223.10) and Miss. Code Ann. § 83-27-9.

## **SUBSEQUENT EVENTS**

Subsequent to the examination date, the following actions were taken in regard to items contained within the "Comments and Recommendations" sections of this report:

In April, 2014, the Company discovered that bonds had been issued to a principal in excess of the U. S. Treasury underwriting limitation (CFR 223.10) and Miss. Code Ann. § 83-27-9. The Company cancelled the bonds and placed the bonds with another carrier.

## ACKNOWLEDGMENT

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

Administrative Examiner	Jimmy Blissett, CFE
Examiner-in-charge	Kimberly Strong, CPA, CFE
Consulting Actuary	Robert P. Daniel, ACAS, MAAA
Examiner	Mary Anne King, CPA
Examiner	Todd Merchant, CPA
Investment Specialist	Charles E. Ross, Attorney
Investment Specialist	Jane Meynardie, Attorney

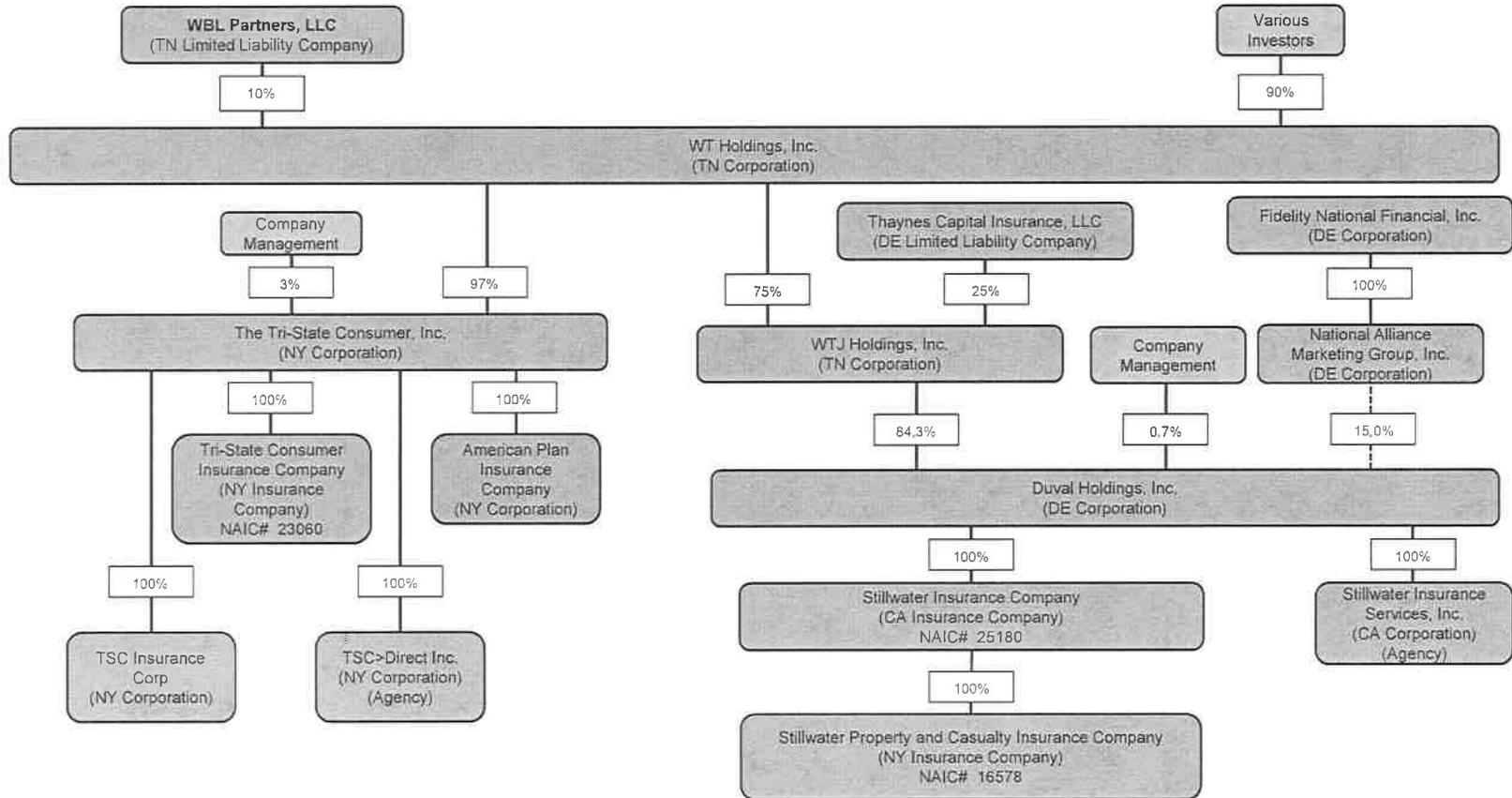
The courteous cooperation of the officers and employees responsible for assisting in the examination is hereby acknowledged and appreciated.

Respectfully submitted,



Kimberly Strong, CPA, CFE  
Examiner-in-charge

**Insurance Holding Company Systems Included by the NAIC in Group Code #4765**



As of December 31, 2013 (continued)

Insurance Holding Company Systems Included by the NAIC in Group Code #4765

