



MISSISSIPPI INSURANCE DEPARTMENT

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MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MARK HAIRE
Deputy Commissioner of Insurance

RICKY DAVIS
State Chief Deputy Fire Marshal

June 23, 2015

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

Mr. Laurence Edmond Favreau
Executive Vice President & CEO
Southern Farm Bureau Life Insurance Company
1401 Livingston Lane
Jackson, MS 39213

RE: Report of Examination as of December 31, 2013

Dear Mr. Favreau:

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

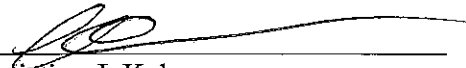
Pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 2011), the Mississippi Department of Insurance shall continue to hold the content of said report as private and confidential for a period of ten (10) days from the date of the Order. After the expiration of the aforementioned 10-day period, the Department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

CAUSE NO. 15-6875

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 Southern Farm Bureau Life Insurance Company is a Mississippi-domiciled company licensed to write Accident and Health; Life; and Variable Contracts 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 Southern Farm Bureau Life Insurance Company and appointed Dale Miller, Examiner-In-Charge, to conduct said examination.

IV.

On or about May 11, 2015, the draft Report of Examination concerning Southern Farm Bureau Life Insurance Company for the period of January 1, 2010, through December 31, 2013, was submitted to the Department by the Examiner-In-Charge, Dale Miller.

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 and all relevant examiner work papers, that the Report of Examination of Southern Farm Bureau Life 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, Southern Farm Bureau Life 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 Southern Farm Bureau Life 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 23rd day of June 2015.




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 23rd day of June 2015, to:

**Mr. Laurence Edmond Favreau,
Executive Vice President & CEO
Southern Farm Bureau Life Insurance Company
1401 Livingston Lane
Jackson, MS 39213**



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

**SOUTHERN FARM BUREAU LIFE INSURANCE
COMPANY**

as of

December 31, 2013

TABLE OF CONTENTS

Examiner Affidavit	1
Salutation	2
Scope of Examination	3
Comments and Recommendations of Previous Examination	3
History of the Company	3
Corporate Records	4
Management and Control.....	5
Stockholders	5
Board of Directors	5
Committees.....	6
Officers	7
Conflict of Interest.....	8
Corporate Governance.....	8
Holding Company Structure	9
Related Party and Other Transactions	10
Fidelity Bond and Other Insurance	11
Pensions, Stock Ownership and Insurance Plans.....	12
Territory and Plan of Operation	12
Growth of Company	13
Mortality and Loss Experience	13
Reinsurance.....	13
Accounts and Records.....	16
Statutory Deposits.....	16
Financial Statements	17
Introduction	17
Statement of Admitted Assets, Liabilities, Surplus And Other Funds – Statutory.....	18
Summary of Operations – Statutory	19
Reconciliation of Capital and Surplus.....	20

Reconciliation of Examination Adjustments to Surplus.....	21
Market Conduct Activities.....	22
Policy Forms and Underwriting.....	22
Advertising and Sales Materials	22
Treatment of Policyholders.....	22
Producer Licensing	22
Privacy	22
Commitments and Contingent Liabilities	23
Subsequent Events	23
Comments and Recommendations.....	23
Acknowledgment	24

**EXAMINER'S AFFIDAVIT AS TO STANDARDS AND
PROCEDURES USED IN AN 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 Southern Farm Bureau Life 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 work papers and examination report, and the examination of Southern Farm Bureau Life 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.

R. Dale Miller

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

Subscribed and sworn before me by R. Dale Miller on this 29th day of May, 2015.

April D. McDonald
Notary Public



My commission expires October 10, 2016 [date].



MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MARK HAIRE
Deputy Commissioner of
Insurance

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April 30, 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:

SOUTHERN FARM BUREAU LIFE INSURANCE COMPANY

1401 Livingston Lane
Jackson, MS 39213

License #	NAIC Group #	NAIC #	FEETS#	ETS#
7700438	0000	68896	68896-MS-2013-4	MS129-M9

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

SCOPE OF EXAMINATION

We have performed a multi-state examination of Southern Farm Bureau Life Insurance Company (“Company” or “SFBLIC”). 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* (“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

There were no comments and/or recommendations deemed necessary for inclusion in the previous examination report.

HISTORY OF THE COMPANY

In 1946, the State Farm Bureau Federations in the states of Alabama, Arkansas, Kentucky, Mississippi, and Texas organized individual investment corporations for the sole purpose of organizing the Company. On October 31, 1946, and with authorized capital of \$200,000, SFBLIC was incorporated under the laws of the State of Mississippi as a life insurance company, with business officially commencing on December 18, 1946. On July 15, 1947, those five State Farm Bureau Federations and their investment corporations entered into an Agreement and Declaration of Trust (the “Charter Treaty”), which, among other provisions, contained certain restrictions on transfer of the capital stock of the Company.

In 1972, the articles of association were amended, increasing the Company’s authorized capital to \$1,000,000; divided into 10,000 shares of \$100 par value common capital stock. Also, the Alabama Farm Bureau withdrew from the American Farm Bureau Federation and, during this same year, the Company reacquired and later cancelled the stock issued to Alabama Farm Bureau Investment Corporation, and the Charter Treaty was amended to reflect this change. In addition, during 1973, the Company issued shares of its capital common stock to companies

controlled by State Farm Bureau Federations in the states of Georgia, Louisiana, North Carolina, South Carolina, and Virginia, and the Charter Treaty was again amended to reflect this change.

Pursuant to a stockholder vote on February 21, 1983, the articles of association were further amended, increasing the Company's authorized capital to \$2,000,000; divided into 20,000 shares of \$100 par value common stock.

On October 29, 1984, Florida Farm Bureau Holding Company purchased 400 shares of the Company's common stock and, as a stock dividend, the Company issued 960 shares of its common stock to same. The Charter Treaty was again amended to reflect this change. Florida Farm Bureau Life Insurance Company merged into SFBLIC effective January 1, 1985.

On March 17, 1994, and October 7, 1997, the Company disclaimed control by and affiliation with its shareholders and their parent companies pursuant to Miss. Code Ann. §83-6-17, which was approved by the Commissioner of Insurance for the State of Mississippi. On October 19, 2004, the Charter Treaty was amended and its stated term was extended to perpetuity.

On November 25, 2002, the Company's wholly owned subsidiary, Southern Capital Brokerage Company, LLC, ("Southern Brokerage" or "SCBC") was incorporated for the purpose of selling of insurance products not directly offered by the Company, such as long term care, disability insurance, and cancer and survivor life insurance.

On October 16, 2007, the articles of associations and the bylaws of the Company were amended and restated, and were approved by the Commissioner of Insurance for the State of Mississippi on January 7, 2008. Such approval did not include or extend to an approval, either in whole or in part, of the Charter Treaty or the terms and conditions thereof.

SFBLIC reached an agreement in principle with the Colorado Farm Bureau Mutual Insurance Company to sell its products in Colorado under the Farm Bureau name through the Colorado Farm Bureau agency force. SFBLIC received a Certificate of Authority and was licensed by the State of Colorado on February 11, 2010.

CORPORATE RECORDS

The minutes of the meetings of the stockholders and Board of Directors, 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 report.

MANAGEMENT AND CONTROL

Stockholders

As of December 31, 2013, the Company had 15,000 outstanding shares of common capital stock with a par value of \$100 per share. The Company was owned by the Farm Bureau Investment Corporations in Arkansas, Kentucky, Mississippi, Texas, Louisiana, South Carolina, and North Carolina, and holding corporations in Virginia, Florida, and Georgia, which are controlled by the Farm Bureau Federation in each state respectively. Each shareholder owns 10% (1,500 shares). The Company paid dividends to its stockholders during the examination period of \$98,550, \$101,250, \$104,100 and \$106,950 for 2013, 2012, 2011 and 2010, respectively.

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, year elected/appointed, and principal occupation, at December 31, 2013, were as follows:

Name and Residence	Year Elected/Appointed	Principal Occupation
Ronald Ray Anderson Ethel, LA	1990	Farmer
Kenneth William Dierschke San Angelo, TX	2001	Farmer and President of Texas Farm Bureau
Vincent Mearl Duvall, Sr. Greensboro, GA	2007	Farmer and President of Georgia Farm Bureau Federation
Ben Martin Gramling, II Gramling, SC	1998	Chairman of the Board of Gramling Bros, Inc.
Mark Edwin Haney Nancy, KY	2006	Farmer and President of Kentucky Farm Bureau Federation
Jim Toney Harper Cheneyville, LA	2009	Farmer
Richard Edward Hillman Carlisle, AR	2009	Farmer
John Lawrence Hoblick DeLeon Springs, FL	2007	Farmer and President of Florida Farm Bureau Federation
Randy Lee Knight Pelahatchie, MS	2011	Farmer and President of Mississippi Farm Bureau Federation
Gerald Wilton Long Bainbridge, GA	2009	Farmer

Billy Regionald Magee Mt. Olive, MS	2007	Farmer
Eddie Alan Melton Sebree, KY	2010	Farmer
Gordon Ralph Metz, Jr. Martinsville, VA	2013	Farmer
Wayne Franklin Pryor Goochland, VA	1999	Farmer and President of Virginia Farm Bureau Federation
Joseph Brantley Schirard, Jr. Fort Pierce, FL	2011	Farmer
Robert David Stubblefield Colorado City, TX	2013	Farmer
Harry Randall Veach Manila, AR	2004	Farmer and President of Arkansas Farm Bureau Federation
Malcolm Scott Whitford Grantsboro, NC	2013	Farmer
David Milton Winkles, Jr. W. Columbia, SC	1998	President of South Carolina Farm Bureau Federation
Larry Bernard Wooten Raleigh, NC	2000	Farmer and President of North Carolina Farm Bureau Federation

Committees

During the time period covered by this examination, the following committees were utilized by the Company to carry out certain specified duties: Audit Committee, Executive Committee, Compensation Committee, and Investment Committee. The minutes to these committees were reviewed and appeared to be in order and the committees appeared to be provided appropriate oversight by the Board.

Audit Committee:

The Audit Committee's purpose is to review the report of the independent auditors, approve the independent auditors' report, pre-approve non-audit services from the Company's auditors, and approve auditors for the following years.

Executive Committee:

The Executive Committee's purpose is to review, receive, and file the reports of the Executive Vice President, Chief Executive Officer, Marketing and Investment Committee and the review of financial statements.

Compensation Committee:

The Compensation Committee's purpose is to review and recommend changes to the compensation program and the retirement program. They also approve recommendations to the Board for increases in officers' salaries.

Investment Committee:

The Investment Committee is authorized by Section 2, Article V of the by-laws to buy and sell certain investments for and on behalf of the Company.

The following officers and directors served on the aforementioned committees at December 31, 2013.

Executive	Audit	Compensation	Investment
Larry B. Wooten, Chairman	David M. Winkles, Chairman	Larry B. Wooten, Chairman	Laurence E. Favreau, Chairman
Ronald R. Anderson	Kenneth W. Dierschke	Ronald R. Anderson	Larry B. Wooten, Ex Officio
Kenneth W. Dierschke	John L. Hoblick	Vincent M. Duvall, Sr.	H. Lusby Brown
Vincent M. Duvall, Sr.	Wayne F. Pryor	Mark E. Haney	Richard G. Fielding
Mark E. Haney	Harry R. Veach	Randy L. Knight	Philip R. Hogue
John L. Hoblick			Robert E. Ward, Jr.
Randy L. Knight			Randy M. Johns
Wayne F. Pryor			David B. Hurt
Harry R. Veach			Kenneth P. Johnston
David M. Winkles, Jr.			Joseph A. Purvis, Secretary

Officers

Name	Number of Years with the Company	Title
Larry Bernard Wooten	7*	Chairman of the Board & President
David Milton Winkles, Jr.	7*	First Vice President
Laurence Edmond Favreau	39	Executive Vice President & Chief Executive Officer
Robert Elgin Ward, Jr.	31	Senior Vice President, Chief Financial Officer
David Brannan Hurt	13	Senior Vice President, Marketing

Randy Mitchael Johns	33	Senior Vice President, Policy Admin & Asst. Sec
Joseph Alexander Purvis	23	Senior Vice President, General Counsel & Secretary
Horace Lusby Brown	7	Senior Vice President, Chief Investment Officer
Richard Gerard Fielding	31	Senior Vice President, Chief Actuary & Risk Officer
Danny Earl Collins	38	Vice President, Underwriting
David Newell Duddleson , M.D.	26	Vice President, Medical Director
Philip Roland Hogue	38	Vice President, Realty Investments
Shelia Renee Hudson	24	Vice President, Internal Auditing
Kenneth Paul Johnston	26	Vice President, Product Development
William Perry McGaugh	27	Vice President, Legal
Billy Earl Sims	36	Vice President, Human Resources
Elmore J. Trosclair	36	Vice President, Agency
Patricia Diane Boyette	7	Vice President, Chief Compliance Officer
Charles Reed Allen	29	Vice President, Chief Technology Officer
Nancy Case Baker	27	Vice President, Claims
David Mark Simmonds	24	Vice President, Controller

** These two members also serve on the Company's Board. They are not part of Company management and are not compensated for their roles as officers. Their roles are strictly titular and are not engaged in the day-to-day operations of the Company.*

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 their official duties. These procedures were reviewed, and no conflicts or exceptions to the Company's policies were noted.

Corporate Governance

The Board's involvement and oversight along with its independence from management was considered during the course of our examination. Other key variables in our consideration of the

Board's involvement included but were not limited to factors such as: (1) the frequency of Board meetings, (2) the type of information communicated to the Board prior to meetings and the topics discussed along with the depth and quality of discussions and (3) key communication channels to and from management to the Board along with the overall "tone at the top". Information regarding the Board members, committees and other related information can be found in the Management and Control section of this report.

The appropriateness of the entity's organizational structure, and its ability to provide the necessary information flow to manage its activities were considerations in obtaining our understanding of the organizational structure. This included consideration of the entity's centralized structure and its ability to communicate information upstream, downstream and across all business activities. Management's competence was also considered in the overall assessment of corporate governance. In our review of this area; we considered factors such as (1) experience level within the Company of key management, (2) management turnover and (3) previous experience of key management.

Our consideration of corporate governance encompassed the risk management function through discussions with senior management and members of the Board and through gaining an understanding of the risk management function including inspection of relevant risk management documentation. The Company has established a top-down risk based methodology and adopted the COSO framework. Also, the Company appointed the Chief Actuary as the Chief Risk Officer who assumed the enterprise risk management ("ERM") responsibility in addition to regular responsibilities. The ERM Committee structure consists of three levels, an ERM Steering Committee, an ERM Core Committee and an ERM Alliance Committee. The majority of the communication for the ERM Committee is by way of the Audit Committee.

During our consideration of corporate governance, it was noted that the Company had a robust Internal Audit Department that included significant communication between the Vice President of Internal Audit and the Chairman of the Audit Committee for the Board. The Vice President of Internal Audit prepared an audit plan each year based on a risk assessment, management requests and mandatory compliance audits. This audit plan was reviewed and approved by the Audit Committee of the Board. The internal audit group functioned independently from senior management with internal audit reports being provided directly to the Audit Committee members. The Vice President of Internal Audit also submitted quarterly reports to the Audit Committee of the Board and had a direct line of communication for feedback, questions and guidance.

HOLDING COMPANY STRUCTURE

Holding Company Registration Statements were filed with the MID through December 31, 2010, in accordance with Miss. Code Ann. § 83-6-5 and § 83-6-9. During 2010, the Company dissolved and liquidated Southern Farm Bureau Fund Distributor ("SFBFD" or "Southern Fund Distributor"), a non-insurance subsidiary, and applied for withdrawal of the state licenses of its insurance subsidiary, Southern Capital Life Insurance Company ("SCLIC" or "Southern

Capital”). On December 30, 2010, SFBFD and SCLIC merged their common capital stock and surplus into the Company and transferred net assets with a book value totaling \$7,506,575. Due to the merger of these subsidiaries, and as a result of consultation with the MID, the Company discontinued filing the Holding Company Annual Registration Statement after year end 2010.

SFBLIC is owned by entities controlled by the Farm Bureau Federations in the States of Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Texas, and Virginia. Each shareholder owns 10% of SFBLIC’s outstanding stock. As previously mentioned, the Company has disclaimed control by and affiliation with its shareholders and their parent companies pursuant to Miss. Code Ann. §83-6-17, which was filed by the Commissioner of Insurance for the State of Mississippi.

The Company’s remaining wholly owned subsidiary, Southern Capital Brokerage was incorporated for the purpose of selling of insurance products not directly offered by the Company, such as long term care, disability insurance, and cancer and survivor life insurance.

Related Party and Other Transactions

The Company had various agreements with the Farm Bureau Federations and Farm Bureaus located in counties of the states in which business was conducted. According to management, these agreements provided the Company with greater operating efficiency and prompt service to its policyholders. These agreements provided reimbursement for the cost of office space and clerical assistance, as well as the use of the Farm Bureau name and logo within the related territory. The amounts paid in regard to these agreements were \$26,399,962, \$26,039,761, \$19,694,790 and \$18,607,653 in 2013, 2012, 2011 and 2010, respectively.

The Company entered into Sponsorship Agreements with each of the State Farm Bureaus of Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Texas, and Virginia. The agreements call for payment of the sum of \$1,000,000 to each of the State Farm Bureaus, payable in periodic payments for 10 years beginning in 2005. The agreements provide the Company with the right to sponsor one or more mutually agreeable Farm Bureau events or programs for a period of 10 years beginning in 2005. The total liability at December 31, 2013, 2012, 2011 and 2010 was \$947,867, \$1,846,920, \$2,697,933, and \$3,505,150 respectively.

As previously mentioned, the Company dissolved and liquidated Southern Fund Distributor and applied for withdrawal of the state licenses of Southern Capital. Prior to these events, the Company allocated certain expenses to its subsidiaries, principally Southern Capital. Southern Capital remitted a management fee to the Company as reimbursement for these expenses. Such allocated expenses aggregated approximately \$25,000 in 2010. The federal income taxes were allocated to the Company’s subsidiaries as though separate tax returns were filed.

On July 15, 2009, the Company executed a promissory note with Southern Capital Brokerage in the principal sum of \$3,000,000, with an annual interest rate of 4%. On January 1, 2010, the Company executed an additional promissory note in the principal sum of \$3,500,000, with an

annual interest rate of 4%. On January 1, 2013, the Company consolidated the two aforementioned promissory notes for the remaining principal balance of \$5,500,000, with an initial interest rate of 2.25% adjusted January 1st of each year to reflect the then current Fed Funds rate plus 200 basis points. The promissory note is due and payable on demand, and the Company may prepay the note at any time without prepayment penalty. At December 31, 2013, 2012, 2011 and 2010, the Company's liability for borrowed money payable to SCBC was \$5,000,000, \$5,500,000, \$6,500,000 and \$6,500,000, respectively. Interest payments on the promissory notes totaled \$123,658, \$260,000, \$260,000 and \$315,000 in 2013, 2012, 2011 and 2010, respectively.

On April 19, 2006, the Company purchased a surplus note in the amount of \$25,000,000 from Mississippi Farm Bureau Casualty Insurance Company. The stated interest rate on the note was equal to the interest rate payable on a 20 year U.S. Treasury Bond as of the surplus note date. The rate readjusts every second anniversary date equal to the current interest rate payable on the aforementioned bond. The note has a maturity date of April 19, 2026. The principal balance remained \$25,000,000 for each year under examination.

On June 21, 2010, the Company purchased a surplus note in the amount of \$2,349,637 from Oklahoma Farm Bureau Mutual Insurance Company. The stated interest rate on the note was 9.5%. The note contains a credit of 2% simple interest per annum for any and all principal paid to the payee on or before July 1, 2020. The note has a maturity date of July 1, 2040. The principal balance remained \$2,349,637 for each year under examination.

On December 27, 2011, the Company purchased a surplus note in the amount of \$30,000,000 from Virginia Farm Bureau Mutual Insurance Company. The stated interest rate on the note is 7.5%, with the possibility of a reduction to 5.5% if certain future criteria are met. The note has a maturity date of December 27, 2031. The principal balance remained \$30,000,000 for years ended 2013, 2012 and 2011.

During the examination period, the aforementioned surplus notes were carried on the Company's Schedule BA, "Other Long Term Invested Assets", as unaffiliated capital notes.

FIDELITY BOND AND OTHER INSURANCE

The Company maintained a comprehensive corporate insurance program. This program included commercial general liability and commercial property, as well as other policies, as deemed appropriate by the Company's management. The Company also maintained directors and officers coverage, professional liability coverage, cyber liability coverage, and fidelity coverage that, with its \$5 million single loss limit of liability, exceeded the NAIC's suggested minimum amount for fidelity coverage of \$4,000,000.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company provided a non-contributory defined benefit pension plan, a contributory defined contribution plan, a post-retirement benefit plan, and various other deferred compensation plans for its directors, officers, and employees. Provisions were made within the financial statements for obligations under such plans

TERRITORY AND PLAN OF OPERATION

The Company is authorized to conduct ordinary life insurance business in the states of Arkansas, Colorado, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Texas, and Virginia. Wherein, the Company markets a portfolio of traditional and interest-sensitive life insurance products and single and flexible premium deferred annuity contracts through joint operations with the ten property and casualty insurance companies that represent the Farm Bureau Federations throughout its territorial region, as well as in the state of Colorado. Through this captive distribution system, sales and services for a full line of insurance products were offered by approximately 4,000 career multi-line agents who worked through offices located in counties within the territorial regions.

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
Total admitted assets, less separate accounts	12,661,296,957	12,237,389,459	11,646,959,969	11,103,107,515
Total liabilities, less separate accounts	10,334,102,668	10,155,131,839	9,742,804,515	9,321,141,918
Total capital and surplus	2,327,194,289	2,082,257,620	1,904,155,454	1,781,965,597
Net cash from operations	316,965,455	435,389,960	508,354,849	567,392,719
Total adjusted capital	2,589,527,582	2,355,749,768	2,169,664,071	2,025,498,521
Authorized control level risk-based capital	165,146,234	184,644,900	183,695,077	145,951,313
Net earned premium income	785,688,553	852,203,194	906,879,022	914,954,680
Net Investment income	544,606,208	559,100,555	555,025,535	529,471,080
Capital gains & losses				
Net income	149,776,839	148,760,944	149,969,192	92,707,333
Net income/capital and surplus (ROE)	6.4%	7.1%	7.9%	5.2%
Net premium & deps/capital and surplus	33.8%	40.9%	47.7%	51.5%
Total benefits & exp/premium & deps	150.0%	144.1%	140.9%	141.7%
Investment yield	4.5%	4.9%	5.1%	5.1%
Non-inv grade bonds/total bonds	1.9%	2.7%	2.8%	2.9%

MORTALITY AND LOSS EXPERIENCE

The MID contracted with Jeffrey A. Beckley, FSA, MAAA of Actuarial Options LLC to review the actuarial analysis supporting the Company's carried aggregate reserves for life contracts, aggregate reserve for accident and health contracts, uncollected premiums and agent balances, deferred premiums, liability for deposit type contracts, contract claims, and advance premiums. No adjustments to the financial statements were made. The actuarial examination indicated that the Company generally followed accurate and appropriate procedures in determining its actuarial assets, reserves and liabilities.

REINSURANCE

In accordance with the Risk Surveillance Approach contained within the Handbook, the reinsurance program of the Company was considered and no material concerns were noted. Further, no treaties were noted that contained unusual provisions, transfer of risk issues or other relevant concerns. A general description and listing of the reinsurance agreements are presented below.

Reinsurance for currently issued business was with Hannover Life Reassurance Company of America (“Hannover”) and Generali USA Life Reassurance Company (“Generali”), who has since been acquired by SCOR Global Life USA Reinsurance Company (“SCOR”). Hannover reinsured policies with surnames beginning with E-Z and SCOR with A-D. The maximum ordinary life retention for new sales was \$250,000. The maximum retention had been \$600,000 but was lowered in 2011 as a result of favorable reinsurance quotes.

The retention levels effective as of December 31, 2013, were as follows:

Issue Ages	Table A Standard* Table 1 Standard**	Tables B - F* Tables 2-6**	Tables G and Above* Tables 7-16**
0	150,000	75,000	50,000
1 to 65	250,000	250,000	250,000
Over 65	250,000	150,000	75,000

100,000 minimum cession

** Rate tables for the policies reinsured with Hannover*

***Rate tables for the policies reinsured with SCOR*

At December 31, 2013, the reinsurers were automatically bound for 100% of the excess over the Company’s retention, up to the maximum amounts shown below:

Issue Ages	Table A Standard* Table 1 Standard**	Tables B - F* Tables 2 - 6**	Tables G - P* Tables 7 - 16**	Over Table P*
0	450,000	225,000	150,000	Facultative
1 to 65	1,800,000	1,350,000	675,000	Facultative
66 to 70	900,000	450,000	225,000	Facultative
71 to 80	Facultative	Facultative	Facultative	Facultative

Heading Definitions:

- Ages – This represents the age of the insured
- Table – This represents the specific table used by the underwriting department of the Company when determining the appropriate premium. Table A (or Table 1) represents standard risk factors, while tables B through P (or Tables 2-16) represent progressively higher risk factors.

Example – If the insured is between the ages of 1-65 and qualifies for a Table A rating, the Company will retain \$250,000 and any excess up to \$1,800,000 can be automatically reinsured. However, if the amount of excess is greater than \$1,800,000, underwriting papers must be submitted for facultative review and accepted by the reinsurance company to be binding.

The jumbo limit for SFBLIC's reinsurers was \$10,000,000 at December 31, 2013. If SFBLIC had a policy that was over this amount or anywhere close to it, the Company's policy is to contact the reinsurance company to be sure that they could handle the capacity. It would be up to the reinsurer to find a retrocessionair to reinsure any excess. A reinsurer will accept more than \$10,000,000 at higher rates because they in turn have to retrocede the business. During 2014, the Company increased the jumbo limit to \$15,000,000.

A list of reinsurers with which SFBLIC has entered reinsurance agreements is as follows:

Federal ID Number	Effective Date	Name of Company	Type	Description	SPECIFICS
Life and Annuity					
13-3126819	1/1/1994	SCOR GLOBAL LIFE USA REINSURANCE CO	YRT/I	LIFE	EXCESS OF RETENTION
13-3126819	1/1/2001	SCOR GLOBAL LIFE USA REINSURANCE CO	YRT/I	LIFE	EXCESS OF RETENTION
13-3126819	1/1/2007	SCOR GLOBAL LIFE USA REINSURANCE CO	YRT/I	LIFE	EXCESS OF RETENTION
13-3126819	5/1/2011	SCOR GLOBAL LIFE USA REINSURANCE CO	YRT/I	LIFE	EXCESS OF RETENTION
59-2859797	11/1/2009	HANNOVER LIFE REASSURANCE COMPANY OF AMERICA	YRT/I	LIFE	EXCESS OF RETENTION
59-2859797	5/1/2011	HANNOVER LIFE REASSURANCE COMPANY OF AMERICA	YRT/I	LIFE	EXCESS OF RETENTION
43-1178580	1/1/1991	SCOTTISH RE LIFE CORPORATION	YRT/I	LIFE	EXCESS OF RETENTION
43-1178580	6/1/1985	SCOTTISH RE LIFE CORPORATION	YRT/I	LIFE	EXCESS OF RETENTION
42-0175020	6/7/1996	AVIVA LIFE AND ANNUITY CO	CO/I	LIFE	SWL 100% REINSURED
84-0499703	10/22/1982	SECURITY LIFE OF DENVER INSURANCE CO	CO/I	LIFE	COINSURANCE
84-0499703	6/1/1985	SECURITY LIFE OF DENVER INSURANCE CO	YRT/I	LIFE	EXCESS OF RETENTION
84-0499703	9/1/1987	SECURITY LIFE OF DENVER INSURANCE CO	YRT/I	LIFE	EXCESS OF RETENTION
84-0499703	3/1/2004	SECURITY LIFE OF DENVER INSURANCE CO	YRT/I	LIFE	EXCESS OF RETENTION
84-0499703	12/17/1946	LINCOLN NATIONAL LIFE INSURANCE CO	YRT/I	LIFE	EXCESS OF RETENTION
35-0472300	6/1/1985	LINCOLN NATIONAL LIFE INSURANCE CO	YRT/I	LIFE	EXCESS OF RETENTION
35-0472300	1/1/1988	LINCOLN NATIONAL LIFE INSURANCE CO	YRT/I	LIFE	EXCESS OF RETENTION
35-0472300	1/1/1992	LINCOLN NATIONAL LIFE INSURANCE CO	YRT/I	LIFE	EXCESS OF RETENTION
35-0472300	1/1/2001	LINCOLN NATIONAL LIFE INSURANCE CO	YRT/I	LIFE	EXCESS OF RETENTION
58-0828824	1/1/2002	MUNICH AMERICAN REASSURANCE CO	YRT/I	LIFE	EXCESS OF RETENTION
58-0828824	1/1/2002	MUNICH AMERICAN REASSURANCE CO	YRT/G	LIFE	EXCESS OF RETENTION 150,000 FOR GROUP
58-0828824	9/1/2004	MUNICH AMERICAN REASSURANCE CO	YRT/I	LIFE	EXCESS OF RETENTION
58-0828824	1/1/2007	MUNICH AMERICAN REASSURANCE CO	YRT/I	LIFE	EXCESS OF RETENTION
13-5582869	1/1/2003	NEW YORK LIFE INSURANCE CO	CO/G	LIFE	COINSURANCE
43-1235868	1/1/1991	RGA REINSURANCE CO	CO/I	LIFE	COINSURANCE
43-1235868	1/1/1992	RGA REINSURANCE CO	YRT/I	LIFE	EXCESS OF RETENTION
43-1235868	1/1/2001	RGA REINSURANCE CO	YRT/I	LIFE	EXCESS OF RETENTION
06-0839705	8/1/1951	SWISS RE LIFE & HEALTH AMERICA	YRT/I	LIFE	EXCESS OF RETENTION
06-0839705	6/1/1985	SWISS RE LIFE & HEALTH AMERICA	YRT/I	LIFE	EXCESS OF RETENTION
06-0839705	9/1/1987	SWISS RE LIFE & HEALTH AMERICA	CO/I	LIFE	COINSURANCE
06-0839705	7/1/1987	SWISS RE LIFE & HEALTH AMERICA	YRT/I	LIFE	EXCESS OF RETENTION
06-0839705	10/22/1982	SWISS RE LIFE & HEALTH AMERICA	CO/I	LIFE	COINSURANCE
06-0839705	6/1/1985	SWISS RE LIFE & HEALTH AMERICA	YRT/I	LIFE	EXCESS OF RETENTION
06-0839705	7/1/1980	SWISS RE LIFE & HEALTH AMERICA	YRT/G	LIFE	EXCESS OF RETENTION
06-0839705	1/1/2012	SWISS RE LIFE & HEALTH AMERICA	YRT/G	LIFE	EXCESS OF RETENTION 150,000 FOR GROUP
06-0839705	1/1/2012	SWISS RE LIFE & HEALTH AMERICA	YRT/I	LIFE	EXCESS OF RETENTION
75-6020048	1/1/1988	SCOR GLOBAL LIFE AMERICA'S REINSURANCE CO	YRT/I	LIFE	EXCESS OF RETENTION

Federal ID Number	Effective Date	Name of Company	Type	Description	SPECIFICS
Accident and Health					
AA-9995056	1/1/1996	AMERICAN LONG TERM CARE REINS GROUP	CO/I	LTC	80% REINSURED
06-0493340	1/1/2003	EMPLOYERS REINSURANCE CORPORATION	CO/I	LTC	80% REINSURED
13-3126819	1/1/1986	SCOR GLOBAL LIFE USA REINSURANCE CO	CO/I	DISABILTY	50% REINSURED
13-3126819	1/1/1995	SCOR GLOBAL LIFE USA REINSURANCE CO	CO/I	DISABILTY	50% REINSURED
13-5582869	1/1/2003	NEW YORK LIFE INSURANCE CO	CO/G	HEALTH	N/A - CLOSED BLOCK
Catastrophe					
59-2859797	7/1/2007	AON RE	CAT/I	CAT COVERAGE	CAT/I

ACCOUNTS AND RECORDS

The 2013 trial balance of the Company's accounts was traced to the balance sheet of the Company's statutory annual statement filed with the MID, with no exceptions noted. SFBLIC was audited annually by an independent CPA firm.

SFBLIC utilizes Windows server 2003, 2008, as well as IBM AS400 operating systems to achieve its goals. Windows Active Directory (AD) is utilized for network access security as well as to restrict access to certain folders through AD security group configuration. AS400 access is maintained via RACF. External network defenses include a Checkpoint firewall appliance and Symantec End-Point Anti-Virus software. The Company's significant applications include Life70, Ingenium, and other internally developed applications.

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 total statutory deposits as held by the various states at December 31, 2013.

Description	State Deposited	Par Value	Carrying Value	Fair Value
U.S. Treasury Strip	Mississippi	8,000,000	5,745,588	7,339,000
Total held in Mississippi		8,000,000	5,745,588	7,339,000
U.S. Treasury Strip	Arkansas	160,000	96,322	128,523
Treasury Money Market	Georgia	50,000	50,000	50,000
U. S. Treasury Strip	North Carolina	1,200,000	784,542	1,023,588
Total Held in all Other States		1,410,000	930,864	1,202,111
Total of all States		9,410,000	6,676,452	8,541,111

Southern Farm Bureau Life Insurance Company
Financial Statements
Examination as of December 31, 2013

Introduction

The following financial statements reflect the same amounts reported by the Company and consist of a Statement of Admitted Assets, Liabilities, Surplus and Other Funds - Statutory at December 31, 2013, a Summary of Operations - Statutory for the year ended December 31, 2013, and a Reconciliation of Capital and Surplus - Statutory for the examination period ended December 31, 2013.

**Statement of Admitted Assets, Liabilities, Surplus And Other Funds – Statutory
For the Examination Period Ended December 31, 2013**

Admitted Assets

Bonds	\$ 8,948,010,652
Preferred stocks	9,190,000
Common stocks	676,711,995
Mortgage loans on real estate	1,228,466,404
Real estate occupied by the company	10,546,950
Cash and short term investments	156,258,223
Contract Loans	503,529,279
Other invested assets	644,951,579
Receivables for securities	10,161,809
Investment income due and accrued	113,302,324
Uncollected premiums	7,427,202
Deferred premiums	208,870,877
Amounts recoverable from reinsurers	1,712,948
Net deferred tax asset	92,954,244
Guaranty funds receivable or on deposit	3,575,141
Electronic data processing equipment and software	5,898,537
Receivables from parents, subsidiaries and affiliates	3,213,985
Company owned life insurance	36,492,201
Other assets	22,607
Separate account assets	18,027,789
Total admitted assets	\$ 12,679,324,746

Liabilities, Capital and Surplus

Aggregate reserve for life contracts	\$ 8,812,361,819
Aggregate reserve for accident and health contracts	102,116,527
Liability for deposit-type contracts	932,619,455
Life claims payable	36,566,391
Accident and health claims payable	1,562,573
Policyholders' dividends	27,645
Dividends apportioned for payment	50,922,851
Premiums received in advance	346,187
Provision for experience rating refunds	5,060,909
Interest Maintenance Reserve	635,522
Commissions to agents due or accrued	13,553,318
General expenses due or accrued	56,407,544
Transfers to Separate accounts due or accrued	(168,251)
Taxes, licenses and fees due or accrued	6,783,449
Current federal income taxes	10,077,567
Amounts withheld or retained by company	2,097,522
Remittances and items not allocated	11,400,806
Liability for benefits for employees and agents	3,720,223
Borrowed money	5,000,000
Asset valuation reserve	236,871,867
Payable to parent, subsidiaries and affiliates	1,725,045
Payable for securities	12,529,641
Pension and postretirement benefits payable	20,082,373
Accounts payable and other liabilities	11,510,493
Uncashed checks pending escheatment	291,192
Separate account liabilities	18,027,789
Total liabilities	10,352,130,457
Common capital stock	1,500,000
Gross paid in and contributed surplus	400,000
Unassigned funds	2,325,294,289
Total capital and surplus	2,327,194,289
Total liabilities, capital and surplus	\$ 12,679,324,746

Summary of Operations – Statutory
For the Examination Period Ended December 31, 2013

Income

Life premiums	\$ 650,517,520
Annuity premiums and other fund deposits	119,904,322
Accident and health premiums	15,266,711
Supplementary contracts with life contingencies	14,726,885
Investment income, net of expenses	544,606,208
Amortization of interest maintenance reserve	(1,300,289)
Commissions and expense allowances on reinsurance ceded	5,680,920
Miscellaneous other income	2,085,528
Total income, net of amortization of interest maintenance reserve	1,351,487,805

Benefits and reserve changes

Death benefits	207,287,427
Matured endowments	888,340
Annuity benefits	127,799,007
Disability benefits and benefits under accident and health contracts	14,214,762
Surrender benefits and withdrawals for life contracts	358,901,753
Interest and adjustments on contract or deposit-type contract funds	38,249,279
Payments on supplementary contracts with life contingencies	18,029,713
Increase in aggregate reserves for life and accident and health contracts.	160,648,364
Total benefits and reserve changes, including interest on contract funds	926,018,645

Other operating expenses and transfers

Commissions	68,388,276
General insurance expenses	158,181,915
Taxes, licenses and fees, excluding federal income taxes	23,103,613
Increase (decrease) in loading on deferred and uncollected premiums	2,350,968
Net transfers to or (from) separate accounts, net of reinsurance	(2,797,896)
Other expenses	4,525,956
Total other operating expenses and transfers	253,752,832

Net gain from operations before dividends to policyholders and federal income taxes	171,716,328
Policyholders' dividends	49,567,415
Net gain from operations after dividends to policyholders and before federal income taxes	122,148,913
Federal income taxes incurred	27,400,000
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains	94,748,913
Net realized capital gains (losses), excluding transfers to interest maintenance reserve	55,027,926
Net income	\$ 149,776,839

Reconciliation of Capital and Surplus – Statutory
For the Examination Period Ended December 31, 2013

	2013	2012	2011	2010
Capital and surplus, beginning of the year	\$2,082,257,620	\$1,904,155,454	\$1,781,965,597	\$1,669,156,730
Net income	149,776,839	148,760,944	149,969,192	92,707,333
Change in net unrealized capital gains (losses)	37,871,037	25,301,225	(3,084,797)	60,278,054
Change in net deferred income tax	2,824,005	19,086,156	6,740,710	15,535,671
Change in nonadmitted assets	9,933,994	15,828,312	(7,257,937)	29,871,546
Change in asset valuation reserve	12,116,526	(6,990,981)	(24,073,211)	(82,517,911)
Cumulative effect of changes in accounting principal		(15,876,475)		
Dividends to stockholders	(98,550)	(101,250)	(104,100)	(106,950)
Current year net actuarial gain (loss) on pensions and postretirement benefits	32,512,818	(6,531,109)		
Adjustment for prior year expenses		(1,374,656)		
Adjustment for prior year supplemental benefits and other expenses				(2,379,291)
Adjustment for prior year investment gain				(579,585)
Capital and surplus, end of the year	\$2,327,194,289	\$2,082,257,620	\$1,904,155,454	\$1,781,965,597

**Reconciliation of Examination Adjustments to Surplus
For the year ended December 31, 2013**

As a result of this examination, there have been no changes affecting admitted assets, liabilities, and capital and surplus balances reported by the Company in the December 31, 2013 annual statement as filed with the MID. The capital and surplus reported by the Company of \$2,327,194,289 is accepted as reasonably stated for purposes of the balance sheet per the examination and in compliance with Miss. Code Ann. §83-19-31.

MARKET CONDUCT ACTIVITIES

A full scope market conduct examination 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, advertising and sales materials, treatment of policyholders, producer licensing and privacy compliance. No significant exceptions with regard to the limited procedures performed were noted.

Policy Forms and Underwriting

No exceptions were noted during the course of our testing regarding the Company's policy forms and underwriting. As a component of the liability testing associated with the related sample terms selected, and in conjunction with both the controls and substantive testing, the information on the face of insurance applications were reviewed in order to ensure that all pertinent information on the applications were complete and accurate.

Advertising and Sales Materials

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 the complaints reviewed during our testing were resolved amicably and no policyholder abuse or undesirable patterns were noted. Additionally, resisted claims, as reported on Schedule F of the NAIC annual statement, were reviewed during the time period covered by this examination without material exception noted.

As a component of the liability testing associated with the related sample items selected, and in conjunction with both the controls and substantive testing, the claim files were reviewed to ensure that reinstatements were applied consistently and in accordance with policy provisions. Furthermore, the files were reviewed to ensure that any relevant information was appropriately and timely communicated to the policyholder without material exception.

Producer Licensing

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

Privacy

The Company had a privacy policy in place for the protection of its policyholders. No exceptions were noted during the course of our testing regarding the Company's privacy policy.

COMMITMENTS AND CONTINGENT LIABILITIES

At December 31, 2013, the Company was involved as a defendant in various litigation matters. Although the outcome of such legal actions cannot be predicted, in the opinion of management, the resolution of any currently pending or threatened actions should not have a material adverse effect on the surplus position of the Company.

SUBSEQUENT EVENTS

The examination did not identify any significant subsequent events deemed appropriate for inclusion in the examination report.

COMMENTS AND RECOMMENDATIONS

The examination did not identify any material comments and/or recommendations deemed appropriate for inclusion in the examination report.

ACKNOWLEDGMENT

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

Supervising Examiner	Joseph R. May, CPA, CFE, CMA, CIE
Examiner-in-Charge	R. Dale Miller, CPA, CFE, CFF
Lead IT Specialist	David Mills, CISA, CRISC, CGEIT
IT Specialist	D. Tyler Mills, CISSP, HCISPP, MCT
Lead Actuary Specialist	Jeffrey A. Beckley, FSA, MAAA
Actuary Specialist	James A. Miles, FSA, MAAA
Investment Specialist	Elton Sims, CPA, CFE
Senior Examiner	Andrea Harbison, CPA
Examiner	Amanda Annison, CPA
Examiner	Landon Weaver
Examiner	Jenny Davis

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