June 21, 2021

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Richard Laird, President
118 South Wall Street
Natchez, MS 39120

RE: Report of Examination as of December 31, 2019

Dear Mr. Laird:

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

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

If you have any questions or comments, please feel free to contact me.

Sincerely,

MIKE CHANEY
COMMISSIONER OF INSURANCE

BY
Christina J. Kelsey
Senior Attorney

MC/CK/de
Encls. Order w/exhibit
BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF MISSISSIPPI

IN RE: REPORT OF EXAMINATION OF FAMILY
SECURITY LIFE INSURANCE COMPANY, INC. CAUSE NO. 21-7629

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, te-wit:

JURISDICTION

I.

That the Commissioner has jurisdiction over this matter pursuant to the provisions of Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011).

II.

That Family Security Life Insurance Company, Inc., is a Mississippi-domiciled Company licensed to write Accident & Health; Industrial Life, Industrial Accident and Health; Life; and Life (Burial) coverages.
FINDINGS OF FACT

III.

That the Commissioner, or his appointee, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011), called for an examination of Family Security Life Insurance Company, Inc. and appointed R. Dale Miller-In-Charge, to conduct said examination.

IV.

That on or about March 30, 2021, the draft Report of Examination concerning Family Security Life Insurance Company, Inc. for the period of January 1, 2015 through December 31, 2019, was submitted to the Department by the Examiner-In-Charge, R. Dale Miller.

V.

That on or about May 5, 2021, pursuant to Miss. Code Ann. § 83-5-209(2) (Rev. 2011), the Department forwarded to the Company a copy of the draft report and allowed the Company a 15-day period to submit any rebuttal to the draft report. On or about May 20, 2021, the Company responded by email to the Department.

CONCLUSIONS OF LAW

VI.

The Commissioner, pursuant to Miss. Code Ann. § 83-5-209(3) (Rev. 2011), must consider and review the report along with any submissions or rebuttals and all relevant portions of examiner work papers and enter an Order: (1) adopting the Report of Examination as final or with modifications or corrections; (2) rejecting the Report of Examination with directions to reopen; or (3) calling for an investigatory hearing.
IT IS, THEREFORE, ORDERED, after reviewing the Report of Examination, all relevant examiner work papers and the Company's rebuttal, that the Report of Examination of Family Security Life Insurance Company, Inc. attached hereto as Exhibit "A", should be and same is hereby adopted as final.

IT IS FURTHER ORDERED that a copy of the adopted Report of Examination, accompanied with this Order, shall be served upon the Company by certified mail, postage pre-paid, return receipt requested.

IT IS FURTHER ORDERED that the Mississippi Department of Insurance shall continue to hold the content of this report as private and confidential for a period of ten (10) days from the date of this Order, pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 2011).

IT IS FURTHER ORDERED, pursuant to Miss. Code Ann. § 83-5-209(4) (Rev. 2011), that within thirty (30) days of the issuance of the adopted report, Family Security Life Insurance Company, Inc. shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related orders.

IT IS FURTHER ORDERED that Family Security Life Insurance Company, Inc. take the necessary actions and implement the necessary procedures to ensure that all recommendations contained in the Report of Examination are properly and promptly complied with.

SO ORDERED, this the 21st day of June 2021.

MARK HAIRE
DEPUTY 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 21st day of June 2021, to:

Mr. Richard Laird, President
118 South Wall Street
Natchez, MS 39120

[Signature]
Christina J. Kelsey
Senior Attorney

Christina J. Kelsey
Senior Attorney
Counsel for the Mississippi Department of Insurance
Post Office Box 79
Jackson, MS 39205-0079
(601) 359-3577
Miss. Bar No. 9853
Mississippi Insurance Department

Report of Examination

of

FAMILY SECURITY LIFE INSURANCE COMPANY, INC.

as of

December 31, 2019
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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 Family Security Life Insurance Company, Inc. as of December 31, 2019.

2. The Mississippi Insurance Department is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.

3. I have reviewed the examination work papers and examination report, and the examination of Family Security Life Insurance Company, Inc. was performed in a manner consistent with the standards and procedures required by the National Association of Insurance Commissioners and the Mississippi Insurance Department.

The affiant says nothing further.

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

Subscribed and sworn before me by Dale Miller on this 3rd day of

My commission expires October 10, 2024 [date].
March 17, 2021

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, 2019, of the affairs and financial condition of:

FAMILY SECURITY LIFE INSURANCE COMPANY, INC.  
118 South Wall Street  
Natchez, MS 39120

<table>
<thead>
<tr>
<th>License #</th>
<th>NAIC #</th>
<th>FEETS#</th>
<th>MATS#</th>
</tr>
</thead>
<tbody>
<tr>
<td>7700160</td>
<td>75337</td>
<td>75337-MS-2019-7</td>
<td>MS-MS099-24</td>
</tr>
</tbody>
</table>

This examination was commenced in accordance with Miss. Code Ann. §83-5-201 et seq. and was performed in Natchez, Mississippi, at the statutory home office of the Company, and the office of Carr, Riggs & Ingram, LLC located in Ridgeland, Mississippi. The report of examination is herewith submitted.
SCOPE OF EXAMINATION

We have performed our multi-state examination of Family Security Life Insurance Company, Inc. (“Company” or “FSLIC”). The last examination covered the period of January 1, 2011 through December 31, 2014. This examination covers the period January 1, 2015 through December 31, 2019.

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, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This examination report includes significant findings of fact, as mentioned in the Miss. Code Ann. §83-5-201, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

COMMENTS AND RECOMMENDATIONS OF PREVIOUS EXAMINATION

The Company complied with the comments and/or recommendations made by the Mississippi Insurance Department (“MID”) examination team in the previous examination report, except for the following:

- The Board of Director (“Board”) minutes did not reflect the annual review of the external auditor's engagement letter for all years under examination. This issue is repeated in the Comments and Recommendations of this report. (Page 17)
- The Board minutes reflected the annual presentation and review of the Actuarial Opinion and the Regulatory Asset Adequacy Issues Summary. However, the Actuarial Memorandum was not presented and reviewed. This issue is repeated in the Comments and Recommendations of this report. (Page 17)
HISTORY OF THE COMPANY

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

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

CORPORATE RECORDS

The minutes of the meetings of the Board prepared during the period under examination, were reviewed. The Articles of Association and Bylaws, along with any amendments thereto, were reviewed.

The minutes of the Board did not indicate that the Board approved the engagement letter of the external auditor for all years under examination. It is recommended that policies and procedures are implemented to ensure the engagement of the external auditor is presented to and reviewed by the Board on an annual basis.

The minutes of the Board did not document presentation of the Actuarial Memorandum to the Board on an annual basis in compliance with Annual Statement Instructions. It is recommended that policies and procedures are implemented to ensure the Actuarial Memorandum is presented to and reviewed by the Board on an annual basis, in accordance with Annual Statement Instructions. In addition, it is recommended that the appointed actuary add a brief cover letter (executive summary or presentation) to the Actuarial Memorandum, drawing attention to any actuarial items of significance for the year and giving guidance to the Board regarding the presentation in its minutes. Such summary might quantify the adequacy of reserves and any material sensitivities that might affect adequacy.

MANAGEMENT AND CONTROL

Stockholders

At December 31, 2019, the Company had 5,000 shares authorized and 4,000 shares issued and outstanding of common capital stock with a par value of $100 per share. The Company’s stock was jointly owned by the estate of Charles M. Laird and Richard H. Laird, with the estate of...
Charles M. Laird owning in excess of 99% of the outstanding stock. The Company paid no dividends during the examination period.

**Board of Directors**

The Articles of Incorporation and Bylaws vest the management and control of the Company’s business affairs with the Board. The members of the duly elected Board, along with their place of residence, year elected/appointed, and principal occupation, at December 31, 2019, were as follows:

<table>
<thead>
<tr>
<th>Board Member</th>
<th>Year Elected/Appointed</th>
<th>Principal Occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Richard Hugh Laird</td>
<td>1970</td>
<td>President and Board Chairman of FSLIC</td>
</tr>
<tr>
<td>Betty Diane Laird</td>
<td>2018</td>
<td>Secretary of FSLIC</td>
</tr>
<tr>
<td>Judy Ann Wilson</td>
<td>2018</td>
<td>Vice President of FSLIC</td>
</tr>
</tbody>
</table>

**Committees**

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

**Officers**

The senior officers of the Company as of December 31, 2019, were:

<table>
<thead>
<tr>
<th>Name and Place of Residence</th>
<th>Number of Years with Company</th>
<th>Principal Occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Richard Hugh Laird</td>
<td>49</td>
<td>President and Board Chairman of FSLIC</td>
</tr>
<tr>
<td>Betty Diane Laird</td>
<td>27</td>
<td>Secretary of FSLIC</td>
</tr>
<tr>
<td>Judy Ann Wilson</td>
<td>5</td>
<td>Vice President of FSLIC</td>
</tr>
<tr>
<td>Dennis Ray Switzer</td>
<td>5</td>
<td>Treasurer of FSLIC</td>
</tr>
</tbody>
</table>

**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.

HOLDING COMPANY STRUCTURE

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

Related Party and Other Transactions

During the period under examination, the Company was a party to numerous agreements with its affiliates. The Company executed written agreements which governed these transactions as required by Statement of Statutory Accounting Principles No. 25.

Agreement between FSLIC, LFH and SFH: Pursuant to this agreement, FSLIC agreed to pay claims, upon submission of all appropriate, required claims documentation received from LFH and SFH on the last Friday of each month, no later than the 28th day of the month. In relation to Class A burial association policies, LFH agreed to accept payment of 50% on benefit payments of claims submitted by LFH and SFH.

In accordance with this agreement, FSLIC agreed to reimburse LFH for 100% of the premiums related to FSLIC employees under LFH’s group insurance policy on March 31st, June 30th, September 30th and December 31st of each year.
Agreement between FSLIC and LIS: Pursuant to this agreement, FSLIC granted LIS the authority to solicit and sell industrial and ordinary life products on behalf of the Company. LIS agreed to remit all collections to the Company on, or before, Friday of each week. The Company agreed to compensate LIS at a commission rate of 30% of any funds collected by LIS within 30 days after each quarter year.

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

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

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

**FIDELITY BOND AND OTHER INSURANCE**

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

**PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS**

The Company provided a generally complete health and welfare program for its officers and employees on a non-contributory basis, and dependents could be included on a contributory basis. Additionally, the Company offered paid vacation, holidays, and sick leave. The Company did not
provide a defined benefit plan or defined contribution plan to its employees.

**TERRITORY AND PLAN OF OPERATION**

As of December 31, 2019, the Company was licensed to issue life, accident & health, industrial life, industrial accident & health and life (burial) in the State of Mississippi and life, accident & health in the State of Louisiana. Approximately 92% of premiums written by the Company were written in the state of Mississippi. During the examination period, FSLIC issued these insurance contracts through captive agents.

**GROWTH OF COMPANY**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total admitted assets</td>
<td>$6,876,070</td>
<td>$6,865,330</td>
<td>$6,826,051</td>
<td>$6,713,771</td>
<td>$6,512,764</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$5,154,961</td>
<td>$5,154,858</td>
<td>$5,160,986</td>
<td>$5,080,513</td>
<td>$4,956,789</td>
</tr>
<tr>
<td>Total capital and surplus</td>
<td>$1,721,109</td>
<td>$1,710,472</td>
<td>$1,665,065</td>
<td>$1,633,258</td>
<td>$1,555,975</td>
</tr>
</tbody>
</table>

| Cash Flow                     |             |             |             |             |             |
| Net cash from operations      | $11,432     | $18,959     | $127,785    | $207,891    | $(83,862)   |

| Risk-Based Capital Analysis  |             |             |             |             |             |
| Total adjusted capital        | $1,781,392  | $1,768,689  | $1,722,233  | $1,697,547  | $1,614,923  |
| Authorized control level risk-based capital | $98,486     | $99,382     | $85,026     | $97,805     | $86,055     |

| Income Statement              |             |             |             |             |             |
| Net earned premium income     | $699,902    | $748,257    | $812,138    | $900,705    | $792,895    |
| Net investment income         | $228,725    | $224,709    | $241,361    | $230,065    | $224,304    |
| Total death and surrender benefits | $570,945    | $550,678    | $637,510    | $544,901    | $655,640    |
| Increase in life reserves     | $(30,820)   | $9,133      | $35,278     | $113,748    | $(31,381)   |
| Net income (loss)             | $(1,006)    | $36,791     | $23,010     | $81,958     | $(98,187)   |

| Net income/capital and surplus (ROE) | -0.1% | 2.2% | 1.4% | 5.0% | -6.3% |
| Net premium earned/capital and surplus | 40.7% | 43.7% | 48.8% | 55.1% | 51.0% |
| Total benefits & expenses/ net prem earned | 131.2% | 126.8% | 127.2% | 116.6% | 140.9% |
| Investment yield               | 3.4%       | 3.3%       | 3.6%       | 3.5%       | 3.5%       |

**MORTALITY AND LOSS EXPERIENCE**

The MID contracted with Risk & Regulatory Consulting, LLC (“RRC”) to review the actuarial analysis supporting the Company’s carried aggregate reserves for life contracts and life contract claims. Based on the examination actuarial evaluation, the Company’s estimates for life reserves and contract claims appeared to be reasonably stated in all material respects.
REINSURANCE

The Company was not party to a reinsurance agreement during the exam period.

ACCOUNTS AND RECORDS

The 2019 trial balance of the Company’s accounts were traced to the balance sheet of the Company’s statutory annual statement filed with the MID, with no exceptions noted. FSLIC was audited annually by an independent CPA firm. The Company utilized QuickBook for their accounting records and WANG for policy maintenance.

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 held at December 31, 2019.

<table>
<thead>
<tr>
<th>Description</th>
<th>Par Value</th>
<th>Carrying Value</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Bond</td>
<td>$150,000</td>
<td>$150,000</td>
<td>$158,050</td>
</tr>
<tr>
<td>Corporate Bond</td>
<td>100,000</td>
<td>100,000</td>
<td>99,377</td>
</tr>
<tr>
<td>Corporate Bond</td>
<td>100,000</td>
<td>99,991</td>
<td>103,640</td>
</tr>
<tr>
<td>US Treasury</td>
<td>50,000</td>
<td>49,600</td>
<td>63,742</td>
</tr>
<tr>
<td>US Treasury</td>
<td>100,000</td>
<td>99,716</td>
<td>124,516</td>
</tr>
<tr>
<td><strong>Total Held in Mississippi</strong></td>
<td><strong>$500,000</strong></td>
<td><strong>499,307</strong></td>
<td><strong>549,325</strong></td>
</tr>
</tbody>
</table>
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, 2019, a Summary of Operations - Statutory for the year ended December 31, 2019, and a Reconciliation of Capital and Surplus - Statutory for the examination period ended December 31, 2019, and a Reconciliation of Examination Changes to Surplus - Statutory at December 31, 2019.
### Admitted Assets

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>$5,188,234</td>
</tr>
<tr>
<td>Preferred stocks</td>
<td>49,805</td>
</tr>
<tr>
<td>Common stocks</td>
<td>23,410</td>
</tr>
<tr>
<td>Real estate occupied by the company</td>
<td>204,319</td>
</tr>
<tr>
<td>Cash, cash equivalents, and short term investments</td>
<td>1,328,348</td>
</tr>
<tr>
<td>Investment income due and accrued</td>
<td>54,630</td>
</tr>
<tr>
<td>Uncollected premiums</td>
<td>4,324</td>
</tr>
<tr>
<td>Net deferred tax asset</td>
<td>23,000</td>
</tr>
<tr>
<td><strong>Total admitted assets</strong></td>
<td><strong>$6,876,070</strong></td>
</tr>
</tbody>
</table>

### Liabilities, Capital and Surplus

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate reserve for life contracts</td>
<td>$4,943,922</td>
</tr>
<tr>
<td>Life contract claims</td>
<td>105,320</td>
</tr>
<tr>
<td>Premiums received in advance</td>
<td>3,708</td>
</tr>
<tr>
<td>Interest maintenance reserve</td>
<td>11,303</td>
</tr>
<tr>
<td>General expenses due and accrued</td>
<td>8,900</td>
</tr>
<tr>
<td>Taxes, licenses and fees due or accrued</td>
<td>6,057</td>
</tr>
<tr>
<td>Current federal and foreign income taxes</td>
<td>14,700</td>
</tr>
<tr>
<td>Amounts withheld or retained by reporting entity as agent or trustee</td>
<td>768</td>
</tr>
<tr>
<td>Asset valuation reserve</td>
<td>60,283</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>$5,154,961</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common capital stock</td>
<td>400,000</td>
</tr>
<tr>
<td>Gross paid in and contributed surplus</td>
<td>426,065</td>
</tr>
<tr>
<td>Unassigned funds</td>
<td>895,044</td>
</tr>
<tr>
<td><strong>Total capital and surplus</strong></td>
<td><strong>1,721,109</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total liabilities, capital and surplus</th>
<th><strong>$6,876,070</strong></th>
</tr>
</thead>
</table>
### Income

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life premiums</td>
<td>$ 699,902</td>
</tr>
<tr>
<td>Net investment income</td>
<td>228,725</td>
</tr>
<tr>
<td>Amortization of interest maintenance reserve</td>
<td>2,008</td>
</tr>
<tr>
<td><strong>Total income, net of amortization of interest maintenance reserve</strong></td>
<td><strong>930,635</strong></td>
</tr>
</tbody>
</table>

### Benefits and reserve changes

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Death benefits</td>
<td>549,419</td>
</tr>
<tr>
<td>Surrender benefits and withdrawals for life contracts</td>
<td>21,526</td>
</tr>
<tr>
<td>Increase in aggregate reserves for life contracts</td>
<td>(30,820)</td>
</tr>
<tr>
<td><strong>Total benefits and reserve changes</strong></td>
<td><strong>540,125</strong></td>
</tr>
</tbody>
</table>

### Other operating expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commissions</td>
<td>140,492</td>
</tr>
<tr>
<td>General insurance expenses</td>
<td>205,930</td>
</tr>
<tr>
<td>Taxes, licenses and fees, excluding federal income taxes</td>
<td>31,785</td>
</tr>
<tr>
<td>Increase in loading on deferred and uncollected premiums</td>
<td>59</td>
</tr>
<tr>
<td><strong>Total other operating expenses</strong></td>
<td><strong>378,266</strong></td>
</tr>
</tbody>
</table>

Net gain from operations before dividends to policyholders and federal income taxes  
12,244

Policyholders' dividends  
-

Federal income taxes incurred  
13,250

Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains  
(1,006)

Net realized capital gains, excluding transfers to interest maintenance reserve  
-

Net income (loss)  
$ (1,006)
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital and surplus, beginning of the year</td>
<td>$1,710,472</td>
<td>$1,665,065</td>
<td>$1,633,258</td>
<td>$1,555,975</td>
<td>$1,621,956</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>(1,006)</td>
<td>36,791</td>
<td>23,010</td>
<td>81,958</td>
<td>(98,187)</td>
</tr>
<tr>
<td>Change in net unrealized capital gains (losses)</td>
<td>3,493</td>
<td>(3,449)</td>
<td>1,601</td>
<td>544</td>
<td>9,318</td>
</tr>
<tr>
<td>Change in net deferred income tax</td>
<td>5,700</td>
<td>(8,400)</td>
<td>20,450</td>
<td>41,950</td>
<td>-</td>
</tr>
<tr>
<td>Change in nonadmitted assets</td>
<td>5,464</td>
<td>20,566</td>
<td>(20,285)</td>
<td>(41,918)</td>
<td>5,539</td>
</tr>
<tr>
<td>Change in asset valuation reserve</td>
<td>(3,014)</td>
<td>(101)</td>
<td>7,031</td>
<td>(5,251)</td>
<td>17,349</td>
</tr>
<tr>
<td>Capital and surplus, end of the year</td>
<td>$1,721,109</td>
<td>$1,710,472</td>
<td>$1,665,065</td>
<td>$1,633,258</td>
<td>$1,555,975</td>
</tr>
</tbody>
</table>
Reconciliation of Examination Adjustments to Surplus - Statutory
For the year ended December 31, 2019

There were no changes made to the assets, liabilities or surplus balances reported by the Company for the year ended December 31, 2019. The capital and surplus reported by the Company of $1,721,109 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 specific areas reviewed included those items as indicated below.

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.

Complaints

The Company maintained a complaint log during the period under examination. All complaints appeared to have been resolved amicably and no policyholder abuse or undesirable patterns were noted.

Producer Licensing

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

Underwriting and Rating

The Company appeared to be appropriately applying premium rates for insured policies based on application data. It appeared that all applicable policy forms and rates had been appropriately approved by the MID.
COMMITMENTS AND CONTINGENT LIABILITIES

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

SUBSEQUENT EVENTS

The full effect of COVID-19 on the U.S. and global insurance industry is still unknown at the time of releasing this report. The MID and all insurance regulators, with the assistance of the NAIC, are continuing to monitor the situation through coordinated efforts and will continue to assess the impacts of the pandemic on U.S. insurers. The MID has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position.

During 2020, the Company applied for and received $17,400 from a Small Business Association guaranteed loan as part of the Payroll Protection Program which was enacted to encourage employers to continue salary and wage payments to employees during the economic downturn that has resulted from COVID-19. Provisions of the loan allow borrowers to apply for forgiveness of the loan amount if certain requirements are met during the specified time frame. Management believes it has complied with the provisions of the program and anticipates total forgiveness of the loan amount.
1. **Board Review of Auditor Engagement Letter**
   The minutes of the Board did not indicate that the Board approved the engagement letter of the external auditor for all years under examination.

   It is recommended that policies and procedures are implemented to ensure the engagement of the external auditor is presented to and reviewed by the Board on an annual basis. (Page 4)

2. **Board Review of Actuarial Memorandum**
   The minutes of the Board did not document presentation of the Actuarial Memorandum to the Board on an annual basis in compliance with Annual Statement Instructions.

   It is recommended that policies and procedures are implemented to ensure the Actuarial Memorandum is presented to and reviewed by the Board on an annual basis, in accordance with Annual Statement Instructions. In addition, it is recommended that the appointed actuary add a brief cover letter (executive summary or presentation) to the Actuarial Memorandum, drawing attention to any actuarial items of significance for the year and giving guidance to the Board regarding the presentation in its minutes. Such summary might quantify the adequacy of reserves and any material sensitivities that might affect adequacy. (Page 4)
ACKNOWLEDGMENT

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

- Supervising Examiner: Joseph R. May, CPA, CFE, CFF, CIE
- Examiner-in-Charge: R. Dale Miller, CPA, CFE, CFF
- Lead IT Specialist: Francois Houde, CPA, CA, CFE, CISA, AES
- Examination Actuary: T. Michael Presley, FSA, MAAA
- Senior Examiner: Andrea Harbison, CPA
- Examiner: Taylor Smith

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

Respectfully submitted,

[Signature]
R. Dale Miller, CPA, CFE, CFF
Examiner-in-Charge

[Signature]
Mark Cooley, CFE
Mississippi Insurance Department Designee