



# **Mississippi Insurance Department**

**Report of Examination**

**of**

**MISSISSIPPI FARM BUREAU CASUALTY  
INSURANCE COMPANY**

**as of**

**December 31, 2020**

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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 Mississippi Farm Bureau Casualty Insurance Company as of December 31, 2020.
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 Mississippi Farm Bureau Casualty 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 2<sup>nd</sup> day of June, 2022.



April D. McDonald  
Notary Public

My commission expires October 10, 2024 [date]



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

**MARK HAIRE**  
Deputy Commissioner of  
Insurance

**MISSISSIPPI INSURANCE DEPARTMENT**

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

MAILING ADDRESS  
Post Office Box 79  
Jackson, MS 39205-0079  
TELEPHONE: (601) 359-3569  
FAX: (601) 576-2568

June 15, 2022

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, 2020, of the affairs and financial condition of:

**MISSISSIPPI FARM BUREAU CASUALTY INSURANCE COMPANY**

6311 Ridgewood Road  
Jackson, Mississippi 39211

License #	NAIC Group #	NAIC #	FEETS #	MATS#
8600022	0483	27669	27669- MS-2020-3	MS-MS099-33

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 our full-scope financial examination of Mississippi Farm Bureau Casualty Insurance Company (“MFBCIC” or “Company”). The last examination covered the period of January 1, 2011 through December 31, 2015. This examination covers the period of January 1, 2016 through December 31, 2020. This examination was coordinated with Mississippi as the lead state and Arkansas, Florida, and Louisiana as participating states.

We conducted our examination in accordance with the National Association of Insurance Commissioners (“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**

There were no comments and/or recommendations made by the Mississippi Insurance Department (“MID”) examination team in the previous examination report, which covered the period from January 1, 2011 through December 31, 2015.

## **HISTORY OF THE COMPANY**

On May 19, 1986, the Company was formed under the laws of the State of Mississippi as a wholly owned subsidiary of Southern Farm Bureau Casualty Insurance Company (“SFBCIC”).

The Company commenced business on September 1, 1986, and was capitalized through the sale

of 12,000 shares of stock to its parent company. In order to meet capital and surplus requirements in other states where the Company wrote business on a surplus lines basis, further capital contributions of \$500,000 in 1986, \$2,870,000 in 1989, \$3,000,000 in 1990 and \$4,965,000 in 1991 were made by SFBCIC.

As a result of Gulf Coast hurricanes in August and September of 2005, SFBCIC entered into a financial assistance plan developed to protect the trade name of SFBCIC and its affiliates in the states in which it does business. The Company received \$67,000,000 in additional capital from SFBCIC and used \$25,000,000 of this cash contribution to purchase the renewal rights from Mississippi Farm Bureau Mutual Insurance Company (“MS Mutual”) on November 25, 2005. Under this agreement, MFBCIC acquired the opportunity to offer coverage to the policyholders of MS Mutual at the Company’s discretion.

On April 19, 2006, the Company issued a \$25,000,000 surplus note to Southern Farm Bureau Life Insurance Company (“SFBLIC”). On March 19, 2015 and April 19, 2016, MFBCIC made a \$5,000,000 and a \$10,000,000 payment on the surplus note issued to SFBLIC. The remaining surplus note outstanding balance of \$10 million to SFBLIC was paid in full on November 15, 2017.

## **CORPORATE RECORDS**

The Articles of Incorporation, Bylaws and amendments thereto were reviewed and duly applied in other sections of this report where appropriate. Minutes of the meetings of the Stockholders, Board of Directors (“Board”) and various committees, as recorded during the period covered by this examination, were reviewed and appeared to be complete and in order with regard to actions brought up at the meetings for deliberation and appropriate action, which included the approval and support of the Company’s transactions and events, as well as the review of the audit and examination report.

## **MANAGEMENT AND CONTROL**

### **Stockholders**

As of December 31, 2020, the Company had 20,000 shares of \$100 par value common stock authorized with 12,000 shares issued and outstanding. SFBCIC owned 100% of the shares issued and outstanding. No dividends were paid to the stockholder 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 Company’s Board was comprised of six members, all of whom were Presidents of the State Farm Bureaus in Arkansas, Colorado, Florida, Louisiana,

Mississippi, and South Carolina. The members of the duly elected Board, along with their place of residence, year elected/appointed and principal occupation, at December 31, 2020, were as follows:

Name and Residence	Year Elected/Appointed	Principal Occupation
Ronald Roy Anderson Chairman of the Board Ethel, LA	1990	Farmer and President of Louisiana Farm Bureau Federation
John Lawrence Hoblick, Sr. Vice Chairman of the Board DeLeon Springs, FL	2007	Farmer and President of Florida Farm Bureau Federation
David Michael McCormick Union Church, MS	2015	Farmer and President of Mississippi Farm Bureau Federation
Donald James Shawcroft Alamosa, CO	2011	Farmer and President of Colorado Farm Bureau
Harry Legare Ott, Jr. Orangeburg, SC	2016	Farmer and President of South Carolina Farm Bureau
Rich Edward Hillman II Carlisle, AR	2020	Farmer and President of Arkansas Farm Bureau Federation

### **Committees**

During the period covered by this examination, the following Board appointed committees were utilized by the Company to carry out certain specified duties: Audit Committee and Investment Committee. The Company had no employees, and as such, all compensation decisions were performed by the Compensation Committee and/or the Board of SFBCIC.

#### **Audit Committee:**

The Audit Committee had six members, all of whom were outside directors, which met the requirements set forth by the Model Audit Rule. The Audit Committee's responsibilities included reviewing the audit report prepared by the outside accounting firm and making recommendations to the Board regarding the audit report and the selection of an outside accounting firm. The Audit Committee was also responsible for overseeing the Company's compliance with the Annual Financial Reporting Model Regulation and for making sure management established, implemented, and monitored the system of internal controls over financial reporting.



### Investment Committee:

The Investment Committee was comprised of Board and non-Board members; however, one member of the committee must be the Chairman of the Board. The committee delegated to the parent's Investment Department the authority to transact the routine day-to-day investment duties including, but not limited to, the sale, purchase, and transfer of stocks, bonds, securities, and other investments, both real and personal. The Investment Committee reported to the Board regarding the condition of the funds, securities and investments of the Company.

The following members served on the committees mentioned above at December 31, 2020.

<b>Audit</b>	<b>Investment</b>
John Lawrence Hoblick, Sr., Chairman	Ronald Roy Anderson, Chairman
Ronald Roy Anderson	John Lawrence Hoblick, Sr.
David Michael McCormick	Robert Duff Wallace
Rich Edward Hillman, II	Max Turner Courtney
Donald James Shawcroft	Thomas Herndon Arthur
Harry Legare Ott, Jr.	

### Officers

The officers of the Company as of December 31, 2020 were:

<b>Name of Officer</b>	<b>Number of Years with SFBCIC Group</b>	<b>Title</b>
Jerry Joseph Keating, Jr.	35	President and Chief Executive Officer
Lydia Catherine Warren	35	Vice President – Legal
Henry Ernest Hamill	9	Vice President – Sales
Mamie McKinnon Douglas	37	Vice President – Human Resources
Bridget Heriard Walker	35	Vice President – Operations
Jim Spurgeon Rowles	32	Vice President – Claims

### Conflict of Interest

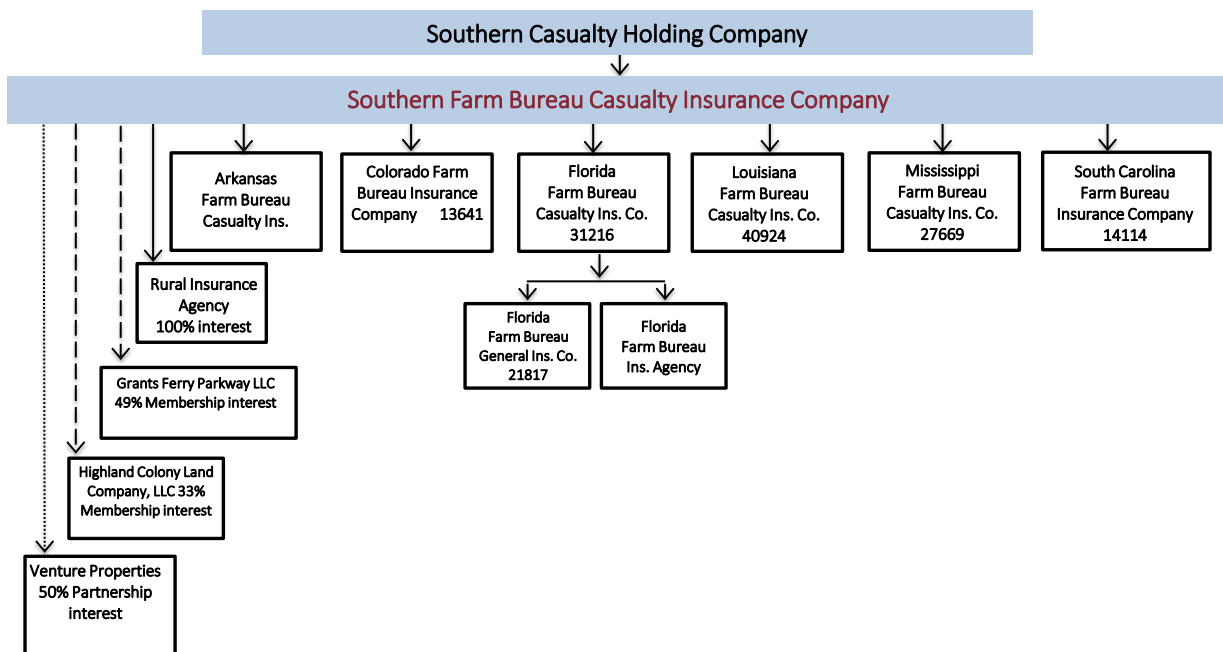
The Company had formal procedures whereby disclosures were made to the Board of any material interest or affiliation on the part of any officer or director that was, or would likely be, a conflict with their official duties.

## **HOLDING COMPANY STRUCTURE**

During the time period covered by this examination, the Company reported as a member of an insurance company holding system as defined by Miss. Code Ann. §83-6-1. For each year of the examination period, Holding Company Registration Statements were filed with the MID in accordance with Miss. Code Ann. §83-6-5 and §83-6-9.

### **Organizational Chart**

The organizational chart below displays the identities of the members of the holding company structure that included the Company, and is followed by a brief description of SFBCIC’s other subsidiaries and interests.



Southern Casualty Holding Company (“SCHC”) was reported as the ultimate controlling person in the Holding Company Registration Statement filed with the MID as of December 31, 2020. SCHC was formed in 2015 for the sole purpose of holding all of the voting stock of SFBCIC, the lead insurer in the group.

**Southern Farm Bureau Casualty Insurance Company** was incorporated on September 25, 1947, under the laws of the State of Mississippi and was the lead insurer in the group. SFBCIC was primarily a personal lines writer operating in six states through decentralized operations with an emphasis on automobile and other than automobile liability lines of business.

Below is a description of SFBCIC’s wholly owned subsidiaries at December 31, 2020:

**Mississippi Farm Bureau Casualty Insurance Company** was incorporated on May 19, 1986, under the laws of the State of Mississippi, and its principal business was providing property and casualty insurance coverage (principally automobile and homeowner) in the State of Mississippi. Also, the Company was an authorized surplus lines writer in various other states. For more information, see the History of the Company section of this report.

**Arkansas Farm Bureau Casualty Insurance Company** (“AFBCIC”) was incorporated on February 6, 2004, under the laws of the State of Arkansas and its principal business purpose was providing casualty insurance in the State of Arkansas. This company was dissolved on May 31, 2021.

**Colorado Farm Bureau Insurance Company** (“CFBIC”) was demutualized and converted to a stock company effective July 1, 2019 thereby becoming a wholly owned subsidiary of SFBCIC. Its principal business was providing property and casualty insurance coverage in the State of Colorado.

**Florida Farm Bureau Casualty Insurance Company** (“FFBCIC”) was incorporated in Florida on April 16, 1974, under the laws of the State of Florida. Its principal business, in association with its wholly owned subsidiary, Florida Farm Bureau General Insurance Company, was providing property and casualty insurance coverage (principally automobile, property and general liability) in the State of Florida. FFBCIC was also the parent of Florida Farm Bureau Agency, Inc. (“FFBAI”), a noninsurance brokerage operation that provided an outlet for placing business for customers in Florida which its parent did not wish to write. FFBAI was dissolved on November 30, 2021.

**Louisiana Farm Bureau Casualty Insurance Company** (“LFBCIC”) was incorporated on February 16, 1981, under the laws of the State of Louisiana, and its principal business was providing casualty insurance coverage (principally automobile) and processing claims in the State of Louisiana.

**South Carolina Farm Bureau Insurance Company** (“SCFBIC”) was incorporated on February 11, 2011, under the laws of the State of South Carolina to provide casualty insurance, primarily private passenger automobile. Effective April 1, 2014, SFBCIC purchased 100% of the company’s outstanding common stock from South Carolina Farm Bureau Mutual Insurance Company. SCFBIC began writing business during 2015.

As a result of the dissolution of SFBCIC’s former subsidiary, Southern Farm Bureau Brokerage Company, the parent directly owns the following:

- 100% of all the issued and outstanding voting securities of Rural Insurance Agency
- 33% of the membership interest of Highland Colony Land Company, LLC
- 49% of the membership interest of Grants Ferry Parkway, LLC
- 50% of the partnership interest of Venture Properties

## **Affiliated and Related Party Transactions**

The Company's transactions with its related/associated parties were reviewed and the following items were deemed notable for purposes of this report:

The Company, along with its parent and affiliates, filed a consolidated federal income tax return. The method of allocation among the companies was made primarily on a separate return basis with current credit for any net operating losses or other items utilized in the consolidated return. Intercompany tax balances were settled annually in the subsequent year.

The Company had the following surplus debenture outstanding with its parent during this examination period:

- On April 19, 2006, the Company issued a \$25,000,000 surplus note to SFBCIC with an interest rate equal to the interest payable on twenty year U.S. Treasury Bonds as of the date of the note. The interest rate was adjusted every second anniversary date and at December 31, 2020, the stated interest rate was 1.04%. The note was for a twenty year term with interest due annually. The principal balance owed was \$25,000,000 at December 31, 2020.

On May 4, 2020, MFBCIC entered into a \$10,000,000 line of credit and promissory note with SFBCIC with an interest rate of 3.75%. The note has a maturity date of May 31, 2021. At December 31, 2020, there were no amounts outstanding on the note.

The Company had an expense allocation agreement with SFBCIC in which certain home office expenses were allocated to MFBCIC each month. This allocation was performed because of the support functions that SFBCIC performed in the areas of legal, accounting, claims, underwriting, information services, etc., for the Company. The total expense allocated to the Company for 2020 was \$2,196,166.

The Company had a joint expense allocation agreement with SFBCIC. Joint expenses allocated under this agreement were those expenses which were for the mutual benefit of both the Company and SFBCIC. All joint overhead expenses were allocated pursuant to the formula prescribed in one of the following four categories: loss adjustment expense, information system expense, other routine/reoccurring joint expenses and other expenses. The total expense allocated to the Company for 2020 was \$1,286,988.

The Company had a licensing agreement with the Mississippi Federation to use the "Farm Bureau" name and logo in connection with selling, placing and underwriting of property and casualty insurance products and services in the State of Mississippi. In return, the Company paid a royalty fee of 0.53% per year on adjusted direct premiums written, less premiums collected from residual market pool policyholders and dividends declared by the licensee. Payments made by the Company under this arrangement for 2020 were \$1,102,860.

The Company had a pylon sign advertising agreement with the Mississippi Federation for leasing advertising space on the Mississippi Federation's pylon sign. Payments made by the Company under this arrangement for 2020 were \$0.

The Company had multi-line and umbrella reinsurance agreements in place with SFBCIC. These agreements are discussed further within the Reinsurance section of this report.

### **FIDELITY BOND AND OTHER INSURANCE**

The Company was insured under various insurance policies to protect its interests. In particular, the Company maintained directors and officers coverage, professional liability coverage, electronic and computer crime coverage, and fidelity coverage. The Company had a financial institution bond with a \$5,000,000 single loss limit of liability which exceeded the NAIC's suggested minimum amount for fidelity coverage.

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

The Company had no employees, and the administrative functions were performed by employees of SFBCIC through an expense sharing agreement.

### **TERRITORY AND PLAN OF OPERATION**

As of December 31, 2020, the Company was authorized to transact the following lines of business in the State of Mississippi:

Automobile Physical Damage/Liability	Home/Farm Owners
Boiler and Machinery	Inland Marine
Casualty/Liability	Plate Glass
Fire/Allied Lines	

The Company retained the premium and loss activity related to the property lines. All premium and loss activity related to automobile and other liability lines were ceded to the parent under various reinsurance agreements. Also, the Company was an authorized surplus lines writer in the States of Florida, Louisiana, and South Carolina.

## **GROWTH OF COMPANY**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Total admitted assets	\$ 483,955,017	\$ 485,215,030	\$ 466,382,539	\$ 438,225,045	\$ 426,243,446
Total liabilities	\$ 141,652,250	\$ 145,425,949	\$ 142,413,835	\$ 148,592,395	\$ 150,432,955
Surplus as regards policyholders	\$ 342,302,767	\$ 339,789,081	\$ 323,968,704	\$ 289,632,650	\$ 275,810,491
Net cash from operations	\$ 1,540,169	\$ 22,533,308	\$ 30,749,844	\$ 28,104,042	\$ 19,830,683
Total adjusted capital	\$ 342,302,767	\$ 339,789,081	\$ 323,968,701	\$ 289,632,651	\$ 275,810,491
Authorized control level risk-based capital	\$ 19,330,594	\$ 17,146,763	\$ 17,567,608	\$ 16,354,954	\$ 11,675,227
Direct premiums written	\$ 457,734,589	\$ 456,226,213	\$ 446,479,256	\$ 439,404,894	\$ 424,957,608
Ceded premiums written	\$ 276,035,425	\$ 281,590,137	\$ 274,562,244	\$ 271,356,979	\$ 253,596,685
Net premiums written	\$ 181,699,164	\$ 174,636,076	\$ 171,917,012	\$ 168,047,915	\$ 171,360,923
Net underwriting gain (loss)	\$ (10,268,008)	\$ 5,242,866	\$ 29,844,823	\$ 28,361,917	\$ 28,578,290
Net investment gain	\$ 11,493,942	\$ 12,557,974	\$ 11,274,811	\$ 10,077,844	\$ 9,006,590
Net income (loss)	\$ 2,769,528	\$ 16,065,609	\$ 34,368,377	\$ 27,064,300	\$ 30,579,993
Return on equity	0.8%	4.7%	10.6%	9.3%	11.1%
Net loss ratio	84.4%	75.2%	59.5%	61.0%	60.5%
Expense ratio	21.1%	21.5%	22.6%	22.4%	23.0%
Investment yield	2.6%	2.9%	2.7%	2.6%	2.4%
Liquidity ratio	24.4%	25.3%	26.0%	29.5%	31.5%

## **MORTALITY AND LOSS EXPERIENCE**

The MID contracted with Merlinos & Associates, Inc. to review the actuarial analysis supporting the Company's carried loss and loss adjustment expense reserves. Based on the examination actuarial evaluation, the Company's estimates for gross and net unpaid loss and loss adjustment expenses appeared to be reasonably stated in all material respects.

## **REINSURANCE**

The Company limited the maximum net loss that can arise from large risks or risks in concentrated areas of exposure by reinsuring (ceding) certain levels of risks. Historically, the Company's reinsurance program has been to cede all casualty business to its parent and retain the property exposure net of other reinsurance. At December 31, 2020, the Company ceded 100% of direct written premium for automobile policies, farm liability, flood policies, and other general liability policies written to SFBCIC. The Company also ceded 100% of the umbrella premiums and exposure to SFBCIC, net of facultative and other inuring reinsurance.

The liabilities for unearned premiums and for losses and loss adjustment expenses at December 31, 2020, were increased for reinsurance assumed and reduced for reinsurance ceded of approximately \$186,977,000 for amounts ceded to assuming companies. These amounts ceded would represent a liability of the Company if the reinsurers were unable to meet their obligation for existing unpaid losses ceded under reinsurance agreements.

The Company had the following reinsurance in place at December 31, 2020:

The Company ceded all premiums and exposures for automobile, farm liability, flood, umbrella, and other general liability business to SFBCIC through a multi-line and umbrella agreements.

The Company had a property per risk and coded excess of loss treaty with American Agricultural Insurance Company through which the Company was reimbursed on an excess of loss basis for its share of each loss, each risk and each occurrence subject to an initial retention of \$500,000.

Type	Loss Retention	Limit of Liability	Per Risk Limit
Property Per Risk	\$ 500,000	\$ 1,500,000	\$ 2,000,000
Coded Excess	\$ 2,000,000	\$ 18,000,000	\$ 20,000,000

In addition, the Company was a participant in SFBCIC's consolidated corporate catastrophe reinsurance program.

The premium amounts ceded and total amounts recoverable at December 31, 2020, for the above referenced reinsurance agreements, were as follows:

Assuming Company	Ceded Premiums	Recoverable
Southern Farm Bureau Casualty Insurance Company	\$ 249,082,000	\$ 176,671,000
American Agricultural Insurance Company	\$ 26,953,000	\$ 10,015,000

## **ACCOUNTS AND RECORDS**

The Company utilized a computerized accounting system on which general ledger information was maintained. Detailed general ledger information was traced to the trial balance and the December 31, 2020 annual statement, without material exception. The Company was audited annually by an independent CPA firm

The primary data center was housed at an outside location with the backup storage center located at the parent company. The process of migrating policy, claims and billing services are now on distributed networks also housed at SFBCIC. The parent company was also responsible for physical security, computer operations including, backups and disaster recovery over the mainframe and distributed network servers, as well as the applications which resided on them.

## STATUTORY DEPOSITS

The Company's statutory deposits with the State of Mississippi complied with Miss. Code Ann. §83-19-31(2). The following chart displays the Company's deposits at December 31, 2020.

<b>Description</b>	<b>State Deposited</b>	<b>Par Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
Municipal Bond	Mississippi	\$ 750,000	\$ 782,098	\$ 853,298
Municipal Bond	Mississippi	500,000	517,168	530,530
<b>Total Held in Mississippi</b>		<u>\$ 1,250,000</u>	<u>\$ 1,299,266</u>	<u>\$ 1,383,828</u>



**MISSISSIPPI FARM BUREAU CASUALTY INSURANCE COMPANY**  
**FINANCIAL STATEMENTS**  
**EXAMINATION AS OF DECEMBER 31, 2020**

**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, 2020, a Statement of Income - Statutory for year ended December 31, 2020, a Reconciliation of Capital and Surplus - Statutory for examination period ended December 31, 2020, and a Reconciliation of Examination Changes to Surplus - Statutory at December 31, 2020.

**Statement of Admitted Assets, Liabilities, Surplus and Other Funds – Statutory  
December 31, 2020**

**Admitted Assets**

Bonds	\$	408,923,379
Common stocks		5,897,730
Cash, cash equivalents and short-term investments		22,168,227
Investment income due and accrued		4,095,188
Uncollected premiums and agents' balances in the course of collection		60,451
Deferred premiums, agents' balances and installments booked but deferred and not yet due		33,857,823
Amounts recoverable from reinsurers		2,667,835
Net deferred tax asset		5,088,626
Receivable from parent, subsidiaries and affiliates		1,195,758
<hr/>		
Total admitted assets	\$	<b>483,955,017</b>
<hr/>		

**Liabilities, Surplus and Other Funds**

Losses	\$	21,193,422
Loss adjustment expenses		2,646,000
Commissions payable		2,775,379
Other expenses		96,132
Taxes, licenses and fees		1,434,431
Current federal and foreign income taxes		(1,219,481)
Unearned premiums		103,727,855
Advance premium		2,361,955
Ceded reinsurance premiums payable		291,011
Funds held by company under reinsurance treaties		638,418
Amounts withheld or retained by company for accounts of others		5,176,405
Remittances and items not allocated		39,330
Payable to parent, subsidiaries and affiliates		2,200,891
Other accounts payable		290,502
<hr/>		

Total liabilities	\$	<b>141,652,250</b>
<hr/>		

Common capital stock		1,200,000
Surplus notes		25,000,000
Gross paid in and contributed surplus		79,635,000
Unassigned funds (surplus)		236,467,767
<hr/>		

Surplus as regards policyholders	\$	<b>342,302,767</b>
<hr/>		

Total liabilities and surplus as regards policyholders	\$	<b>483,955,017</b>
<hr/>		

**Statement of Income – Statutory  
For the Examination Period Ended December 31, 2020**

**Underwriting Income**

Premiums earned \$ 179,222,698

**Deductions:**

Losses incurred 141,456,431

Loss adjustment expenses incurred 9,721,355

Other underwriting expenses incurred 38,312,920

Total underwriting deductions 189,490,706

Net underwriting gain (loss) (10,268,008)

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**Investment Income**

Net investment income earned 11,363,432

Net realized capital gains (losses) less capital gains tax 130,510

Net investment gain 11,493,942

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**Other Income**

Net gain or (loss) from agents' or premium balances charged off (155,950)

Finance and service charges not included in premiums 1,307,943

Miscellaneous income 22,285

Service charges on casualty premium are ceded 100% to parent company (850,165)

Total other income 324,113

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Net income before dividends to policyholders, after capital gains tax and  
before all other federal and foreign income taxes 1,550,047

Federal and foreign income taxes incurred (1,219,481)

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Net Income \$ 2,769,528

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**Reconciliation of Capital and Surplus – Statutory  
For the Examination Period Ended December 31, 2020**

	2020	2019	2018	2017	2016
Surplus as regards policyholders, beginning of the year	\$ 339,789,081	\$ 323,968,704	\$ 289,632,650	\$ 275,810,491	\$ 255,424,804
Net income	2,769,528	16,065,609	34,368,377	27,064,300	30,579,993
Change in net unrealized capital gains or (losses)	582,120	(50,760)	99,630	391,620	174,237
Change in net deferred income tax	(209,640)	(161,373)	(259,374)	(3,359,096)	(2,978,402)
Change in nonadmitted assets	(9,698)	(33,099)	127,421	(274,665)	2,609,859
Change in surplus notes	-	-	-	(10,000,000)	(10,000,000)
Correction of an error	(618,624)	-	-	-	-
Surplus as regards policyholders, end of the year	\$ 342,302,767	\$ 339,789,081	\$ 323,968,704	\$ 289,632,650	\$ 275,810,491

**Reconciliation of Examination Adjustments to Surplus  
For the Examination Period Ended December 31, 2020**

There were no changes made to the assets, liabilities or surplus balances reported by the Company for the year ended December 31, 2020. The surplus as regards policyholders, which totaled \$342,302,767 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 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 operations/management, complaint handling, producer licensing, underwriting and rating, and claims. No significant exceptions with regard to the limited procedures performed were noted.

## **COMMITMENTS AND CONTINGENT LIABILITIES**

During and subsequent to the examination period, the Company was not involved in litigation outside the normal course of business.

## **SUBSEQUENT EVENTS**

On February 22, 2021, John Lawrence Hoblick, Sr., was elected Chairman of the Board, replacing the retiring Ronald Roy Anderson. Upon Mr. Hoblick's election, David Michael McCormick was elected Vice Chairman of the Board.

Lydia Catherine Warren retired effective June 1, 2021. Johnny Victoria Sargent, Jr. was elected to replace Mrs. Warren as Vice President – Secretary of the Company, effective June 1, 2021.

Mamie McKinnon Douglas retired effective June 1, 2021. Mrs. Douglas formerly held the office of Vice President – Human Resources of the Company.

During 2021, the Company and SFBCIC submitted a multiline quota share reinsurance agreement to the MID for review and approval. Per the terms of this agreement, the Company would cede 100% of its risks to SFBCIC. This agreement was approved by the MID on October 29, 2021. Additionally, on May 17, 2022, the Company filed an extraordinary dividend request related to the multiline agreement. The MID approved the extraordinary dividend on June 9, 2022.

On January 2, 2022, the Company paid its outstanding surplus note of \$25 million to SFBCIC. At the examination report date, all outstanding interest related to this surplus note has been paid.

On February 21, 2022, David Michael McCormick was elected Chairman of the Board of the Company, replacing the retiring John Lawrence Hoblick. On this same date, Richard Edward Hillman was elected Vice Chairman of the Board of the Company replacing Mr. McCormick who was elected Chairman.

## **COMMENTS AND RECOMMENDATIONS**

There were no comments and/or recommendations deemed necessary for purposes of this examination report.

## ACKNOWLEDGMENT

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

Examiner-in-charge:	R. Dale Miller, CPA, CFE, CFF
Supervising Examiner:	Joseph R. May, CPA, CMA, CFE, CIE, FAHM
Lead Actuary:	Robert P. Daniel, ACAS, MAAA
Lead IT Specialist:	David E. Mills, CISA, CTGA, CGEIT, MCSE
Examiner:	Andrea J. Harbison, CPA
Examiner:	Sophia Tran, CPA
Examiner:	Britain Welzien

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

Respectfully submitted,



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



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Mark Cooley, CFE  
Mississippi Insurance Department Designee