



## MISSISSIPPI INSURANCE DEPARTMENT

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

June 21, 2018

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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

### CERTIFIED MAIL RETURN RECEIPT REQUESTED

Mr. Kent T. Higdon, President  
USA Insurance Company  
2104 Highway 90  
Gautier, MS 39553

**RE: Report of Examination as of December 31, 2016**

Dear Mr. Higdon:

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.

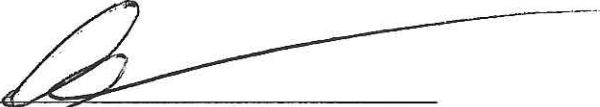
Pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 2011), the Mississippi Department of Insurance shall continue to hold the content of said report as private and confidential for a period of ten (10) days from the date of the Order. After the expiration of the aforementioned 10-day period, the Department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

**BEFORE THE MISSISSIPPI INSURANCE DEPARTMENT**

**IN RE: REPORT OF EXAMINATION OF  
USA INSURANCE COMPANY**

**CAUSE NO. 18-7303**

**ADMINISTRATIVE ORDER**

**THIS MATTER** came on for consideration before the Commissioner of Insurance (hereinafter “Commissioner”), chief officer of the Mississippi Insurance Department (hereinafter “Department”) in the Department’s offices at 1001 Woolfolk Building, 501 North West Street, 10th Floor, Jackson, Hinds County, Mississippi. 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.**

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

**II.**

USA Insurance Company (hereinafter the “Company”) is a Mississippi-domiciled company licensed to write Automobile Physical Damage/Liability; Boiler and Machinery; Casualty/Liability; Fidelity; Fire/Allied Lines; Guaranty; Inland Marine; Ocean Marine; Plate Glass; Workers’ Compensation; Accident & Health; Credit Life, Credit Accident and Health; and Life coverages.

## FINDINGS OF FACT

### III.

The Commissioner, or his appointee, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011), called for an examination of the Company and appointed Kimberly Strong, Examiner-In-Charge, to conduct said examination.

### IV.

On or about May 29, 2018, the draft Report of Examination concerning the Company for the period of January 1, 2012, through December 31, 2016, was submitted to the Department by Kimberly Strong, Examiner-In-Charge.

### V.

That on or about June 5, 2018, 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 June 19, 2018, the company responded by email.

## CONCLUSIONS OF LAW

### VI.

The Commissioner, pursuant to Miss. Code Ann. § 83-5-209(3) (Rev. 2011), must consider and review the report along with any submissions or rebuttals and all relevant portions of examiner work papers and enter an Order: (1) adopting the Report of Examination as final or with modifications or corrections; (2) rejecting the Report of Examination with directions to reopen; or (3) calling for an investigatory hearing.

**IT IS, THEREFORE, ORDERED,** after reviewing the Report of Examination, the Company's responses, and all relevant examiner work papers, that the Report of Examination of USA 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 Department 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, the 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 the Company take the necessary actions and implement the necessary procedures to properly and promptly comply with all recommendations contained in the Report of Examination.

**SO ORDERED**, this the 21<sup>st</sup> day of June 2018.



*Mark Haire*  
MARK HAIRE  
DEPUTY COMMISSIONER OF INSURANCE

**CERTIFICATE OF SERVICE**

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 Insurance Department, was sent by certified mail, postage pre-paid, return receipt requested, on this the 21<sup>st</sup> day of June 2018, to:

**Mr. Kent T. Higdon, President  
USA Insurance Company  
2104 Highway 90  
Gautier, MS 39553**



---

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**

**USA INSURANCE COMPANY**

**as of**

**December 31, 2016**

## 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
Holding Company Structure .....	4
Organizational Chart .....	5
Affiliated and Related Party Transactions .....	5
Management and Control .....	6
Stockholders .....	6
Board of Directors .....	6
Committees .....	7
Officers .....	7
Conflict of Interest .....	7
Fidelity Bond and Other Insurance .....	7
Pensions, Stock Ownership and Insurance Plans .....	7
Territory and Plan of Operation .....	8
Reinsurance .....	8
Growth of Company .....	8
Accounts and Records .....	9
Mortality and Loss Experience .....	9
Statutory Deposits .....	10
Financial Statements (Life, Accident and Health) .....	11
Introduction .....	11
Statement of Assets, Liabilities, Surplus and Other Funds .....	12
Summary of Operations .....	13
Reconciliation of Capital and Surplus .....	14

Financial Statements (Property and Casualty) .....	15
Introduction .....	15
Statement of Assets, Liabilities, Surplus and Other Funds .....	16
Summary of Operations.....	17
Reconciliation of Capital and Surplus .....	18
Financial Statements (Combined).....	19
Introduction .....	19
Statement of Assets, Liabilities, Surplus and Other Funds .....	20
Summary of Operations.....	21
Reconciliation of Capital and Surplus .....	22
Reconciliation of Examination Adjustments to Surplus.....	23
Market Conduct Activities.....	24
Policyholder Service .....	24
Underwriting and Rating.....	24
Claims Handling .....	24
Producer Licensing .....	24
Privacy .....	24
Commitments and Contingent Liabilities .....	24
Comments and Recommendations.....	25
Subsequent Events .....	26
Acknowledgment .....	27



**EXAMINER'S AFFIDAVIT AS TO STANDARDS AND  
PROCEDURES USED IN AN EXAMINATION**

State of Mississippi,  
County of Madison,

Kimberly Strong, being duly sworn, states as follows:

1. I have authority to represent the Mississippi Insurance Department in the examination of USA Insurance Company as of December 31, 2016.
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 USA Insurance Company was performed in a manner consistent with the standards and procedures required by the National Association of Insurance Commissioners and the Mississippi Insurance Department.

The affiant says nothing further.

Kimberly Strong  
Kimberly Strong, CPA, CFE  
Examiner-in-Charge

Subscribed and sworn before me by Kimberly Strong on this 5 day of June, 2018.



My commission expires October 29, 2021 [date].



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

**MISSISSIPPI INSURANCE DEPARTMENT**

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**MARK HAIRE**  
Deputy Commissioner of  
Insurance

May 18, 2018

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, 2016, of the affairs and financial condition of:

**USA INSURANCE COMPANY**

2104 Highway 90  
Gautier, MS 39553

License #	NAIC Group #	NAIC #	FEETS#	MATS#
0300015	N/A	10313	10313-MS-2016-6	MS-MARTINJ-4
8600053	N/A	83666	83666-MS-2016-7	MS-MARTINJ-5

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

## **SCOPE OF EXAMINATION**

We have performed our single-state examination of USA Insurance Company (“Company” or “USA”). The last examination covered the period of January 1, 2009 through December 31, 2011. This examination covers the period January 1, 2012 through December 31, 2016.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook*. The Handbook requires that we plan and perform the examination to evaluate the financial condition, 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 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**

As a result of the examination procedures performed, it appears that the Company has implemented all recommendations from the previous examination.

## **HISTORY OF THE COMPANY**

United General Life Insurance Company was organized and incorporated as a domestic limited insurer under the laws of the State of Arizona on June 7, 1973.

In January, 1974, the Company’s name was changed to United General Reinsurance Company of Arizona.

On June 26, 1986, the Company’s name was changed from United General Reinsurance Company of Arizona to Union Savings American Life Insurance Company.

Effective April 1, 1987, Union Savings American Life Insurance Company executed an assumption reinsurance agreement with Mississippi Life & Accident Insurance Company of Pascagoula, Mississippi. Pursuant to the assumption reinsurance agreement, Union Savings American Life Insurance Company assumed the assets and liabilities arising under all policies and certificates in force as of April 1, 1987.

On February 20, 1992, the Company re-domesticated from Arizona to Mississippi and simultaneously changed its name from Union Savings American Life Insurance Company to Union Savings American Insurance Company. The Company was licensed to write life and health lines of business.

On December 1, 1992, the Company received an amended Certificate of Authority to write property and casualty lines of business.

On July 10, 2000, the Company changed its principal location from Jackson, Hinds County, Mississippi to Gautier, Jackson County, Mississippi.

On August 6, 2001, the Company amended the Articles of Association to change the name of the Company to USA Insurance Company.

### **CORPORATE RECORDS**

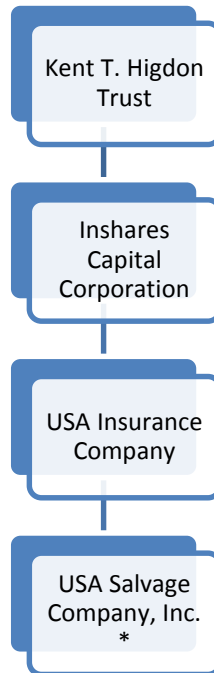
The minutes of the meetings of the Board of Directors (“Board”) prepared during the period under examination were reviewed. The Articles of Association and Bylaws, along with any amendments thereto, were reviewed.

### **HOLDING COMPANY STRUCTURE**

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

The Company appears to have filed with the MID documentation relating to Miss. Code Ann. §§ 83-6-5 and 83-6-9 for the years under examination.

## **Organizational Chart**



### *Affiliated Companies*

Kent T. Higdon Trust ("Trust"): The ultimate controlling person of the Company is the Kent T Higdon Trust. Thomas E. Vaughn and William T. Higdon serve as the Co-Trustees of the Trust with Kent T. Higdon as the Grantor.

Inshares Capital Corporation ("Inshares"): InShares Capital Corporation is the 100% owner of USA Insurance Company. InShares provides marketing services, hiring, licensing and training of agents, solicitation and collection of premiums, and delivery of insurance policies for the Company.

USA Salvage Company ("USA Salvage"): USA Salvage is a subsidiary of USA Insurance Company. The Company sells totaled vehicles received in the claims process to USA Salvage on a regular basis.

\* USA Salvage Company ("USA Salvage") is an unaudited subsidiary and was held as a non-admitted asset on the Annual Statements filed with the MID during the examination period pursuant to SSAP No. 97.

### **Related Party Agreement:**

Schedule Y – Part 2 reflects transactions with affiliates Inshares and USA Salvage.

The Company paid InShares commissions based on a general agent agreement. As part of the agreement, USA is required to pay InShares an advance commission of \$42,000 a month towards commissions of 6% of all premiums collected by the Company. The Company paid InShares \$511,125 in 2016 and \$575,000 in 2015. The Company was found to have paid \$199,646.76 less than required under the agreement in 2016 and \$93,632.80 less in 2015. These balances were forgiven by InShares therefore, no balance was due at year end 2016 or 2015.

The Company contracts out the sale of certain vehicles that are deemed total losses to various salvage companies that include USA Salvage. The Company received salvage income of \$135,000 in 2016 and \$119,000 in 2015. The Amended General Business Agreement with USA Salvage required USA Salvage to pay rent to USA in the amount of \$500 a month, plus 12% of the retail value, as determined by the Company, for all salvaged vehicles sold by USA Salvage effective February 1, 2015. The original agreement required rent in the amount of \$5,000 per month and that USA Salvage pay 5-10% of the retail value of all salvaged vehicles sold by the subsidiary.

The Company had three mortgage loans for a total balance of \$1,512,020 and \$1,544,868 as of December 31, 2016 and 2015, respectively, as reported on Schedule B of the Annual Statement. These mortgage loans are to Elias Higdon and Ky Higdon and appeared to be performing in accordance with the loan agreements. There were no new mortgage loans executed during the examination period.

## **MANAGEMENT AND CONTROL**

### **Stockholders**

The Company is a Mississippi domestic stock insurance company. The Company had 600,000 of its 5,000,000 authorized shares of \$1 par value common stock issued and outstanding at the examination date. The common stock of the Company is 100% owned by InShares. The Company paid no dividends during the examination period.

### **Board of Directors**

The Articles of Association and Bylaws vest the management and control of the Company's business affairs with the Board. The members of the duly elected Board, along with their place of residence, number of years as a Director, and principal occupation, at December 31, 2016, were as follows:

Name and Place of Residence	Year Elected/Appointed	Principal Occupation
Kent Thomas Higdon Ocean Springs, Mississippi	1973	President USA Insurance Company
Cecile Hinson Stephens Moss Point, Mississippi	1992	Retired Secretary/Treasurer USA Insurance Company
William Travis Higdon Moss Point, Mississippi	1992	Real Estate Agent Caldwell Banker
Catherine M. Aubry Moss Point, Mississippi	2013	Controller USA Insurance Company

### **Committees**

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

### **Officers**

Name and Residence	Year Elected/Appointed	Title
Kent Thomas Higdon	1973	President
Cecile Hinson Stephens	1992	Member
William Travis Higdon	2008	Chairman/Secretary
Catherine M. Aubry	2013	Treasurer

### **Conflict of Interest**

The Company had formal procedures whereby disclosure was made to the Board of any material interest or affiliation on the part of any officer or director that was, or would likely be, a conflict with the official duties of such persons. Written statements were signed annually by all officers and members of the Board of Directors.

## **FIDELITY BOND AND OTHER INSURANCE**

The Company maintained a commercial insurance policy for employee theft with a limit of \$225,000. 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**

Upon completion of one year of service, employees were eligible for one week of paid vacation and to participate in the 401(k) plan. No pension obligation existed as of December 31, 2016.

## **TERRITORY AND PLAN OF OPERATION**

As of December 31, 2016, the Company was authorized to write the following lines of business in the State of Mississippi:

Accident & Health	Credit Life, Credit Accident & Health
Life	Automobile Physical Damage/Liability
Plate Glass	Casualty/Liability
Fidelity	Fire/Allied Lines
Guaranty	Ocean Marine
Workers' Compensation	Boiler and Machinery
Inland Marine	

## **REINSURANCE**

As of December 31, 2016, the Company maintained a Property First Catastrophe Excess of Loss Reinsurance Contract issued through a reinsurance intermediary, Guy Carpenter. The reinsurance intermediary was appropriately licensed with the Mississippi Insurance Department as of the examination date.

The First Property Catastrophe Excess of Loss Reinsurance Contract covered losses under policies classified by the Company as Automobile Physical Damage in respect to each loss occurrence, for the ultimate net loss over and above the initial ultimate net loss of \$1,000,000 each loss occurrence, subject to a limit of liability to the reinsurer of \$3,400,000 each loss. The subscribing reinsurers to the excess of loss reinsurance agreement were Lloyd's Syndicates (Syndicate 2001, 35 percent, Syndicate 510, 7.75 percent and Syndicate 1880, 2.25 percent), Farm Mutual Reinsurance Plan, Inc. (25 percent), Allied World Insurance Company (15 percent) and Axis Reinsurance Company (15 percent) as of December 31, 2016.

## **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.



	2016	2015	2014	2013	2012
Capital and Surplus	\$ 9,086,158	\$ 8,831,881	\$ 9,697,594	\$ 9,638,827	\$ 8,777,385
Ratio of premiums to capital and surplus	1.28 to 1	1.25 to 1	1.15 to 1	1.16 to 1	1.27 to 1
Ratio of assets to liabilities	2.05 to 1	2.06 to 1	2.24 to 1	2.34 to 1	2.05 to 1
Ratio of premiums to expenses	0.92 to 1	0.85 to 1	0.90 to 1	1.00 to 1	1.10 to 1
Cash flows from operations	\$ 567,879	\$ (177,162)	\$ 668,118	\$ (177,511)	\$ 837,629
Net income (loss)	\$ 277,846	\$ (888,163)	\$ 81,037	\$ 886,344	\$ 1,514,072

### **ACCOUNTS AND RECORDS**

The Company's 2016 trial balance was tied to the financial statements within the statutory annual statement filed with the MID, with no material exceptions noted. The Company was audited annually by an independent CPA firm and the Company's aggregate reserve liability was calculated by a consulting actuarial firm.

The Company is licensed as a multi-line insurance company pursuant to Miss. Code Ann. § 83-19-31(b), which requires the Company to maintain a minimum capital and surplus of \$600,000 and \$900,000, respectively. Pursuant to Miss. Code Ann. § 83-5-55, the Company is required to file an NAIC Life, Accident and Health Annual Statement and an NAIC Property and Casualty Annual Statement for each of the respective lines of business. The Company is also required to file risk-based capital (RBC) reports for each of its NAIC annual statement filings pursuant to Miss. Code Ann. § 83-5-401 through § 83-5-427.

### **MORTALITY AND LOSS EXPERIENCE**

The MID contracted with Risk & Regulatory Consulting, LLC to review the actuarial analysis supporting the Company's aggregate reserve for life contracts for the Company's life, accident and health lines of business. Based on the examination actuarial evaluation, the Company's reserve liabilities were found to be accurately calculated and sufficient.

The MID contracted with Bickerstaff, Whatley, Ryan & Burkhalter to review the actuarial analysis supporting the Company's loss and loss adjustment expense reserves for the Company's property and casualty lines of business. 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.

## **STATUTORY DEPOSITS**

The Company's statutory deposits with the State of Mississippi complied with Miss. Code Ann. §83-19-31(2) and §83-7-21. The following chart displays the Company's deposits at December 31, 2016:

<b>Description of Security</b>	<b>Book Value</b>	<b>Fair Value</b>
Cash and Equivalents	\$ 34,150	\$ 34,152
Bonds	378,589	376,960
Total	<u>\$ 412,739</u>	<u>\$ 411,112</u>

## **FINANCIAL STATEMENTS**

### **Introduction**

The financial statements consist of a Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2016, a Summary of Operations for year ended December 31, 2016, a Reconciliation of Capital and Surplus for the examination period ended December 31, 2016.

The following life, accident and health financial statements are based on the statutory financial statements filed by the Company with the Mississippi Insurance Department and present the financial condition of the Company for the period ending December 31, 2016. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

**Statement of Assets, Liabilities, Surplus and Other Funds**  
**(Life, Accident and Health)**  
**December 31, 2016**

<b>Assets</b>	
Stocks	\$ 394,935
Mortgage loans	1,512,020
Real estate	802,844
Cash and short-term investments	15,594
Contract loans	46,966
Investment income due and accrued	6,353
Current federal and foreign income tax recoverable and interest thereon	71,642
Net deferred tax asset	18,303
Electronic data processing equipment and software	576
Aggregate write-ins for other than invested assets	708,450
<hr/>	
Total assets	3,577,683
<hr/>	
<b>Liabilities, Surplus and Other Funds</b>	
Aggregate reserve for life contracts	\$ 648,397
Aggregate reserve for accident and health contracts	112,441
Contract claims: life	6,000
Contract claims: accident and health	3,750
General expenses due or accrued	7,007
Taxes, licenses and fees due or accrued	11,867
Amounts withheld or retained by the company as agent or trustee	424
Asset valuation reserve	69,748
<hr/>	
Total liabilities	859,634
<hr/>	
Common capital stock, \$1 par value; 5,000,000 shares authorized; 600,000 shares issued and outstanding	600,000
Gross paid in and contributed surplus	1,036,893
Unassigned funds (surplus)	1,081,156
<hr/>	
Total capital, surplus and other funds	2,718,049
<hr/>	
Total liabilities, surplus and other funds	\$ 3,577,683
<hr/>	

**Summary of Operations**  
**(Life, Accident and Health)**  
**For the examination period ended December 31, 2016**

<b>Revenue</b>		
Premiums earned	\$	375,034
Net investment income		109,427
Aggregate write-ins for miscellaneous income		1,844
<hr/>		
Total income		486,305
<hr/>		
<b>Expenses</b>		
Death benefits		5,000
Disability benefits and benefits under accident and health contracts		48,285
Surrender benefits and other withdrawals for life contracts		2,890
Increase in aggregate reserves for life policies		9,227
Commissions of premiums and annuity considerations		33,209
General insurance expenses		174,269
Insurance taxes, licenses and fees		23,494
<hr/>		
Total expenses		296,374
<hr/>		
Net gain from operations before dividends to policyholders and federal income tax		189,931
Federal and foreign income taxes incurred		25,000
Net realized capital gains (losses)		(5)
<hr/>		
Net income	\$	164,926

**Reconciliation of Capital and Surplus  
(Life, Accident and Health)  
For the examination period ended December 31, 2016**

	2016	2015	2014	2013	2012
Capital and surplus, beginning of the	\$ 2,566,663	\$ 2,419,681	\$ 2,161,016	\$ 1,861,114	\$ 1,653,529
Net income	164,926	153,357	235,029	312,243	226,009
Change in net unrealized capital gains (losses)	(23,385)	(20,419)	-	-	-
Change in net deferred income tax	899	(1,628)	101,144	1,698	21,539
Change in non-admitted assets	(10,163)	15,575	(86,542)	(12,673)	(3,301)
Change in asset valuation reserve	2,103	97	10,106	5,481	6,939
Aggregate write-ins for gains and (losses) in surplus	17,006	-	(1,072)	(6,847)	(43,601)
Capital and surplus, end of the year	\$ 2,718,049	\$ 2,566,663	\$ 2,419,681	\$ 2,161,016	\$ 1,861,114

## **FINANCIAL STATEMENTS**

### **Introduction**

The following financial statements consist of a Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2016, a Summary of Operations for year ended December 31, 2016, and a Reconciliation of Capital and Surplus at December 31, 2016.

The following property and casualty financial statements are based on the statutory financial statements filed by the Company with the Mississippi Insurance Department and present the financial condition of the Company for the period ending December 31, 2016. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

**Statement of Assets, Liabilities, Surplus and Other Funds  
(Property and Casualty)  
December 31, 2016**

<b>Assets</b>	
Bonds	\$ 8,506,046
Real estate	237,286
Cash and short-term investments	4,383,438
Investment income due and accrued	57,939
Uncollected premiums in course of collection	1,654,222
Current federal and foreign income tax recoverable and interest thereon	48,000
Net deferred tax asset	12,263
Electronic data processing equipment and software	10,945
<b>Total assets</b>	<b>14,910,139</b>
<b>Liabilities, Surplus and Other Funds</b>	
Losses	\$ 5,054,759
Loss adjustment expenses	165,882
Commissions payable, contingent commissions and other similar charges	11,176
Other expenses	142,900
Taxes, licenses and fees due or accrued	6,969
Unearned premiums	2,451,894
Aggregate write-ins for liabilities	708,450
<b>Total liabilities</b>	<b>8,542,030</b>
<b>Unassigned funds (surplus)</b>	<b>6,368,109</b>
<b>Total liabilities, surplus and other funds</b>	<b>\$ 14,910,139</b>



**Summary of Operations  
(Property and Casualty)  
For the examination period ended December 31, 2016**

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Premiums earned	\$	11,242,085
Losses incurred		7,775,444
Loss adjustment expenses incurred		668,244
Other underwriting expenses incurred		3,839,703
<hr/>		
Total underwriting deductions		12,283,391
Net underwriting loss		(1,041,306)
Net investment income earned		6,379
Net realized capital gains (losses)		(3,285)
<hr/>		
Aggregate write-ins for miscellaneous income		1,192,132
Net income before federal and foreign income taxes		153,920
Federal and foreign income taxes incurred		41,000
<hr/>		
Net income	\$	112,920

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**Reconciliation of Capital and Surplus  
(Property and Casualty)  
For the examination period ended December 31, 2016**

	2016	2015	2014	2013	2012
Capital and surplus, beginning of the	\$ 6,265,218	\$ 7,277,912	\$ 7,477,812	\$ 6,916,271	\$ 5,683,746
Net income (loss)	112,920	(1,041,520)	(153,992)	574,101	1,288,063
Change in net deferred income tax	(47,460)	(1,628)	(102,859)	(4,033)	(37,382)
Change in non-admitted assets	37,434	30,454	83,926	1,068	6,844
Aggregate write-ins for gains and (losses) in surplus	-	-	(26,975)	(9,595)	(25,000)
Capital and surplus, end of the year	\$ 6,368,112	\$ 6,265,218	\$ 7,277,912	\$ 7,477,812	\$ 6,916,271

## **FINANCIAL STATEMENTS**

### **Introduction**

The following combined financial statements consist of a Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2016, a Summary of Operations for year ended December 31, 2016, and a Reconciliation of Capital, Surplus and Other Funds for the examination period ended December 31, 2016

Intra-company balances are eliminated on the combined life, accident and health filing and property and casualty filing financial statements on the following pages.

The following combined financial statements are based on the statutory financial statements filed by the Company with the Mississippi Insurance Department and present the financial condition of the Company for the period ending December 31, 2016. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

**Statement of Assets, Liabilities, Surplus and Other Funds**  
**(Combined Life, Accident and Health Filing and Property and Casualty Filing)**  
**December 31, 2016**

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**Assets**

Bonds	\$	8,506,046
Stocks		394,935
Mortgage loans		1,512,020
Real estate:		
Properties occupied by the company		618,788
Properties held for the production of income		237,286
Properties held for sale		184,056
Cash and short-term investments		4,399,032
Contract loans		46,966
Investment income due and accrued		64,292
Uncollected premiums in course of collection		1,654,222
Current federal and foreign income tax recoverable		119,642
Net deferred tax asset		30,566
Electronic data processing equipment and software		11,521
<b>Total assets</b>	<b>\$</b>	<b>17,779,372</b>

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**Liabilities, Surplus and Other Funds**

Losses		5,054,759
Aggregate reserves for life contracts		648,397
Aggregate reserves for accident and health contracts		112,441
Loss adjustment expenses		165,882
Contract claims: life		6,000
Contract claims: accident and health		3,750
Commissions payable, contingent commissions and other similar charges		11,176
Other expenses		142,900
Unearned premiums		2,451,894
General expenses due or accrued		7,007
Taxes, licenses and fees due or accrued		18,836
Amounts withheld or retained by the company as agent or trustee		424
Asset valuation reserve		69,748
<b>Total liabilities</b>		<b>8,693,214</b>
Common capital stock, \$1 par value; 5,000,000 shares authorized; 600,000 shares issued and outstanding		600,000
Gross paid in and contributed surplus		1,036,893
Unassigned funds (surplus)		7,449,265
<b>Total surplus and other funds</b>		<b>9,086,158</b>
<b>Total liabilities, surplus and other funds</b>	<b>\$</b>	<b>17,779,372</b>

**Summary of Operations**  
**(Combined Life, Accident and Health Filing and Property and Casualty Filing)**  
**For the examination period ended December 31, 2016**

<b>Revenue</b>	
Premiums earned	\$ 11,617,119
Net investment income	115,806
Aggregate write-ins for miscellaneous income	1,193,976
<hr/>	
Total income	12,926,901
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<b>Expenses</b>	
Losses incurred	7,775,444
Loss adjustment expenses incurred	668,244
Death benefits	5,000
Disability benefits and benefits under accident and health contracts	48,285
Surrender benefits and other withdrawals for life contracts	2,890
Increase in aggregate reserves for life policies	9,227
Commissions of premiums and annuity considerations	33,209
Other underwriting expenses incurred	3,839,703
General insurance expenses	174,269
Insurance taxes, licenses and fees	23,494
<hr/>	
Total expenses	12,579,765
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Net gain from operations before federal income tax and realized capital gains (losses)	347,136
Federal tax and foreign income taxes incurred	66,000
Net realized capital gains (losses)	(3,290)
<hr/>	
Net income	\$ 277,846

**Reconciliation of Capital and Surplus  
(Combined Life, Accident and Health Filing and  
Property and Casualty Filing)  
For the examination period ended December 31, 2016**

	2016	2015	2014	2013	2012
Capital and surplus, beginning of the	\$ 8,831,881	\$ 9,697,593	\$ 9,638,828	\$ 8,777,385	\$ 7,337,275
Net income	277,846	(888,163)	81,037	886,344	1,514,072
Change in net unrealized capital gains (losses)	(23,385)	(20,419)	-	-	-
Change in net deferred income tax	(46,561)	(3,256)	(1,715)	(2,335)	(15,843)
Change in non-admitted assets	27,271	46,029	(2,616)	(11,605)	3,543
Change in asset valuation reserve	2,103	97	10,106	5,481	6,939
Aggregate write-ins for gains and (losses) in surplus	17,006	-	(28,047)	(16,442)	(68,601)
Capital and surplus, end of the year	\$ 9,086,161	\$ 8,831,881	\$ 9,697,593	\$ 9,638,828	\$ 8,777,385

## **RECONCILIATION OF EXAM ADJUSTMENTS TO SURPLUS**

There were no changes made to the admitted assets, liabilities capital and surplus balances reported by the Company for the year ended December 31, 2016. The surplus as regards policyholders, which totaled \$9,086,161 as of the examination date, was determined to be reasonably stated and in compliance with Miss. Code Ann. §83-19-31(1)(b).

## **MARKET CONDUCT ACTIVITIES**

A full market conduct examination was not conducted; however, specific areas of the market conduct activities were reviewed. The specific areas reviewed included those items as indicated below.

### **Policyholder Service**

The Company maintained complaint documentation during the period under examination and all complaints appeared to have been appropriately resolved and no policyholder abuse was noted.

### **Underwriting and Rating**

Based upon procedures performed during the course of the examination, the Company appeared to be appropriately applying premium rates for insured policies based on application data. It appeared that all applicable policy forms had been appropriately approved by the MID.

### **Claims Handling**

Claim files were reviewed for general indicators of policyholder treatment concerns 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**

Privacy notices were sent to the Company's policyholders annually, and based upon the procedures performed during the course of the examination, these annual notices appeared to be in compliance with applicable laws and standards.

## **COMMITMENTS AND CONTINGENT LIABILITIES**

During the examination period of January 1, 2012 through December 31, 2016, there was no litigation, commitments or other contingent liabilities to which the Company was a party.



## **COMMENTS AND RECOMMENDATIONS**

There were no comments and/or recommendations reflected as findings as of the examination date.

## **SUBSEQUENT EVENTS**

Subsequent to the examination date, the Company filed and the MID approved premium rate changes for the Company's auto insurance policy.

During 2017, Catherine M. Aubry became Secretary/Treasurer. William T. Higdon's title was changed from Chairman/Secretary to Chairman and Cecile Stephens was removed as an officer of the Company while remaining a member of the Board.

## ACKNOWLEDGMENT

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

Examiner-in-charge	Kimberly D. Strong, CPA, CFE
Administrative Examiner	Jimmy D. Blissett, CFE
Actuary	Mike Presley, FSA, MAAA
Actuary	John Humphries, ASA, MAAA, CFE, AES
Actuary	Chris Burkhalter, FCAS, MAAA
Examiner	Ryan Dunbar
Department Designee	Mark Cooley, CFE, Chief Examiner, Financial and Market Regulation

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

Respectfully submitted,

  
\_\_\_\_\_  
Kimberly Strong, CPA, CFE  
Examiner-in-charge

  
\_\_\_\_\_  
Department Designee