



MISSISSIPPI INSURANCE DEPARTMENT

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

MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MAILING ADDRESS
Post Office Box 79
Jackson, Mississippi 39205-0079
TELEPHONE: (601) 359-3569
FAX: (601) 359-2474
WATS: 1-800-562-2957 (Incoming - USA)

June 26, 2008

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

Mr. Larry Bernard Wooten
Chairman of the Board & President
Southern Capital Life Insurance Company
1401 Livingston Lane
Jackson, MS 39213

RE: Report of Examination as of December 31, 2006

Dear Mr. Wooten:

In accordance with Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999), 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. 1999), 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



J. Mark Haire
Special Assistant Attorney General

MC/JMH/bs
Encls. Order w/exhibit

**BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF MISSISSIPPI**

**IN RE: REPORT OF EXAMINATION OF SOUTHERN
CAPITAL LIFE INSURANCE COMPANY**

CAUSE NO. 08-5774

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. 1999). The Commissioner, having fully considered and reviewed the Report of Examination together with any submissions or rebuttals and any relevant portions of the examiner's work papers, makes the following findings of fact and conclusions of law, to-wit:

JURISDICTION

I.

That the Commissioner has jurisdiction over this matter pursuant to the provisions of Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999).

II.

That Southern Capital Life Insurance Company is a Mississippi-domiciled Company licensed to write Life and Accident and Health coverages.

FINDINGS OF FACT

III.

That the Commissioner, or his appointee, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999), called for an examination of Southern Capital Life Insurance Company and appointed Joseph R. May, Examiner-In-Charge, to conduct said examination.

IV.

That on or about April 22, 2008, the draft Report of Examination concerning Southern Capital Life Insurance Company for the period of January 1, 2004, through December 31, 2006, was submitted to the Department by the Examiner-In-Charge, Joseph R. May.

V.

That on or about May 19, 2008, pursuant to Miss. Code Ann. § 83-5-209(2) (Rev. 1999), the Department forwarded to the Company a copy of the draft report and allowed the Company a 30-day period to submit any rebuttal to the draft report. On or about June 18, 2008, the Company responded to the draft report, and in response thereto, minor revisions were made to the report.

CONCLUSIONS OF LAW

VI.

The Commissioner, pursuant to Miss. Code Ann. § 83-5-209(3) (Rev. 1999), must consider and review the report along with any submissions or rebuttals and all relevant portions of examiner work papers and enter an Order: (1) adopting the Report of Examination as final or with modifications or corrections; (2) rejecting the Report of Examination with directions to reopen; or (3) calling for an investigatory hearing.

IT IS, THEREFORE, ORDERED, after reviewing the Report of Examination, the Company's rebuttal, and all relevant examiner work papers, that the Report of Examination of Southern Capital Life Insurance Company, attached hereto as Exhibit "A", should be and same is hereby adopted as final.

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

IT IS FURTHER ORDERED that the Mississippi Department of Insurance shall continue to hold the content of this report as private and confidential information for a period of ten (10) days from the date of this Order, pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 1999).

IT IS FURTHER ORDERED, pursuant to Miss. Code Ann. § 83-5-209(4)(Rev. 1999), that within thirty (30) days of the issuance of the adopted report, Southern Capital Life Insurance Company shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related orders.

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

SO ORDERED, this the 26th day of June, 2008.

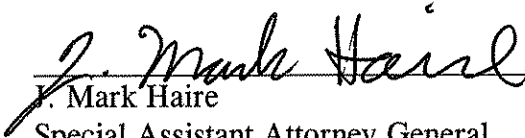


LEE HARRELL
DEPUTY COMMISSIONER
STATE OF MISSISSIPPI

CERTIFICATE OF MAILING

I hereby certify that a true and correct copy of the above and foregoing Order and a copy of the final Report of Examination, as adopted by the Mississippi Department of Insurance, was sent by certified mail, postage pre-paid, return receipt requested, on this the 26th day of June, 2008, to:

**Mr. Larry Bernard Wooten
Chairman of the Board & President
Southern Capital Life Insurance Company
1401 Livingston Lane
Jackson, MS 39213**



J. Mark Haire
Special Assistant Attorney General

J. Mark Haire
Special Assistant Attorney General
Counsel for the Mississippi Department of Insurance
Post Office Box 79
Jackson, MS 39205-0079
(601) 359-3577
Miss. Bar No. 2065



Mississippi Insurance Department

Report of Examination

of

**Southern Capital Life Insurance Company
1401 Livingston Lane
Jackson, Mississippi 39213**

As of December 31, 2006

**NAIC Group Code 0893
NAIC Company Code 94617
NAIC ETS No. MS029-C38**

Southern Capital Life Insurance Company

Table of Contents
December 31, 2006

EXAMINER AFFIDAVIT	2
SALUTATION	3
INTRODUCTION	4
SCOPE OF EXAMINATION	4
HISTORY OF THE COMPANY	4
HOLDING COMPANY STRUCTURE	5
Organizational Chart	5
Related Party Transactions	5
MANAGEMENT AND CONTROL	6
Stockholder	6
Board of Directors	6
Officers	8
Committees	8
Conflict of Interest	9
CORPORATE RECORDS	9
FIDELITY BONDS AND OTHER INSURANCE	10
DIRECTORS', OFFICERS', AND EMPLOYEES' WELFARE	10
ACCOUNTS AND RECORDS	10
STATUTORY DEPOSITS	10
FINANCIAL STATEMENTS	11
Introduction	11
Statement of Admitted Assets, Liabilities, and Surplus	12
Summary of Operations	13
Reconciliation of Surplus as Regards Policyholders	14
Reconciliation of Examination Adjustments	15
MARKET CONDUCT ACTIVITIES	16
CURRENT EXAMINATION COMMENTS AND RECOMMENDATIONS	16
ACKNOWLEDGMENT	17

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

State of Mississippi,

County of Madison,

Joseph R. May being duly sworn, states as follows:

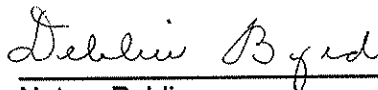
1. I have authority to represent the Mississippi Insurance Department in the examination of Southern Capital Life Insurance Company.
2. The Mississippi Insurance Department is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Southern Capital Life Insurance Company was performed in a manner consistent with the standards and procedures required by the Commissioner of Insurance of the State of Mississippi.

The affiant says nothing further.



Joseph R. May, CFE, CIE, CPA, CMA, FAHM
Examiner-in-charge

Subscribed and sworn before me by Joseph R. May on this 25th day of June, 2008.



Notary Public

My commission expires 9-10-2010 [date].





MISSISSIPPI INSURANCE DEPARTMENT

501 N. WEST STREET, SUITE 1001
WOOLFOLK BUILDING
JACKSON, MISSISSIPPI 39201
www.doi.state.ms.us

MAILING ADDRESS
Post Office Box 79
Jackson, Mississippi 39205-0079
TELEPHONE: (601) 359-3569
FAX: (601) 359-2474
WATS: 1-800-562-2957 (Incoming - USA)

MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

March 24, 2008

Honorable Mike Chaney
Commissioner of Insurance
Mississippi Insurance Department
1001 Woolfolk Building (39201)
Post Office Box 79
Jackson, Mississippi 39205

Honorable Alfred W. Gross
Chair, Financial Condition (E) Committee
Secretary, Southeastern Zone
Commissioner of Insurance
State of Virginia
State Corporation Commission
Bureau of Insurance
Commonwealth of Virginia
Post Office Box 1157
Richmond, Virginia 23218

Dear Sirs:

Pursuant to the instructions and authorization from the Commissioner of Insurance for the State of Mississippi and in compliance with statutory provisions, an examination as of December 31, 2006, has been conducted of the affairs and financial condition of:

**SOUTHERN CAPITAL LIFE INSURANCE COMPANY
(NAIC COMPANY CODE 94617; NAIC-ETS No. MS029-C38)**

Statutory Home Office:
1401 Livingston Lane
Jackson, Mississippi 39213

This examination was performed at Southern Capital Life Insurance Company's statutory home office in Jackson, Mississippi, and was conducted in accordance with Miss. Code Ann. §83-1-205, et seq., and the report of examination is herewith submitted for your review.

INTRODUCTION

This examination was performed by examiners representing the Mississippi Insurance Department (MID) and covered Southern Capital Life Insurance Company (SCLIC or Company) operations and financial condition from January 1, 2004, through December 31, 2006, including material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination. The MID engaged Carr, Riggs & Ingram, LLC (CRI) to perform the financial and market conduct sections of the examination and Taylor, Walker & Associates (TWA) to perform the actuarial section of the examination.

For purposes of this examination report, the examination period is defined as January 1, 2004 through December 31, 2006, and the examination date is defined as December 31, 2006. The Company was previously examined by the MID as of December 31, 2003.

SCOPE OF EXAMINATION

This examination was performed in conjunction with the full scope financial examination that was conducted on its parent company, Southern Farm Bureau Life Insurance Company (SFBLIC). The examination included assessing the Company's financial condition, its ability to fulfill and manner of fulfillment of its obligations, the nature of its operations, and compliance with the law.

This examination was conducted in accordance with procedures recommended by the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook.

Reporting in the comments and recommendations section of this report was by exception; therefore, items that were tested and deemed acceptable by the examiners without material change receive little or no comment.

HISTORY OF THE COMPANY

The Company was incorporated on December 23, 1981 as Southern Farm Bureau Annuity Insurance Company. The articles of association authorized 15,000 shares of \$100 par value common stock, which were sold to Southern Farm Bureau Life Insurance Company and provided the Company with \$1.5 million in capital. The Company's operations were dormant except for investment activity until July 1983, when it began to reinsure annuities written by its parent company.

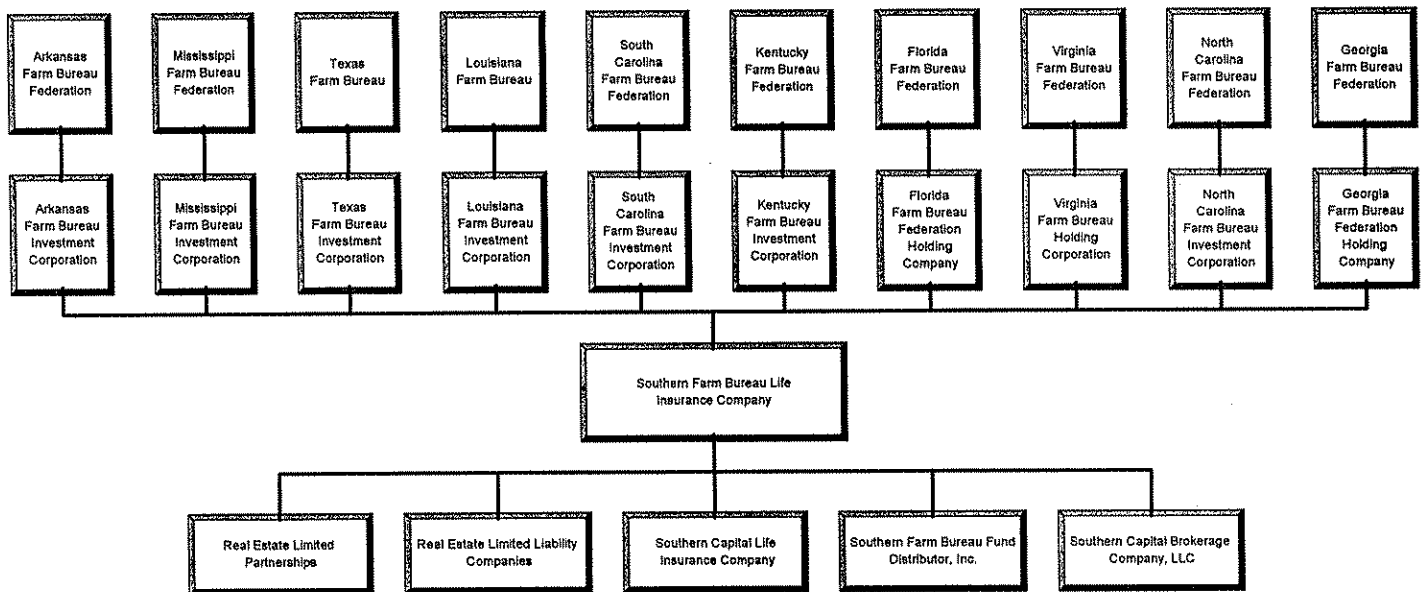
Certain group decreasing term life insurance of SCLIC was assumed by Southern Farm Bureau Life Insurance Company effective November 1, 1990. In 1996, the reinsurance agreements between the Company and its parent company were cancelled or modified and the related reserves were recaptured by Southern Farm Bureau Life Insurance Company. Additionally, the Company paid a dividend to its parent company in order to transfer an appropriate amount of unallocated surplus for the recaptured business.

Effective May 1, 1998, the Company agreed to co-insure certain life insurance policies and annuity contracts that were sold and underwritten by its parent company. However, during the year 1999 this assumed business was recaptured by SFBLIC through the termination of the 1998 agreement and the Company's name was changed to its current title effective December 14, 1999. The Company, as of the report date, remains inactive.

HOLDING COMPANY STRUCTURE

As reflected in the following organizational chart, the Company is ultimately owned by the Farm Bureau Investment Corporations in Arkansas, Kentucky, Mississippi, Texas, Louisiana, South Carolina, and North Carolina, and holding corporations in Virginia, Florida, and Georgia, which are controlled by the Farm Bureau Federation in each state respectively. Each shareholder owns 10% of Southern Farm Bureau Life Insurance Company's issued and outstanding common stock.

Organizational Chart



Related Party Transactions

Southern Farm Bureau Life Insurance Company allocated certain expenses to its subsidiaries, principally Southern Capital Life Insurance Company; such expenses approximated \$25,000 for each year under examination. The federal income taxes were allocated to the Company as though a separate tax return had been filed.

MANAGEMENT AND CONTROL

Stockholder

Southern Farm Bureau Life Insurance Company owns 100% of outstanding common stock of SCLIC (1,500 shares at \$100 par value). The complete organizational chart is depicted in the Holding Company section of this report above.

Board of Directors

The articles of association and bylaws vest the management and control of the Company's business affairs with the board of directors. The members of the duly elected board of directors, along with their state of residence and principal occupation, at December 31, 2006, are as follows:

<u>Name and City of Residence</u>	<u>Principal Occupation</u>
Mr. Ronald Ray Anderson Ethel, Louisiana	Farmer and President of Louisiana Farm Bureau Federation
Mr. Lloyd Arthur Ralls, Texas	Farmer and Vice President of Texas Farm Bureau Federation
Mr. William Donald Childs Commerce, Georgia	Farmer
Mr. Andrew Marshall Coyle Owingsville, Kentucky	Farmer, President of Kentucky Farm Bureau Federation
Mr. Kenneth Dierschke San Angelo, Texas	Farmer and President of Texas Farm Bureau Federation
Mr. John Wayne Dollar Ochlocknee, Georgia	Farmer and President of Georgia Farm Bureau Federation
Mr. Ben Martin Gramling, II Gramling, South Carolina	Chairman of the Board of Gramling Brothers, Inc.
Mr. Mark Haney Nancy, Kentucky	Farmer
Mr. Bruce Lane Hiatt Cana, Virginia	Farmer and President of Virginia Farm Bureau Federation
Mr. Carl Bowie Loop, Jr. Jacksonville, Florida	Farmer, President of Florida Farm Bureau Federation and President and Chairman of the Board

Name and City of Residence

Principal Occupation

Mr. Kenneth M. Middleton II
Glen Allen, Mississippi

Partner in Middleton Planting
Company

Mr. Oliver Bryan Mitchell
Doyline, Louisiana

Farmer

Mr. Wayne Franklin Pryor
Goochland, Virginia

Farmer

Mr. Stanley Eldon Reed
Marianna, Arkansas

Farmer, Attorney and President
of Arkansas Farm Bureau Federation

Mr. Raymond Richard Roth, Jr.
Wellington, Florida

President of Roth Farms, Inc. and
Vice President of Florida Farm
Bureau Federation

Mr. Randy Veach
Manila, Arkansas

Farmer

Mr. David Whitmire Waide
West Point, Mississippi

Farmer and President of Mississippi
Farm Bureau Federation

Mr. David Milton Winkles, Jr.
Sumter, South Carolina

President of D. M. Winkles, Inc. and
President of South Carolina Farm
Bureau Federation

Mr. Larry Bernard Wooten
Raleigh, North Carolina

Partner of Wooten Farming and
Seed and President of North
Carolina Farm Bureau Federation

Mr. John Milton Wright, Jr.
Reidsville, North Carolina

Retired Farmer

Officers

The following are the officers that were duly elected by the board of directors and holding office at December 31, 2006.

<u>Name</u>	<u>Position</u>
Mr. Carl B. Loop, Jr.	Chairman of the Board and President
Mr. John Wayne Dollar	First Vice President
Mr. J. Joseph Stroble	Executive Vice President, CEO
Mr. Laurence E. Favreau	Senior Vice President, CFO
Mr. Gino Gianfrancesco	Senior Vice President, Marketing
Mr. Randy M. Johns	Senior Vice President, Policy Administration and Assistant Secretary
Mr. Joseph A. Purvis	Senior Vice President, General Counsel and Secretary
Mr. Sherrell Ballard	Vice President, Information Systems
Mr. Denny Blaylock	Vice President, Underwriting
Mr. Glen Castle	Vice President, Group, Pension and Variable Product
Dr. David N. Duddleston	Vice President, Medical Director
Mr. Richard Fielding	Vice President, Chief Actuary
Mr. Philip R. Hogue	Vice President, Realty Investments
Mr. Kenneth P. Johnston	Vice President, Product Development
Mr. Richard D. McClure	Vice President, Claims
Mr. Perry McGaugh	Vice President, Legal
Mr. Walter J. Olson III	Vice President, Chief Investment Officer
Mr. Billy Sims	Vice President, Human Resources
Mr. E.J. Trosclair	Vice President, Agency
Mr. Robert E. Ward	Vice President and Controller

Committees

During the time period covered by this examination, the following committees were utilized by the Company to carry out the certain specified duties: investment committee, executive committee and audit committee. The minutes to these committees were reviewed and appeared to be in order and the committees appeared to be provided appropriate oversight by the Board of Directors.

The following officers and directors served on the Investment Committee at December 31, 2006.

Mr. J. Joseph Stroble, Chairman	Mr. Gino Gianfrancesco
Mr. Laurence E. Favreau	Mr. Richard Fielding
Mr. Walter J. Olson III	Mr. Joseph A. Purvis

The following directors served on the Executive Committee at December 31, 2006.

Mr. Marshall Coyle	Mr. Carl B. Loop, Jr., Chairman
Mr. John Wayne Dollar	Mr. Stanley Reed
Mr. Ronald R. Anderson	Mr. David Waide
Mr. Larry Wooten	Mr. David M. Winkles, Jr.
Mr. Kenneth Dierschke	Mr. Bruce Hiatt

The following directors served on the Audit Committee at December 31, 2006.

Mr. Ronald R. Anderson	Mr. Bruce Hiatt
Mr. Marshall Coyle	Mr. Carl B. Loop, Jr.
Mr. Larry Wooten	Mr. David Waide, Chairman

Conflict of Interest

The Company, through its parent company, has formal procedures whereby disclosure is made to the board of directors of any material interest or affiliations on the part of any officer or director that is, or would likely be, a conflict with their official duties. These procedures were reviewed, and no conflicts or exceptions to the Company's policies were noted.

CORPORATE RECORDS

The minutes of the meetings of the stockholders and board of directors, regarding the Company's business affairs as recorded during the period covered by the examination, were reviewed and appeared to be complete and in order with regard to recording action on matters brought up at the meetings for deliberation, which included the approval and support of the Company's transactions and events, as well as the review of its audit and examination reports.

FIDELITY BOND AND OTHER INSURANCE

The Company was insured under various insurance policies that appeared to be adequate to protect the Company's interest. In particular, the Company maintained directors and officers coverage, professional liability coverage, electronic and computer crime coverage, and fidelity coverage that, with its \$5 million single loss limit of liability, exceeded the NAIC's suggested minimum amount for fidelity coverage.

DIRECTORS', OFFICERS', AND EMPLOYEES' WELFARE

The Company did not have any direct employees. The employees of its parent company performed work on behalf of the Company and any related benefits were provided by the parent company.

ACCOUNTS AND RECORDS

The Company's accounting and record keeping system is built around an IBM 3090 mainframe computer that included numerous software applications, such as Ingenium, the new policy administration system, as well as applications for payroll, cost/budget, inventory, and general accounting. The system is on-line and can be accessed by numerous IBM terminals. Also, wide use is made of personal computers in various areas of the Company where the specialized data is only applicable to the user's area.

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 statutory deposits at December 31, 2006.

Description	State Deposited	Par Value	Fair Value
U.S. Treasury	Mississippi	\$ 2,900,000	\$ 1,391,304
U.S. Treasury	North Carolina	1,300,000	623,688
Certificates of Deposit	South Carolina	150,000	150,000
U.S. Treasury	Arkansas	130,000	109,866
U.S. Treasury	Georgia	50,000	50,000
Total		<u>\$ 4,530,000</u>	<u>\$ 2,324,858</u>

**SOUTHERN CAPITAL LIFE INSURANCE COMPANY
FINANCIAL STATEMENTS
EXAMINATION AS OF DECEMBER 31, 2006**

Introduction

The following financial statements reflect the same amounts reported by the Company and consist of a Statement of Admitted Assets, Liabilities, Capital and Surplus at December 31, 2006, a Summary of Operations for the year ended December 31, 2006, and a Reconciliation of Surplus as Regards Policyholders for the examination period ended December 31, 2006.

Southern Capital Life Insurance Company

Statement of Admitted Assets, Liabilities, Capital and Surplus

<i>December 31,</i>		2006
Admitted Assets		
Bonds	\$	6,364,244
Cash and short-term investment		57,463
Investment income due and accrued		21,096
Total admitted assets		\$ 6,442,803
Liabilities, Capital and Surplus		
Taxes, licenses and fees due or accrued	\$	2,715
Federal income taxes due or accrued		110,929
Payable to parent, subsidiaries and affiliates		129,665
Total liabilities		243,309
Capital common stock		1,500,000
Unassigned funds		4,699,494
Total capital and surplus		6,199,494
Total liabilities, capital and surplus		\$ 6,442,803

Southern Capital Life Insurance Company

Summary of Operations

<i>For the Year Ended December 31,</i>	2006
Income	
Net investment income	\$ 325,843
Total income	325,843
Expenses	
Insurance taxes, licenses and fees	8,904
Federal income taxes	110,929
Total expenses	119,833
Net income	\$ 206,010

Southern Capital Life Insurance Company

Reconciliation of Surplus as Regards Policyholders

For the examination period ended December 31, 2006

	2004	2005	2006
Capital and surplus, beginning of the year	\$ 5,613,095	\$ 5,799,460	\$ 5,993,484
Net income	186,365	194,024	206,010
Capital and surplus, end of the year	\$ 5,799,460	\$ 5,993,484	\$ 6,199,494

**RECONCILIATION OF EXAMINATION ADJUSTMENTS
DECEMBER 31, 2006**

As a result of this examination, there have been no changes affecting surplus, as regards to policyholders, made to the admitted assets, liabilities, and surplus balances reported by the Company in the December 31, 2006 annual statement as filed with the MID. The capital and surplus reported by the Company of \$6,199,494 is accepted as reasonably stated for purposes of the balance sheet per the examination.

MARKET CONDUCT ACTIVITIES

As discussed in the History of Company section of this report, SCLIC was dormant during the time period covered by this and the previous examination. As such, no market activities were noted.

CURRENT EXAMINATION COMMENTS AND RECOMMENDATIONS

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

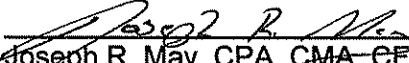
ACKNOWLEDGMENT

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

Examiner-in-charge	Joseph R. May, CPA, CMA, CFE, CIE, FAHM
Administrative Review	Randy Eure, CPA
Actuary	Thomas L. Burger, FSA, MAAA
Actuary	Joseph J. Wallace, Jr., ASA, MAAA
Automation Examiner	J. Scott Joyner, AES, CISA, CGAP
Examiner	Rebecca Dennis, CPA
Examiner	Whitney Craig, CPA
Examiner	Francois Houde, CA
Examiner	Angie Plunkett
Examiner	Kim Scharl

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

Respectfully submitted,



Joseph R. May, CPA, CMA, CFE, CIE, FAHM
Examiner-in-charge