



MISSISSIPPI INSURANCE DEPARTMENT

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

MAILING ADDRESS
Post Office Box 79
Jackson, Mississippi 39205-0079
TELEPHONE: (601) 359-3569
FAX: (601) 359-2474

MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MARK HAIRE
Deputy Commissioner of Insurance

July 8, 2010

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Mr. Scott M. Quist, President
Southern Security Life Insurance Company, Inc.
5300 South 360 West
Salt Lake City, UT 84123

RE: Report of Examination as of December 31, 2008

Dear Mr. Quist:

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.

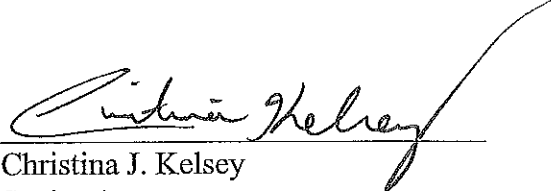
Pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 1999), the Mississippi Department of Insurance shall continue to hold the content of said report as private and confidential for a period of ten (10) days from the date of the Order. After the expiration of the aforementioned 10-day period, the Department 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


Christina J. Kelsey
Senior Attorney

MC/CJK/bs
Encls. Order w/exhibit

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

**IN RE: REPORT OF EXAMINATION OF SOUTHERN
 SECURITY LIFE INSURANCE COMPANY, INC.**

CAUSE NO. 10-6118

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

FINDINGS OF FACT

III.

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

IV.

That on or about May 12, 2010, the draft Report of Examination concerning Southern Security Life Insurance Company, Inc. for the period of January 1, 2006 through December 31, 2008, was submitted to the Department by the Examiner-In-Charge, Daniel P. Callahan.

V.

That on or about June 15, 2010, 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 15-day period to submit any rebuttal to the draft report. On or about June 28, 2010, the Company submitted a letter, and in response thereto, no 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, all relevant examiner work papers and the Company's rebuttal, that the Report of Examination of Southern Security Life Insurance Company, Inc. attached hereto as Exhibit "A", should be and same is hereby adopted as final.


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

IT IS FURTHER ORDERED that the Mississippi Department of Insurance shall continue to hold the content of this report as private and confidential for a period of ten (10) days from the date of this Order, pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 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 Security Life Insurance Company, Inc. shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related orders.

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

SO ORDERED, this the 8th day of July 2010.



MIKE CHANEY
COMMISSIONER OF INSURANCE

CERTIFICATE OF MAILING

I hereby certify that a true and correct copy of the above and foregoing Order and a copy of the final Report of Examination, as adopted by the Mississippi Department of Insurance, was sent by certified mail, postage pre-paid, return receipt requested, on this the 8th day of July 2010, to:

**Mr. Scott M. Quist, President
Southern Security Life Insurance Company, Inc.
5300 South 360 West
Salt Lake City, UT 84123**



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 Financial Examination

of

SOUTHERN SECURITY LIFE INSURANCE COMPANY, INC.

of

Jackson, Mississippi

as of

December 31, 2008

State of Mississippi
County of St. Charles

Daniel P Callahan, being duly sworn, states as follows:

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

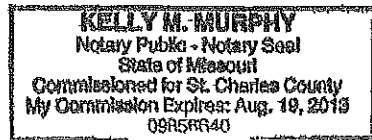
The affiant says nothing further.

[Signature]
Examiner's Signature

Subscribed and sworn before me by [Signature] on this 29th day of 2010.

(SEAL)

[Signature]
Notary Public



My commission expires 8/19/2013 [date].

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FAX: (601) 359-1076

May 28, 2010

Honorable Mike Chaney, Commissioner
Mississippi Insurance Department
1001 Woolfolk Building
501 North West Street
Jackson, MS 39201

Honorable Scott H. Richardson, Director
Secretary, Southeastern Zone, NAIC
South Carolina Department of Insurance
1201 Main Street, Suite 1000
Columbia, SC 29201

Honorable Alfred W. Gross, Commissioner
Chair, Financial Condition (E) Committee, NAIC
Virginia State Corporation Commission
Bureau of Insurance
Commonwealth of Virginia
PO Box 1157
Richmond, Virginia 23218

Pursuant to your instructions and in compliance with statutory requirements, an examination, as of December 31, 2008, has been made of the financial condition and business affairs of:

SOUTHERN SECURITY LIFE INSURANCE COMPANY, INC.
COMPANY LICENSE #7701317
NAIC COMPANY CODE 75531
Jackson, Mississippi

hereinafter referred to in this report as the ("Company" or "SSLIC"), and the following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered by Examination

We have performed our single-state examination of Southern Security Life Insurance Company, Inc. This examination covers the period of January 1, 2006 through December 31, 2008.

Examination Procedure Employed

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 and identify prospective risks of the company by obtaining information about the company including corporate governance, identifying and assessing inherent risks within the company and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the company were considered in accordance with the risk-focused examination process.

SUBSEQUENT EVENTS

No significant subsequent events were noted.

COMPANY HISTORY

General

The Company was incorporated on January 23, 1973, as Southern Security Insurance Company, Inc., under the laws of the State of Mississippi, as a burial company. The original Articles of Incorporation provided for authorized capital of \$25,000 representing 250 shares of common stock with a par value of \$100 per share.

An amendment to the Articles of Incorporation, approved by the stockholders at a meeting held May 5, 1976, provided for an increase in authorized capital to \$200,000 representing 100,000 shares of common stock with a par value of \$2.00 per share. In addition, the amendment provided for the corporate name be changed to Southern Security Life Insurance Company, Inc. On June 4, 1990, Articles of Amendment were passed providing for the authorization to issue 100,000 shares of Class A (voting) with a par value of \$2.00 per share and 1,000,000 shares of Class B (non-voting) common

capital stock with a par value of \$1.00 per share. All capital stock of the Company outstanding at June 4, 1990 was reissued as Class A common stock in a subsequent amendment on July 20, 1990.

On December 18, 2008 the Company completed a stock purchase transaction with Security National Life Insurance Company ("SNLIC"); a Utah domiciled insurance company, whereby SNLIC agreed to purchase all of the outstanding shares of the Company from its shareholders. Under the terms of the agreement, SNLIC paid purchase consideration equal to \$1,352,134, representing the capital and surplus, interest maintenance reserve and asset valuation reserve of the Company as of September 1, 2008, the date SNLIC assumed administrative control over the Company, plus \$1,500,000, representing the ceding commission that had been paid on August 29, 2008, plus \$75,883, representing an actual loss allowance experienced by the Company in the second quarter ended June 30, 2008, less certain adjustments.

As a result of the transaction, on August 29, 2008, SNLIC and the Company entered into a reinsurance agreement to reinsure the majority of the in-force business of the Company to the extent permitted by the Mississippi Insurance Department.

As of December 31, 2008, the Company's authorized lines of insurance were Life, Industrial Life, Industrial Accident and Health, and Life (Burial). The Company was previously authorized to write business in Arkansas but relinquished its license on December 27, 1995. The Company continues to collect premiums and pay premium taxes in Arkansas on business previously written, but does not write any new business.

Dividends and Capital Contributions

On December 31, 2008 the Company paid a dividend in the amount of \$1,300,000 to the Company's parent, SNLIC.

CORPORATE RECORDS

A review of the minutes of the Board of Directors and committee meetings revealed conformity with the requirements of the Articles of Incorporation concerning matters covered and authorizations made. The minutes approved and supported Company transactions.

MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE

The bylaws of the Company indicated the number of directors may be no less than six and no more than eleven.

The following persons served as directors of the Company as of December 31, 2008:

<u>Name and Location</u>	<u>Title and Principal Occupation</u>
Jack Lynn Beckstead, Jr.	President, Security National Mortgage Company
George R Quist, Sr., Salt Lake City, UT	Board Chairman
Charles L Crittenden, Ogden, UT	Retired
Scott M Quist, Salt Lake City, UT	Chief Executive Officer, SNLIC
Robert G Hunter	Physician
Norman G Wilbur, Plano, TX	Executive Director, Dallas Habitat for Humanity
H Craig Moody, Sandy, UT	Owner, Moody & Associates

The Company's bylaws provide for officers to consist of a president, executive vice president, secretary and treasurer.

The officers of the Company as of December 31, 2008, were as follows:

<u>Name</u>	<u>Title and Principal Occupation</u>
Scott M Quist	President & Chief Executive Officer
Faye Anne Blackett	Vice President- Policy Service
Diana C Olson	Vice President – Controller
Jason G Overbaugh	Vice President – National Sales Director
Christie Q Overbaugh	Vice President- Internal Operations
John VanValkenburg	Vice President & Chief Actuary
Jeffrey R Stephens	General Counsel & Secretary
Stephen M Sill	Chief Financial Officer & Treasurer

Committees and the respective committee members of the Company as of December 31, 2008 were as follows:

Executive Committee

<u>Name and Location</u>	<u>Title and Principal Occupation</u>
George R Quist, Chairperson, Salt Lake City, Utah	Chief Executive Officer, Security National Financial Corporation
Scott M Quist, Salt Lake City, Utah	President and Chief Executive Officer, Southern Security Life Insurance Company, Inc.
H Craig Moody, Sandy, Utah	Owner, Moody & Associates

Audit Committee

<u>Name and Location</u>	<u>Title and Principal Occupation</u>
Norman G Wilbur, Chairperson, Plano, Texas	Director, Habitat for Humanity
Charles L Crittenden, Ogden, Utah	Retired
H Craig Moody, Sandy Utah	Owner, Moody & Associates

Compensation Committee

<u>Name and Location</u>	<u>Title and Principal Occupation</u>
George R Quist, Chairperson, Salt Lake City, Utah	Chief Executive Officer, Security National Financial Corporation
Charles L Crittenden, Ogden, Utah	Retired
H Craig Moody, Sandy, Utah	Owner, Moody & Associates
Norman G Wilbur, Plano Texas	Director, Habitat for Humanity

Management informally prepares an operating plan for the next fiscal year, but does not have a formal, written, long-term strategic plan. See Finding #1 on page 15.

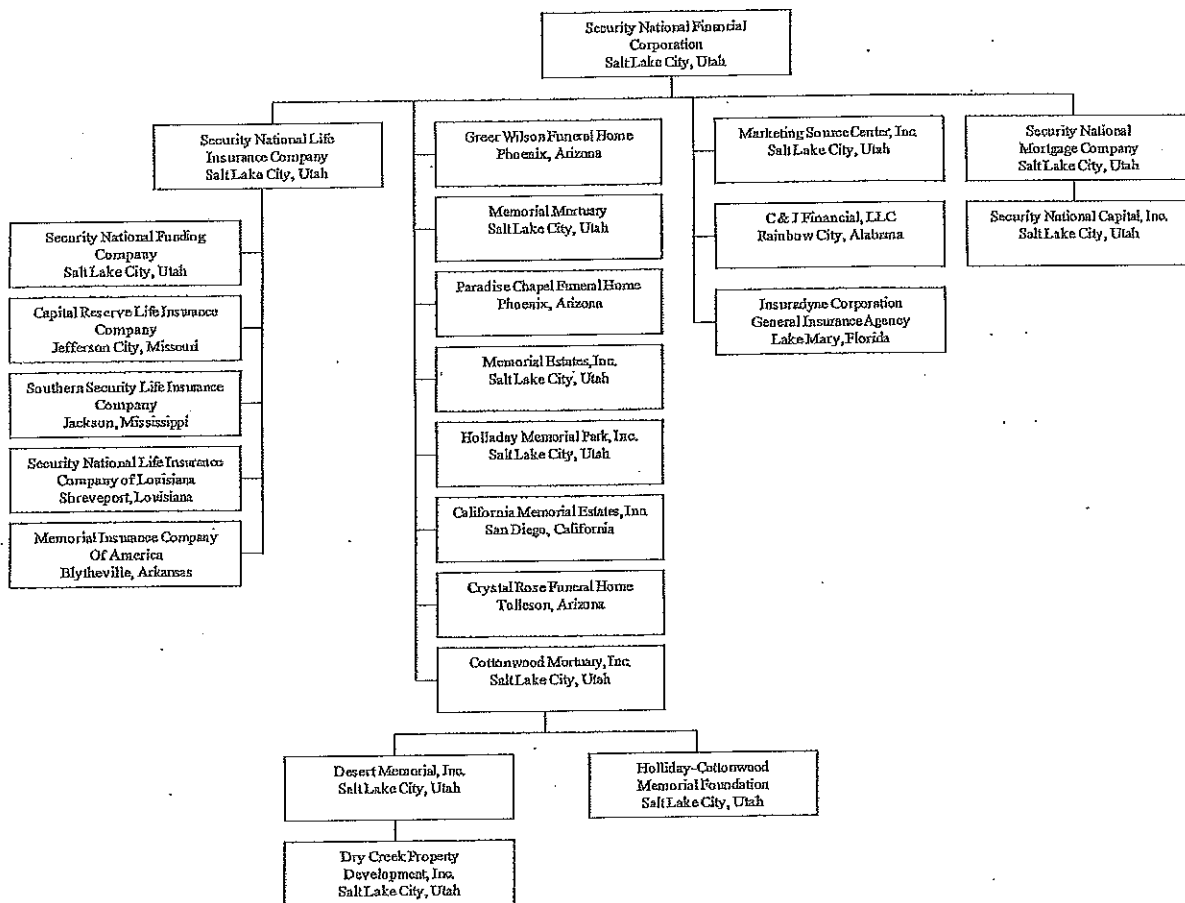
The parent company, Security National, has two individuals in the Internal Audit Department. One is dedicated to premium audits and the other spends a considerable amount of time developing procedures to comply with the requirements of Sarbanes Oxley 404 and recently has been heavily involved in the Company's common stock investment activity; this compromises the independence of the internal audit function as well as taking time away from its purpose in the scheme of internal controls. See Finding #2 on page 15.

Official position descriptions have either not been prepared or not kept up to date. See Finding #3 on page 16.

The actuarial department does not formally document peer reviews and actuarial processes nor maintain historical closing process information. See Finding #4 on page 16.

Holding Company

The Company is wholly owned and controlled by Security National Life Insurance Company. An organizational chart illustrating the holding company system follows:



The process for allocating expenses between the parent, SNLIC, and the Company, consists of allocating a flat dollar amount for expenses. See Finding #5 on page 16.

FIDELITY BONDS AND OTHER INSURANCE.

The minimum fidelity coverage suggested by the National Association of Insurance Commissioners (“NAIC”) for the Parent Company’s size and premium volume is not less than \$900,000. As of the examination date, the Company participated in fidelity bond coverage of \$1,000,000. The Company also had additional insurance protection against loss from property and liability risks.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

As of the examination date, the Company's pension stock ownership and insurance plans consisted of participation in programs initiated by Security National Financial Corporation for its employees and the employees of its subsidiaries. The insurance plans consisted of group medical and group term life. The benefit plans included a noncontributory employee stock ownership plan, a stock incentive plan, and a 401(k) savings and profit sharing plan. A provision was made in the financial statement for company obligations under such plans.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2008, the Company's core business consisted of traditional ordinary whole life, and individual deferred annuities. A significant portion of these policies were marketed as a means to fund funeral and interment related costs. As of the examination date, the following policies were issued:

Limited Pay Plans
Whole Life Paid up at 100
Industrial Whole Life
Ordinary Whole Life & Term
Flexible Premium Retirement Annuity

The industrial whole life plans had maximum death benefits of \$5,000 and for the whole life and limited pay plans had maximum death benefits of \$10,000 and the ordinary whole life & term plans have a maximum death benefit of \$250,000.

The Company also issued an industrial whole life policy that reduces death benefits if death occurs in the first three years of coverage. The Company retained 100% of the policy risks under these policies.

Medical examinations were not required for the limited pay, whole life, and industrial whole life policies issued by the Company unless information in the application or inspection reports indicated a substandard risk (Accept/Decline).

The policy forms issued during the examination period were consistent with Department approved forms. The Company's risk retention limit was \$45,000 per life with a corridor for an additional \$5,000.

Territory and Plan of Operation

As of December 31, 2008, the Company was licensed in the state of Mississippi.

The Company's agency force consisted of approximately 100 agents.

The Company processes business for Class A and B Funeral Associations; however, does not have written agreements associated with this activity. See Finding #6 on page 17.

Advertising and Sales Material

Sales materials used were primarily direct mail and point of sale brochures and flyers. These materials were distributed to consumers through general agencies, agents, and funeral homes.

GROWTH OF COMPANY

The Company, as indicated above, was experiencing profit and surplus strain. During the examination, period premium activity remained relatively flat before declining in 2008. Upon its acquisition by SNLIC, all new business was written on SNLIC's paper.

MORTALITY AND LOSS EXPERIENCE

The independent actuarial review performed indicates that the Company generally followed accurate and appropriate procedures in determining its actuarial assets, reserves, and liabilities. The Company submitted a Statement of Actuarial Opinion with its 2008 Annual Statement in compliance with Section 7 of the NAIC Model Actuarial Opinion and Memorandum Regulation that was found by the independent actuary to be in compliance with NAIC standards.

However, the actuarial department did not perform asset adequacy testing specific to the SSLIC block of business. See Finding # 7 on page 17.

REINSURANCE

The Stock Purchase Agreement (discussed under Company History) provides that SNLIC and the Company each agree to enter into a reinsurance agreement contemporaneous with the execution of such Stock Purchase Agreement (completed on December 18, 2008). Under the terms of this reinsurance agreement, SNLIC is required to reinsure all of the in force and future insurance liabilities of the Company. SNLIC will also assume complete administrative control of all of the then current and future insurance related business operations of the Company at such time as SNLIC notifies the Company in writing that it is capable of assuming administrative control over such insurance related business operations, provided SNLIC assumes administrative control no later than September 1, 2008.

On August 28, 2008, in furtherance of the requirements of the Stock Purchase Agreement, SNLIC and the Company entered into a reinsurance agreement (the "Reinsurance Agreement") to reinsure the majority of the in force business of the Company, as reinsurer, to the extent permitted by the Mississippi Insurance Department. Pursuant to the terms of the Reinsurance Agreement, SNLIC paid a ceding commission to the Company in the amount of \$1,500,000.

ACCOUNTS AND RECORDS

The Company's accounting systems were maintained on a local area network. Subsidiary records were maintained in commercial software applications on stand-alone personal computers. The examiners observed that the Company makes use of spreadsheets for financial reporting that do not have necessary controls to ensure their integrity See Finding #8 on page 17.

An independent certified public accounting firm, Larson & Rosenberger, audited the Company's records for 2008. Audit reports generated by the auditors for the 2008 year contained a qualified opinion based upon the inability to obtain records prior to the business assumed by SNLIC, and were made available for the examiner's use.

STATUTORY DEPOSITS

The Company complied with the statutory deposit requirement pursuant to Miss. Code. Ann. §§ 83-7-21 and 83-19-31(2). The examination team confirmed that the Company maintained a statutory deposit consisting of a U.S. bond and cash, amounting to a total of \$400,000 which was adequate to cover the reduced required deposit of \$400,000. The previous pledged requirement of \$1,000,000 was reduced per a letter from the Mississippi Insurance Department on December 30, 2008.

FINANCIAL STATEMENTS

The following financial statements were prepared from the Company's accounting records and the valuations and determination made during the examination. The accompanying COMMENTS ON FINANCIAL STATEMENTS are an integral part of the financial statements.

SOUTHERN SECURITY LIFE INSURANCE COMPANY, INC.
 BALANCE SHEET (ASSETS)
 as of December 31, 2008

	Net Admitted Assets
Bonds	\$ 899,843
Mortgage loans	421,267
Property held for the production of income	7,052
Cash and short-term investments	190,873
Investment income due and accrued	20,168
Other amounts receivable under reinsurance contracts	74,282
Guaranty funds receivable or on deposit	3,379
Total assets	\$ 1,616,864

SOUTHERN SECURITY LIFE INSURANCE COMPANY, INC.
BALANCE SHEET (LIABILITIES, SURPLUS AND OTHER FUNDS)
as of December 31, 2008

Liabilities	Current Year
General expenses due or accrued	\$ 2,949
Amounts withheld or retained by company	443
Amounts held for agents' account	9,267
Remittances and items not allocated	8,639
Asset valuation reserve (AVR)	9,250
Payable to parent, subsidiaries and affiliates	30,000
Total liabilities	\$ 60,548
Capital and Surplus	
Common capital stock	\$ 550,000
Surplus notes	
Gross paid in and contributed capital	1,618,879
Unassigned funds	(612,563)
Total capital and surplus	\$ 1,556,316
Total liabilities, capital and surplus	\$ 1,616,864

SOUTHERN SECURITY LIFE INSURANCE COMPANY, INC.
SUMMARY OF OPERATIONS
for the Year Ended December 31, 2008

	Current Year
Premiums and annuity considerations for life, accident and health contracts	\$ 2,258,684
Net investment income	628,382
Amortization of interest maintenance reserve (IMR)	14,245
Separate accounts net gain from operations excluding unrealized gains or losses	-
Commissions and expense allowances on reinsurance ceded	1,590,077
Income from fees associated with investment management	-
Aggregate write-ins for miscellaneous income	91,229
Total revenues	\$ 4,582,617
Death benefits	\$ 764,427
Annuity benefits	785,841
Surrender benefits and withdrawals for life contracts	9,311
Interest and adjustments on contract or deposit-type contract funds	-
Increase in aggregate reserves for life and accident and health contracts	(22,912,015)
Total benefits and reserves	\$(21,352,436)
Commissions on premiums, annuity considerations and deposit-type contract funds	\$ 354,250
General insurance expenses	545,794
Insurance taxes, licenses and fees, excluding federal income taxes	33,801
Increase in loading on deferred and uncollected premiums	(3,611)
Net transfers to or (from) separate accounts net of reinsurance	-
Aggregate write-ins for deductions	23,752,912
Total expenses	\$ 24,693,147
Net gain from operations before dividends and federal income taxes	\$ 1,241,906
Dividends to policyholders	-
Net gain from operations after dividends and before federal income taxes	1,241,906
Federal and foreign income taxes incurred	-
Net gain from operations after dividends and taxes and before realized capital gains or (losses)	\$1,241,906

SOUTHERN SECURITY LIFE INSURANCE COMPANY, INC.
 RECONCILIATION OF CAPITAL AND SURPLUS
 2006 through 2008

	2006	2007	Per Exam 2008
Capital and surplus prior reporting year	\$1,398,011	\$1,313,226	\$ 757,618
Increase (decrease) in common stock	0	0	0
Increase (decrease) in contributed capital			
Net income or (loss)	229,882	(496,010)	1,281,582
Change in nonadmitted assets	(148,703)	(152,019)	204,664
Changes in unrealized capital gains (losses)	(107,054)	(152,019)	203,664
Change in asset valuation reserve	(113,910)	(8,391)	269,955
Surplus adjustments -- paid in	55,000		300,000
Dividends to stockholders			(1,300,000)
Aggregate write-ins for gains and losses in surplus			(201,842)
Rounding		1	(3)
Net changes in capital and surplus	(84,785)	(555,608)	798,698
Capital and surplus end of reporting year	1,313,226	757,618	1,556,316

COMMENTS ON FINANCIAL STATEMENTS

Capital and surplus

\$1,556,316

The Company's minimum capital requirement was \$400,000 as defined in Miss. Code Ann. § 83-19-31(1)(a). The Company had total adjusted capital of \$1,565,566, which exceeded the company action level risk-based capital (RBC) requirement of \$192,484 by \$1,373,082.

SUMMARY OF RECOMMENDATIONS

Finding #	Page #	Finding
1	6	<p>Management informally prepares an operating plan for the next fiscal year, but does not maintain a formal, written, long-term strategic plan. Some strategic planning activities were discussed during the interviews, but no formal long-term strategic plan was available. Although the President is able to clearly verbalize strategies, the desire to remain flexible seems to preclude the establishment and quantification of an annual or strategic budget. Consequently, the Company does not prepare or review an integrated annual financial budget based upon corporate goals though it has begun the establishment of an operational/cost budget and has implemented the use of various dashboard reports for enhanced performance tracking.</p> <p>It is recommended that the Company prepare a formal, documented long-term strategic plan to address its future planning and business activities for a 3-5 year period in accordance with common business best practices and implement an annual budget plan whereby baseline goals and objectives are quantified with allowance for major impacts, such as investment deterioration, to be quantified and added to the plan when known.</p>
2	6	<p>The parent company, Security National Life Insurance Company, has two individuals in the Internal Audit Department with one being dedicated to premium audits. The internal audit director has been primarily involved with developing procedures to comply with the requirements of Sarbanes Oxley 404 since his employment in 2004, and an audit plan to verify that the procedures and controls in place has not been prepared or conducted. An external firm was hired in the fourth quarter of 2009 to begin auditing the procedures and controls currently in place. In addition the internal audit director has recently been</p>

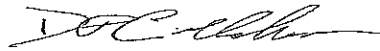
Finding #	Page #	Finding
2 (cont.)	6	<p>heavily involved in common stock investment activity thereby comprising his appearance of independence.</p> <p>It is recommended that the Audit Director consider developing an audit plan for the Internal Audit Department. In addition, senior management should consider obtaining external investment advice in the area currently handled by the internal audit director to reestablish the independent nature of the function. Any excess available time of the internal audit director could be spent on assistance to the external auditors, which could help to keep down audit costs.</p>
3	6	<p>Official position descriptions have either not been prepared or not kept up to date.</p> <p>It is recommended that official position descriptions and responsibilities be developed and kept up to date.</p>
4	6	<p>The actuarial department does not formally document peer reviews and actuarial processes nor maintain historical closing processing information.</p> <p>It is recommended that the actuarial staff sign off on reports and procedures and maintain historical records to document internal controls.</p>
5	7	<p>In the Gross Premium Valuation (GPV) the actuary assumed that maintenance expenses were \$20 for a premium paying policy and \$10 for a non premium paying policy. In addition internal actuaries assumed a flat \$100,000 in expenses for all policies. Since SSLIC had about 20,000 policies this translates into about \$5 a policy giving a total of \$25 for a premium paying policy and \$15 for a paid up policy. This appears low even for the amalgamated structure. While Security National might say that there was no additional cost of bringing SSLIC on board – no new hires, the proper way is to allocate resources regardless and the allocated costs appear low. Moreover, Exhibit II of the Annual Statement shows expenses of \$550,000 or about \$27.50 per policy. We were advised that expenses charged to SSLIC by SNIC are those that SSLIC can afford to pay. Since the only income it has is interest on the \$1.6 million of assets, this is the expense employed.</p> <p>It is recommended that an appropriate apportionment of</p>

Finding #	Page #	Finding
5 (cont.)	7	expenses be done and employed in future analyses.
6	9	<p data-bbox="548 331 1377 436">Southern Security Life Insurance processes business for Class A and B Funeral Associations; however, does not have written agreements associated with this activity.</p> <p data-bbox="548 478 1365 583">It is recommended that the Company obtain written agreements for all business processed for Class A and B Funeral Associations.</p>
7	9	<p data-bbox="548 632 1386 768">The actuarial department did not perform asset adequacy testing specific to the SSLIC block of business at the time of acquisition nor was it clear the extent of internal or third party testing of the Parent's overall book of business at December 31, 2008.</p> <p data-bbox="548 810 1403 915">It is recommended that the actuarial department maintain adequate documentation of its asset adequacy testing on a legal entity basis.</p>
8	10	<p data-bbox="548 999 1403 1251">The Company makes use of spreadsheets for financial and other management reporting; however, has not implemented the necessary controls to ensure their integrity. Controls could include a password to protect data downloaded into spread sheets and implementing a change management policy whereby any changes made to data would reflect both the amount and author of the change.</p> <p data-bbox="548 1293 1403 1398">It is recommended that the Company implement controls to insure the integrity of the information and calculations reported upon from these spreadsheets.</p>

ACKNOWLEDGEMENT

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Respectfully Submitted,



Daniel P. Callahan, CFE
Examiner in Charge