



## MISSISSIPPI INSURANCE DEPARTMENT

MIKE CHANEY  
Commissioner of Insurance  
State Fire Marshal

MARK HAIRE  
Deputy Commissioner of Insurance

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

June 17, 2011

**CERTIFIED MAIL  
RETURN RECEIPT REQUESTED**

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

Re: Southern Farm Bureau Life Insurance Company  
Report of Examination as of December 31, 2009

Dear Mr. Wooten:


Enclosed is an Amended Order in the above-referenced matter.

Please note that the only purpose of the Amended Order is to correct certain sections of the Report, which is attached hereto, along with the changes as Exhibit "A".

If you have any questions pertaining to this matter, please do not hesitate to contact this office.

Sincerely,

MIKE CHANEY  
COMMISSIONER OF INSURANCE

BY   
Christina J. Kelsey  
Senior Attorney

MC/CJK/bs  
Enclosures

BEFORE THE COMMISSIONER OF INSURANCE  
OF THE STATE OF MISSISSIPPI


IN RE: REPORT OF EXAMINATION OF SOUTHERN  
FARM BUREAU LIFE INSURANCE COMPANY

CAUSE NO. 11-6259

AMENDED ORDER

THIS CAUSE came before the Commissioner of Insurance of the State of Mississippi for the sole purpose of correcting certain sections within the Report of Examination dated as of December 31, 2009, of Southern Farm Bureau Life Insurance Company, which is attached as Exhibit "A", except for the changes mentioned herein, the previous Order entered in this matter is adopted herein in its entirety.

SO ORDERED, this the 17<sup>th</sup> day of June 2011.

  
J. MARK HAIRE  
DEPUTY COMMISSIONER  
STATE OF MISSISSIPPI

**EXHIBIT "A"**

Page 2, the NAIC-ETS Number was changed from **MS069-C37** to **MS029-C67**

Page 6, under Board of Directors, Mr. Edward A. **Sharer** was change to Mr. Edward A. **Scharer**

Page 6, Under Officers, Mr. Larry B. Wooten, Number of Years as Officer, was change from **10** to **3**.

Page 6, Under Officers, Mr. David M. Winkles, Jr., Number of Years as Officer, was changed from **12** to **3**.

Page 6, Under Officers, Mr. Mark "Gino" Gianfrancesco, Number of Years as Officer, was changed from **21** to **12**.



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June 9, 2011

### CERTIFIED MAIL RETURN RECEIPT REQUESTED

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

**RE: Report of Examination as of December 31, 2009**

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  
Deputy Commissioner

MC/JMH/bs  
Encls. Order w/exhibit

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

**IN RE:   REPORT OF EXAMINATION OF SOUTHERN  
          FARM BUREAU LIFE INSURANCE COMPANY**

**CAUSE NO. 11-6259**

**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 Farm Bureau Life Insurance Company is a Mississippi-domiciled Company licensed to write Accident and Health; Life; and Variable Contracts 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 Farm Bureau Life Insurance Company and appointed Dale Miller, Examiner-In-Charge, to conduct said examination.

### IV.

That on or about March 8, 2011, the draft Report of Examination concerning Southern Farm Bureau Life Insurance Company for the period of January 1, 2007 through December 31, 2009, was submitted to the Department by the Examiner-In-Charge, Dale Miller.

### V.

That on or about May 13, 2011, 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. The Company requested an extension on June 1, 2011, for additional days to respond, request was granted same day. On or about June 7, 2011, the Company responded by email, 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 written submission, and all relevant examiner work papers, that the Report of Examination of Southern Farm Bureau 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 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 Farm Bureau 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 Farm Bureau 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.

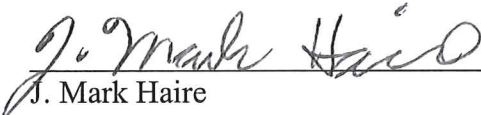
**SO ORDERED**, this the 9<sup>th</sup> day of June, 2011.

  
\_\_\_\_\_  
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 9<sup>th</sup> day of June, 2011, to:

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

  
\_\_\_\_\_  
J. Mark Haire  
Deputy Commissioner

J. Mark Haire  
Deputy Commissioner  
Mississippi Department of Insurance  
Post Office Box 79  
Jackson, MS 39205-0079  
(601) 359-3577





# **Mississippi Insurance Department**

## **Report of Examination**

**of**

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

**As of December 31, 2009**

**NAIC Group Code 0893  
NAIC Company Code 68896  
NAIC ETS No. MS029-C67**

# Southern Farm Bureau Life Insurance Company

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

State of Mississippi,

County of Madison,

R. Dale Miller being duly sworn, states as follows:

1. I have authority to represent the Mississippi Insurance Department in the examination of Southern Farm Bureau 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 Farm Bureau 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.

R Dale Miller

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

Subscribed and sworn before me by R. Dale Miller on 8<sup>TH</sup> JUNE, 2011.

Debbie Byrd

Notary Public

My commission expires 9-10-2014





## MISSISSIPPI INSURANCE DEPARTMENT

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

**MARK HAIRE**  
Deputy Commissioner of Insurance

March 8, 2011

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

Honorable Joseph Torti III, Chairman  
Financial Condition (E) Committee, NAIC  
Deputy Director and Superintendent of Insurance  
Division of Insurance Regulation  
1511 Pontiac Avenue, Bldg 69-2  
Cranston, Rhode Island 02920

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, 2009, has been conducted of the affairs and financial condition of:

**SOUTHERN FARM BUREAU LIFE INSURANCE COMPANY  
(NAIC COMPANY CODE 68896; NAIC-ETS No. MS029-C67)**

Statutory Home Office:  
1401 Livingston Lane  
Jackson, Mississippi 39213

This examination was commenced in accordance with Miss. Code Ann. § 83-1-201 et seq., and the report of examination is herewith submitted.

## **INTRODUCTION**

This examination was performed by examiners representing the Mississippi Insurance Department (“MID”) and covered Southern Farm Bureau Life Insurance Company (“SFBLIC” or “Company”) operations and financial condition from January 1, 2007 through December 31, 2009, including material transactions and/or events occurring subsequent to the examination date through February 15, 2011.

## **SCOPE OF EXAMINATION**

We have performed our full-scope financial examination of SFBLIC. For purposes of this examination report, the examination period is defined as January 1, 2007 through December 31, 2009, and the examination date is defined as December 31, 2009. The Company was previously examined by the MID as of December 31, 2006.

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

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.

## **COMMENTS AND RECOMMENDATIONS OF PREVIOUS EXAMINATION**

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

## **HISTORY OF THE COMPANY**

In 1946, the State Farm Bureau Federations in the states of Alabama, Arkansas, Kentucky, Mississippi, and Texas organized individual investment corporations for the sole purpose of organizing the Company. On October 31, 1946, and with authorized capital of \$200,000, SFBLIC was incorporated under the laws of the state of Mississippi as a life insurance company, with business officially commencing on December 18, 1946. On July 15, 1947, those five State Farm Bureau Federations and their investment corporations entered into an Agreement and Declaration of Trust (the “Charter Treaty”), which, among other provisions, contains certain restrictions on transfers of the capital stock of the Company.

In 1972, the articles of association were amended, increasing the Company's authorized capital to \$1,000,000; divided into 10,000 shares of \$100 par value common capital stock. Also, the Alabama Farm Bureau withdrew from the American Farm Bureau Federation and, during this same year, the Company reacquired and later cancelled the stock issued to Alabama Farm Bureau Investment Corporation, and the Charter Treaty was amended to reflect this change. In addition, during 1973, the Company issued shares of its capital common stock to companies controlled by State Farm Bureau Federations in the states of Georgia, Louisiana, North Carolina, South Carolina, and Virginia, and the Charter Treaty was again amended to reflect this change.

On December 23, 1981, the Company formed and incorporated Southern Farm Bureau Universal Life Insurance Company (SFBULIC), a wholly owned insurance subsidiary. In December 1998, the commissioner of insurance for the state of Mississippi approved SFBULIC to be merged into the Company.

Pursuant to a stockholder vote on February 21, 1983, the articles of association were further amended, increasing the Company's authorized capital to \$2,000,000; divided into 20,000 shares of \$100 par value common stock.

On October 29, 1984, Florida Farm Bureau Holding Company purchased 400 shares of the Company's common stock and, as a stock dividend, the Company issued 960 shares of its common stock to same. The Charter Treaty was again amended to reflect this change. Florida Farm Bureau Life Insurance Company merged into SFBULIC effective January 1, 1985.

On March 17, 1994, the Company disclaimed control by and affiliation with its shareholders and their parent companies pursuant to Miss. Code Ann. §83-6-17, which was approved by the commissioner of insurance for the state of Mississippi. On October 19, 2004, the Charter Treaty was amended and its stated term was extended to perpetuity.

On October 16, 2007, the articles of association and the bylaws of the Company were amended and restated, and were approved by the commissioner of insurance for the state of Mississippi on January 7, 2008. Such approval did not include or extend to an approval, either in whole or in part, of the Charter Treaty or the terms and conditions thereof.

## **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 report.

## **MANAGEMENT AND CONTROL**

### **Stockholders**

As of December 31, 2009, the Company had 15,000 outstanding shares of common capital stock with a par value of \$100 per share. The Company was 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% (1,500 shares). The Company paid dividends to its stockholders during the examination period of \$109,950, \$112,800 and \$116,250 for 2009, 2008 and 2007, respectively.

### **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 ("Board"). The members of the duly elected Board, along with their place of residence and principal occupation, at December 31, 2009, are as follows:

<b>Name and City of Residence</b>	<b>Number of Years as Director</b>	<b>Principal Occupation</b>
Mr. Ronald R. Anderson Ethel, Louisiana	20	Farmer and President of Louisiana Farm Bureau Federation
Mr. Kenneth W. Dierschke San Angelo, Texas	9	Farmer and President of Texas Farm Bureau Federation
Mr. Vincent "Zippy" Duval Macon, Georgia	3	Farmer and President of Georgia Farm Bureau Federation
Mr. Ben M. Gramling, II Gramling, South Carolina	12	Chairman of the Board of Gramling Bros, Inc.
Mr. Mark E. Haney Nancy, Kentucky	4	Farmer
Mr. Jim T. Harper Cheneyville, Louisiana	1	Farmer
Mr. John C. Hendricks Winchester, Kentucky	1	Farmer
Mr. Richard E. Hillman Carlisle, Arkansas	1	Farmer
Mr. John L. Hoblick, Sr. Gainesville, Florida	3	Farmer and President Florida Farm Bureau
Mr. Gerald W. Long Bainbridge, Georgia	1	Farmer
Mr. Billy R. Magee Mt. Olive, Mississippi	3	Farmer
Mr. Bobby A. Nedbalek Sinton, Texas	3	Farmer
Mr. Wayne F. Pryor Goochland, Virginia	11	Farmer
Mr. Raymond R. Roth, Jr. Wellington, Florida	9	Self-Employed

<b>Name and City of Residence</b>	<b>Number of Years as Director</b>	<b>Principal Occupation</b>
Mr. Edward A. Scharer Charlottesville, Virginia	3	Farmer
Mr. Harry R. Veach Manila, Arkansas	6	Farmer
Mr. David W. Waide West Point, Mississippi	13	Farmer and President of Mississippi Farm Bureau Federation
Mr. David M. Winkles, Jr. Sumter, South Carolina	12	President of South Carolina Farm Bureau Federation
Mr. Larry B. Wooten Raleigh, North Carolina	10	Farmer and President of North Carolina Farm Bureau Federation
Mr. John M. Wright, Jr. Reidsville, North Carolina	15	Retired Farmer

### **Officers**

The following are the officers that were duly elected by the board of directors and holding office at December 31, 2009.

<b>Name</b>	<b>Number of Years as Officer</b>	<b>Position</b>
Mr. Larry B. Wooten	3	Chairman of the Board and President
Mr. David M. Winkles, Jr.	3	First Vice President
Mr. J. Joseph Stroble	26	Executive Vice President, Chief Executive Officer
Mr. Laurence E. Favreau	18	Senior Vice President, Chief Financial Officer
Mr. Mark "Gino" Gianfrancesco	12	Senior Vice President, Marketing
Mr. Randy M. Johns	8	Senior Vice President, Policy and Assistant Secretary
Mr. Joseph A. Purvis	11	Senior Vice President, General Counsel Secretary
Mr. Sherrell Ballard	20	Vice President, Information Systems



Name	Number of Years as Officer	Position
Mr. Denny A. Blaylock	26	Vice President, New Business Administration Underwriting
Mr. H. Lusby Brown	3	Vice President, Chief Investment Officer
Mr. Glen Castle	8	Vice President, Group, Pension and Variable Product Administration
Dr. David N. Duddleston, M.D.	21	Vice President, Medical Director
Mr. Richard G. Fielding	25	Vice President, Chief Actuary
Mr. Philip R. Hogue	16	Vice President, Realty Investments
Mrs. Shelia R. Hudson	2	Vice President, Internal Audit
Mr. Kenneth P. Johnston	16	Vice President, Product Development
Mr. Perry McGaugh	5	Vice President, Legal
Mr. Billy Sims	8	Vice President, Human Resources
Mr. E.J. Trosclair	11	Vice President, Agency
Mr. Robert E. Ward	9	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, audit committee and compensation 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.

#### **Investment Committee:**

The Investment Committee is authorized by Section 2, Article V of the by-laws to buy and sell certain investments for and on behalf of the Southern Farm Bureau Life Insurance Company.

The following officers and directors served on the Investment Committee at December 31, 2009.

Mr. Larry B. Wooten, Chairman

Mr. Joseph A. Purvis, Secretary

Mr. H. Lusby Brown

Mr. Mark "Gino" Gianfrancesco

Mr. Laurence E. Favreau

Mr. Phillip R. Hogue

Mr. Richard G. Fielding

Mr. Kenneth P. Johnston

Mr. J. Joseph Stroble

Executive Committee:

The Executive Committee's purpose is to review, receive, and file the reports of the Executive Vice President, CEO, Marketing and Investment Committee and the review of financial statements.

The following directors served on the Executive Committee at December 31, 2009.

Mr. Larry B. Wooten, Chairman

Mr. John L. Hoblick

Mr. Ronald R. Anderson

Mr. Wayne F. Pryor

Mr. Kenneth W. Dierschke

Mr. Harry R. Veach

Mr. Vincent "Zippy" Duvall

Mr. David W. Waide

Mr. Mark E. Haney

Mr. David M. Winkles, Jr.

Audit Committee:

The Audit Committee's purpose is to review the report of the independent auditors, approve the independent auditors' report, pre-approve non-audit services from the Company's auditors, and recommend auditors for the following years.

The following directors served on the Audit Committee at December 31, 2009.

Mr. David M. Winkles, Jr., Chairman

Mr. Mark E. Haney

Mr. Ronald R. Anderson

Mr. David W. Waide

Mr. Vincent "Zippy" Duvall

Mr. Larry B. Wooten

Compensation Committee:

The Compensation Committee's purpose is to review and recommend changes to Compensation Program and the retirement program. They also approve recommendations to the Board for increases in officers' salaries.

The following directors served on the Compensation Committee at December 31, 2009.

Mr. Larry B. Wooten, Chairman

Mr. Wayne F. Pryor

Mr. Kenneth W. Dierschke

Mr. Harry R. Veach

Mr. John L. Hoblick, Sr.

## **Conflict of Interest**

The Company has formal procedures whereby disclosure is made to the Board of any material interest or affiliation 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 Governance**

Upon review of the corporate governance structure, the overall corporate structure was determined to be reasonable based upon the Company's size and structure. SFBLIC is owned equally 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. Management is stable with most of the key personnel having been with the Company for several years. There did not appear to be any compensation arrangements that caused unusual emphasis on earnings. Management records, such as Board minutes, were reviewed with no exceptions noted.

The Board's involvement and oversight along with its independence from management was considered during the course of our examination without material concern. Other key variables in our consideration of the Board's involvement included but were not limited to factors such as: (1) the frequency of BOD meetings, (2) the type of information communicated to the Board prior to meetings and the topics discussed along with the depth and quality of discussions, (3) key communication channels to and from management to the Board along with the overall "tone at the top". Information regarding the Board members, committees and other related information can be found in the Management and Control section of this report.

The appropriateness of the entity's organizational structure, and its ability to provide the necessary information flow to manage its activities were considerations in obtaining our understanding of the organizational structure. This includes consideration of the entity's centralized structure and its ability to communicate information upstream, downstream and across all business activities. Our consideration also encompassed understanding the assignment of authority and responsibility. There were no material concerns regarding the entity's organizational structure, its ability to provide for necessary information flow to manage its activities or assignment of authority and responsibility.

Our consideration of corporate governance encompassed the risk management function through discussions with senior management and members of the Board and through gaining an understanding of the risk management function including inspection of relevant risk management documentation. The Company has established a top-down risk based methodology and adopted the COSO framework. Also, in late 2007, the Company began the implementation of an Enterprise Risk Management (ERM) and it is being implemented in stages. The Company's ERM committee was established and includes Vice Presidents from each business unit of the Company with the Vice President of Internal Audit serving as a facilitator. Upon our review and consideration of these components and functions, there were no material concerns or exceptions noted.

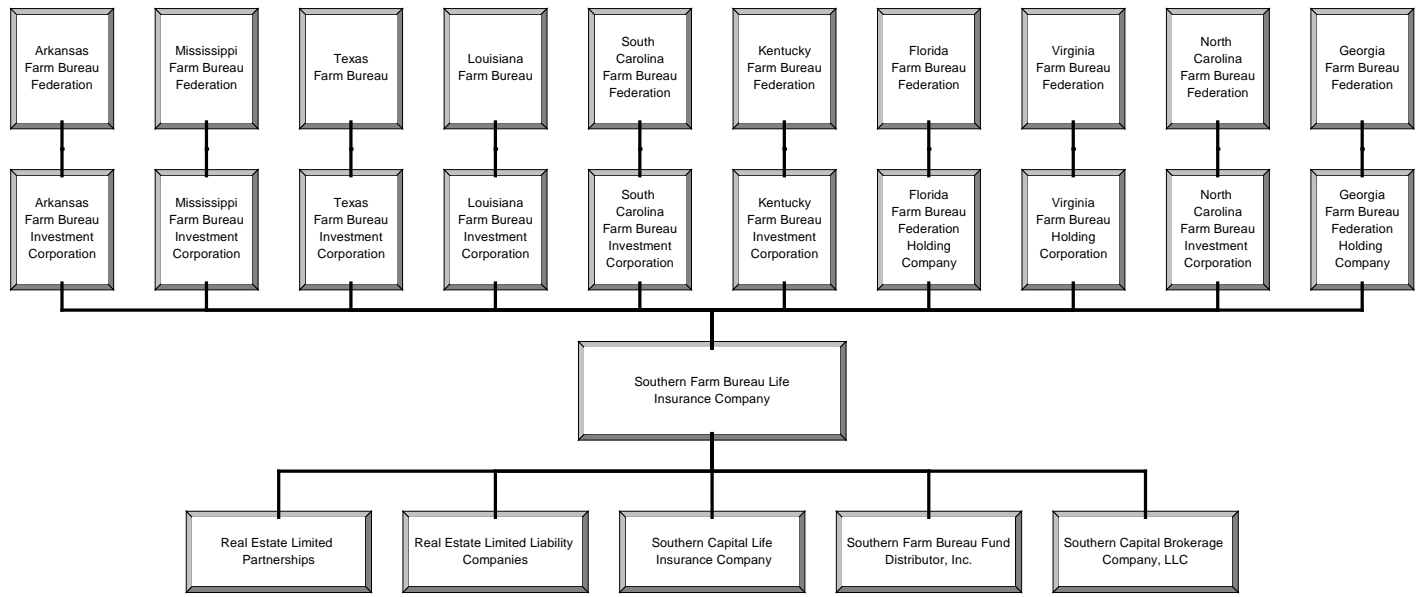
Management competence is a consideration in overall assessment of corporate governance. In our review of this area; we considered factors such as (1) experience level within the Company of key management, (2) management/employee turnover and (3) previous experience of key management. There were no material concerns noted upon our consideration of this area. As indicated in the Management and Control section of this report, key management has significant experience with the Company and the officer/employee turnover ratio was low.

During our consideration of corporate governance, it was noted that the Company had a robust internal audit department that included significant communication between the VP of internal audit and the Chairman of the audit committee for the Board. The VP of internal audit prepared an audit plan each year based on a risk assessment, management requests and mandatory compliance audits. This audit plan was reviewed and approved by the audit committee of the Board. The internal audit group functioned independently from senior management with internal audit reports being provided directly to the audit committee members. The VP of internal audit also submitted quarterly reports to the audit committee of the Board and had a direct line of communication for feedback, questions and guidance.

**HOLDING COMPANY STRUCTURE**

The Company was a member of an insurance holding company as defined within Miss. Code Ann. § 83-6-1. Holding Company Registration Statements were filed during the examination period with the MID in accordance with Miss. Code Ann. § 83-6-5 and § 83-6-9. The statements and applicable amendments that were filed with the MID during the examination period were reviewed and it appeared that any changes and material transactions by and between the Company and its affiliates were appropriately disclosed.

**Organizational Chart**



The following is information concerning the Company's wholly owned subsidiaries:

**Southern Capital Life Insurance Company:** On December 23, 1981, the Company formed and incorporated Southern Farm Bureau Annuity Insurance Company (SFBAIC), a wholly owned insurance subsidiary. SFBAIC was dormant except for investment activity until July 1983, when it was activated to reinsure annuities written by the Company. This relationship was later cancelled and all business was transferred back to the Company. Subsequent to the aforementioned events and prior to commencement of this examination, Southern Farm Bureau Annuity Insurance Company's name was changed to Southern Capital Life Insurance Company.

**Southern Farm Bureau Fund Distributor, Inc.:** This company was incorporated on May 15, 1981 for the purpose of engaging in the buying, selling, and dealing in or with various securities. The company previously operated as the distributor and principal underwriter for the sale of variable products, where the company's representatives, who were also licensed insurance agents, were required to be registered with the Financial Industry Regulatory Authority ("FINRA"). However, SFBFD ceased offering new variable annuities at the end of 2009.

**Southern Capital Brokerage Company, LLC:** This company was established on November 25, 2002 and acts as an intermediary for the selling of insurance products not directly offered by the Company.

**Real Estate Limited Partnerships and Limited Liability Companies:** These numerous companies were established to hold the Company's real estate investments, which were reviewed without material exception.

### **Affiliated and Related Party Transactions**

The Company had various agreements with the Farm Bureau Federations and Farm Bureaus located in counties of the states in which business was conducted. According to management, these agreements provided the Company with greater operating efficiency and prompt service to its policyholders. These agreements provided reimbursement for the cost of office space and clerical assistance, as well as the use of the Farm Bureau name and logo within the related territory. The amounts paid in regard to these agreements were \$17,951,828, \$17,634,037 and \$17,507,855 in 2009, 2008 and 2007, respectively.

The Company has entered into Sponsorship Agreements with each of the State Farm Bureaus of Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Texas and Virginia. The agreements call for payment of the sum of \$1,000,000 to each of the State Farm Bureaus, payable in periodic payments for 10 years beginning in 2005. The agreements provide the Company with the right to sponsor one or more mutually agreeable Farm Bureau events or programs for a period of 10 years beginning in 2005. The total liability at December 31, 2009, 2008 and 2007 was \$4,270,284, \$4,995,530 and \$5,682,967, respectively.

In addition, the 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's subsidiaries as though separate tax returns were filed.

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

The Company maintained a comprehensive corporate insurance program. This program included commercial general liability and commercial property, as well as other policies, as deemed appropriate by the Company's management. The Company also 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.

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

The Company provided a non-contributory defined benefit pension plan, a contributory defined contribution plan, a post-retirement benefit plan, and various other deferred compensation plans for

its directors, officers, and employees. Provisions were made within the financial statements for obligations under such plans.

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

The Company is authorized to conduct ordinary life insurance business in the states of Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Texas, and Virginia. Wherein, the Company markets a portfolio of traditional interest-sensitive and variable life insurance products and single and flexible premium fixed and variable deferred annuity contracts through joint operations with ten property and casualty insurance companies that represent the Farm Bureau Federations throughout its territorial region. Through this captive distribution system, sales and services for a full line of insurance products were offered by approximately 4,300 career multi-line agents who worked through offices located in counties within the territorial regions.

### **GROWTH OF THE COMPANY**

	<b>2009</b>	<b>2008</b>	<b>2007</b>
Total admitted assets, less separate accounts	\$ 10,412,557,000	\$ 9,921,787,000	\$ 9,807,654,000
Total liabilities, less separate accounts	\$ 8,743,400,000	\$ 8,351,149,000	\$ 8,220,462,000
Total capital and surplus	\$ 1,669,157,000	\$ 1,570,638,000	\$ 1,587,191,000
Net cash from operations	\$ 472,574,000	\$ 413,969,000	\$ 222,575,000
Total adjusted capital	\$ 1,829,655,000	\$ 1,644,891,000	\$ 1,776,298,000
Authorized control level risk-based capital	\$ 124,915,000	\$ 107,630,000	\$ 117,858,000
Net earned premium income	\$ 796,251,000	\$ 774,073,000	\$ 658,590,000
Investment income	\$ 504,924,000	\$ 507,737,000	\$ 524,619,000
Capital gains & losses	\$ (69,077,000)	\$ (60,026,000)	\$ 19,209,000
Net income	\$ 10,439,000	\$ 63,093,000	\$ 143,728,000
Net Income / capital and surplus (ROE)	0.60%	4.00%	9.10%
Net premium & deps / capital and surplus	47.70%	49.30%	41.50%
Total benefits & exp / premium & deps	146.60%	141.20%	148.70%
Investment yield	5.10%	5.30%	5.60%
Non-inv grade bonds / total bonds	2.10%	1.10%	0.80%

### **REINSURANCE**

In accordance with the Risk Surveillance Approach contained within the NAIC Examiners' Handbook, the reinsurance program of the Company was considered and no material concerns were noted. Further, no treaties were noted that contained unusual provisions, transfer of risk issues or other relevant concerns. A general description and listing of the reinsurance agreements are presented below.

The retention level effective as of December 31, 2009 is as follows:

20YLT Premier:

Ages	Table A Standard and Above
18 - 65	250,000

Retention Schedule:

Ages	Table A Standard	Table B to F	Table G and Above
0	150,000	75,000	50,000
1 to 65	600,000	450,000	225,000
Over 65	300,000	150,000	75,000

50,000 minimum cession

SFBLIC's automatic binding limits are as follows:

Ages	Table A Standard	Table B to F	Table G to P
0	450,000	225,000	150,000
1 to 65	1,800,000	1,350,000	675,000
66 to 70	900,000	450,000	225,000
Over 70	NONE	NONE	NONE

Heading Definitions:

- Ages – This represents the age of the insured.
- Table – This represents the specific table used by the underwriting department of the Company when determining the appropriate premium. Table A represents standard risk factors, while tables B through P represent progressively higher risk factors.

*Example (Retention Schedule): If the insured is between the ages of 1-65 and qualifies for a Table A rating the company will retain 600,000 and any excess will be reinsured.*

The table above reflects SFBLIC's retention policy for an insured. The jumbo limit for SFBLIC's reinsurers is \$10,000,000. If SFBLIC had a policy that was over this amount or anywhere close to it, the Company's policy is to contact the reinsurance company to be sure that they could handle the capacity. It would be up to the reinsurer to find a retrocessionair to reinsure any excess. A reinsurer will accept more than \$10,000,000 at higher rates because they in turn have to retrocede the business.

A list of reinsurers with which SFBLIC has entered reinsurance agreements is as follows:

Federal ID Number	Effective Date	Name of Company	Type	Description	Specifics
AA-9995056	1/1/1996	AMERICAN LONG TERM CARE REINS GROUP	CO/i	LONG TERM CARE	80% REINSURED
06-0493340	1/1/2003	EMPLOYERS REINSURANCE CORPORATION	CO/i	LONG TERM CARE	80% REINSURED
13-3126819	1/1/1986	GENERALI USA LIFE REASSURANCE COMPANY	CO/i	DISABILTIY	50% REINSURED
13-3126819	1/1/1995	GENERALI USA LIFE REASSURANCE COMPANY	CO/i	DISABILTIY	50% REINSURED
13-5582869	1/1/2003	NEW YORK LIFE INSURANCE COMPANY	CO/g		50% REINSURED

Federal ID Number	Effective Date	Name of Company	Type	Description	Specifics
59-2859797	7/1/2007	AON RE	CAT/I	CAT COVERAGE	CAT/I
35-0145825	1/1/1991	AMERICAN UNITED LIFE INSURANCE COMPANY	CO/I	LIFE	COINSURANCE
35-0145825	1/1/1992	AMERICAN UNITED LIFE INSURANCE COMPANY	YRT/I	LIFE	EXCESS OF RETENTION
35-0145825	1/1/2001	AMERICAN UNITED LIFE INSURANCE COMPANY	YRT/I	LIFE	EXCESS OF RETENTION
13-3126819	1/1/1994	GENERALI USA LIFE REASSURANCE COMPANY	YRT/I	LIFE	EXCESS OF RETENTION
13-3126819	1/1/2001	GENERALI USA LIFE REASSURANCE COMPANY	YRT/I	LIFE	EXCESS OF RETENTION
13-3126819	1/1/2007	GENERALI USA LIFE REASSURANCE COMPANY	YRT/I	LIFE	EXCESS OF RETENTION
59-2859797	11/1/2009	HANNOVER LIFE REASSURANCE CO OF AMERICA	YRT/I	LIFE	EXCESS OF RETENTION
43-1178580	1/1/1991	SCOTTISH RE LIFE CORPORATION	YRT/I	LIFE	EXCESS OF RETENTION
43-1178580	6/1/1985	SCOTTISH RE LIFE CORPORATION	YRT/I	LIFE	EXCESS OF RETENTION
42-0175020	6/7/1996	AVIVA LIFE AND ANNUITY COMPANY	CO/I	LIFE	SWL 100% REINSURED
84-0499703	10/22/1982	SECURITY LIFE OF DENVER INSURANCE CO	CO/I	LIFE	COINSURANCE
84-0499703	6/1/1985	SECURITY LIFE OF DENVER INSURANCE CO	YRT/I	LIFE	EXCESS OF RETENTION
84-0499703	9/1/1987	SECURITY LIFE OF DENVER INSURANCE CO	YRT/I	LIFE	EXCESS OF RETENTION
84-0499703	3/1/2004	SECURITY LIFE OF DENVER INSURANCE CO	YRT/I	LIFE	EXCESS OF RETENTION
35-0472300	12/17/1946	LINCOLN NATIONAL LIFE INSURANCE COMPANY	YRT/I	LIFE	EXCESS OF RETENTION
35-0472300	6/1/1985	LINCOLN NATIONAL LIFE INSURANCE COMPANY	YRT/I	LIFE	EXCESS OF RETENTION
35-0472300	1/1/1988	LINCOLN NATIONAL LIFE INSURANCE COMPANY	YRT/I	LIFE	EXCESS OF RETENTION
35-0472300	1/1/1992	LINCOLN NATIONAL LIFE INSURANCE COMPANY	YRT/I	LIFE	EXCESS OF RETENTION
35-0472300	1/1/2001	LINCOLN NATIONAL LIFE INSURANCE COMPANY	YRT/I	LIFE	EXCESS OF RETENTION
58-0828824	1/1/2002	MUNICH AMERICAN REASSURANCE COMPANY	YRT/I	LIFE	EXCESS OF RETENTION
58-0828824	1/1/2002	MUNICH AMERICAN REASSURANCE COMPANY	YRT/G	LIFE	EXCESS OF RETENTION 150,000 FOR GROUP
58-0828824	9/1/2004	MUNICH AMERICAN REASSURANCE COMPANY	YRT/I	LIFE	EXCESS OF RETENTION
58-0828824	1/1/2007	MUNICH AMERICAN REASSURANCE COMPANY	YRT/I	LIFE	EXCESS OF RETENTION
13-5582869	1/1/2003	NEW YORK LIFE INSURANCE COMPANY	CO/G	LIFE	EXCESS OF RETENTION
06-0839705	8/1/1951	SWISS RE LIFE & HEALTH AMERICA	YRT/I	LIFE	EXCESS OF RETENTION
06-0839705	6/1/1985	SWISS RE LIFE & HEALTH AMERICA	YRT/I	LIFE	EXCESS OF RETENTION
06-0839705	9/1/1987	SWISS RE LIFE & HEALTH AMERICA	CO/I	LIFE	COINSURANCE
06-0839705	7/1/1987	SWISS RE LIFE & HEALTH AMERICA	YRT/I	LIFE	EXCESS OF RETENTION
06-0839705	10/22/1982	SWISS RE LIFE & HEALTH AMERICA	CO/I	LIFE	COINSURANCE
06-0839705	6/1/1985	SWISS RE LIFE & HEALTH AMERICA	YRT/I	LIFE	EXCESS OF RETENTION
06-0839705	7/1/1980	SWISS RE LIFE & HEALTH AMERICA	YRT/G	LIFE	EXCESS OF RETENTION

### ACCOUNTS AND RECORDS

The 2009 trial balance of the Company's accounts was traced to the balance sheet of the Company's statutory annual statement filed with the MID, with no exceptions noted. SFB LIC was audited annually by an independent CPA firm.

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) and §83-7-21. The following chart displays the Company's total statutory deposits as held by the various states at December 31, 2009.

<b>Description</b>	<b>State Deposited</b>	<b>Par Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
U.S. Treasury	Mississippi	\$ 8,000,000	\$ 4,379,189	\$ 5,622,320
Total Held in Mississippi		8,000,000	4,379,189	5,622,320
U.S. Treasury	North Carolina	1,200,000	586,327	760,524
U.S. Treasury	Arkansas	50,000	50,000	50,000
Treasury Money Market	Georgia	150,000	126,356	129,732
Total Held in all Other States		1,400,000	762,683	940,256
Total of all States		\$ 9,400,000	\$ 5,141,872	\$ 6,562,576

**Southern Farm Bureau Life Insurance Company**  
**Financial Statements**  
**Examination as of December 31, 2009**

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**Introduction**

The following financial statements reflect the same amounts reported by the Company and consist of a Statement of Admitted Assets, Liabilities, Surplus and Other Funds - Statutory at December 31, 2009, a Summary of Operations - Statutory for the year ended December 31, 2009, and a Reconciliation of Surplus as Regards Policyholders - Statutory for the examination period ended December 31, 2009.

**Southern Farm Bureau Life Insurance Company**  
**Statement of Admitted Assets, Liabilities, Surplus**  
**and Other Funds - Statutory**

<i>December 31,</i>	<b>2009</b>
<b>Admitted Assets</b>	
Bonds	\$ 6,878,557,156
Preferred stocks	41,464,628
Common stocks	410,215,173
Mortgage loans	1,307,310,241
Real estate occupied by the company	12,145,361
Cash and short-term investments	391,347,481
Contract loans	425,541,274
Other invested assets	538,269,819
Receivable for securities	43,478,583
Investment income due and accrued	108,343,904
Uncollected premiums	5,442,250
Deferred premiums	167,812,739
Amounts due from reinsurers	3,538,393
Current federal and foreign income tax recoverable and interest thereon	12,931,399
Net deferred tax asset	29,188,883
Guaranty funds receivable or on deposit	4,529,836
Electronic data processing equipment and software	2,107,824
Receivable from affiliate	5,855,897
Separate account assets	133,187,975
Company owned life insurance - key employees	24,348,156
Other Assets	128,161
Total admitted assets	<b>\$ 10,545,745,133</b>
<b>Liabilities, Capital and Surplus</b>	
Aggregate reserve for life policies	\$ 7,585,120,215
Aggregate reserve for accident and health policies	77,446,756
Liability for deposit-type contracts	758,279,285
Life claims payable	28,715,603
Accident and health claims payable	1,978,088
Policyholders' dividends	165,118
Dividends apportioned for payment	50,185,551
Premiums received in advance	554,255
Provision for experience rating refunds	7,240,008
Interest maintenance reserve	1,258,867
Commissions to agents due or accrued	13,398,518
General expenses due or accrued	38,326,798
Transfers to separate accounts	(4,177,278)
Taxes, licenses and fees due or accrued	7,235,750
Current federal income taxes	1,109,937
Amounts withheld or retained by the Company	506,043
Remittances and items not allocated	6,093,192
Liabilities for benefits for employees and agents	4,696,083
Borrowed money	3,426,566
Asset valuation reserve	135,406,290
Payable to parent, subsidiaries and affiliates	5,780,881
Payable for securities	10,131,577
Separate account liabilities	133,187,975
Accounts payable and other liabilities	10,231,581
Uncashed checks pending escheatment	290,744
Total liabilities	<b>8,876,588,403</b>
Common capital stock	1,500,000
Gross paid in and contributed surplus	400,000
Unassigned funds	1,667,256,730
Total capital and surplus	<b>1,669,156,730</b>
Total liabilities, capital and surplus	<b>\$ 10,545,745,133</b>

# Southern Farm Bureau Life Insurance Company

## Summary of Operations - Statutory

For the Year Ended December 31,

2009

**Income**

Life premiums	\$ 530,465,205
Annuity premiums and other fund deposits	249,568,749
Accident and health premiums	16,216,862
Supplementary contracts and dividend accumulations	16,792,231
Investment income, net of expenses	504,923,919
Amortization of interest maintenance reserve	(1,705,527)
Commission and expense allowances on reinsurance ceded	6,246,702
Miscellaneous other income	2,045,084

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Total income, net of amortization of interest maintenance reserve	1,324,553,225
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**Benefits and reserve changes**

Death benefits	183,227,563
Matured endowments	931,799
Annuity benefits	52,225,281
Disability benefits and benefits under accident and health contracts	10,224,595
Surrender benefits and withdrawals for life contracts	306,350,801
Interest on policy and contract funds	36,820,371
Payments on supplementary contracts with life contingencies	15,780,156
Increase in aggregate reserve for life and accident and health contracts	347,886,223

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Total benefits and reserve changes, including interest on contract funds	953,446,789
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**Other operating expenses and transfers**

Commissions	64,124,058
General insurance expenses	128,275,595
Taxes, licenses and fees, excluding federal income taxes	18,480,118
Increase (decrease) in loading on deferred and uncollected premiums	(4,868,524)
Net transfers to separate accounts, net of reinsurance	6,721,023
Other expenses	2,216,900

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Total other operating expenses and transfers	214,949,170
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Net gain from operations before dividends to policyholders and federated income taxes	156,157,266
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Policyholders' dividends	49,008,987
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Net gain from operations after dividends to policyholders and before federal income taxes	107,148,279
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Federal income taxes incurred	27,631,616
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Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains	79,516,663
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Net realized capital gains (losses), excluding transfers to interest maintenance reserve	(69,077,397)
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Net income	<b>\$ 10,439,266</b>
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## Southern Farm Bureau Life Insurance Company

### Reconciliation of Surplus as Regards Policyholders - Statutory

*For the examination period ended December 31, 2009*

	2007	2008	2009
Capital and surplus, beginning of the year	\$ 1,483,226,537	\$ 1,587,191,333	\$ 1,570,638,153
Net income	143,727,922	63,093,145	10,439,266
Change in net unrealized capital gains (losses)	(32,929,872)	(115,224,743)	116,357,624
Change in net deferred income tax	14,686,135	25,750,331	31,152,909
Change in non-admitted assets	(32,720,456)	(91,918,928)	26,214,757
Change in reserve on account of change in valuation basis	-	(15,207,861)	-
Change in asset valuation reserve	10,015,317	115,323,893	(85,815,085)
Adjustment for prior year claim refunds	-	1,743,783	-
Adjustment for prior year benefit accrual	1,302,000	-	-
Adjustment for prior year investment gain	-	-	279,056
Dividends to stockholders	(116,250)	(112,800)	(109,950)
Capital and surplus, end of the year	\$ 1,587,191,333	\$ 1,570,638,153	\$ 1,669,156,730

# Southern Farm Bureau Life Insurance Company

## Reconciliation of Examination Adjustments - Statutory

*For the year ended December 31, 2009*

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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, 2009 annual statement as filed with the MID. The capital and surplus reported by the Company of \$ 1,669,156,730 is accepted as reasonably stated for purposes of the balance sheet per the examination.

## **MARKET CONDUCT ACTIVITIES**

A full scope market conduct examination was not performed; however, limited procedures were performed on certain areas of the Company's market conduct. The areas in which limited procedures were performed included policy forms and underwriting, territory and plan of operation, advertising and sales materials, treatment of policyholders, producer licensing and privacy compliance. No significant exceptions with regard to the limited procedures performed were noted.

### **Policy Forms and Underwriting**

No exceptions were noted during the course of our testing regarding the Company's policy forms and underwriting. As a component of the liability testing associated with the related sample items selected, and in conjunction with both the controls and substantive testing, the information on the face of insurance application was reviewed in order to ensure that all pertinent information on the applications were complete and accurate.

### **Advertising and Sales Material**

The Company's advertising and sales materials that were utilized during the time period covered by this examination were reviewed with no exceptions or material concerns noted.

### **Treatment of Policyholders**

The Company maintained a complaint log during the period under examination, and the complaints reviewed during our testing were resolved amicably and no policyholder abuse or undesirable patterns were noted. Additionally, resisted claims, as reported on Schedule F of the NAIC annual statement, were reviewed during the time period covered by this examination without material exception noted.

As a component of the liability testing associated with the related sample items selected, and in conjunction with both the controls and substantive testing, the claim files were reviewed to ensure that reinstatements were applied consistently and in accordance with policy provisions. Furthermore, the files were reviewed to ensure that any relevant information was appropriately and timely communicated to the policyholder without material exception.

### **Privacy**

The Company had a privacy policy in place for the protection of its policyholders. No exceptions were noted during the course of our testing regarding the Company's privacy policy.

## **COMMITMENTS AND CONTINGENT LIABILITIES**

At December 31, 2009, the Company was involved as a defendant in various litigation matters. Although the outcome of such legal actions cannot be predicted, in the opinion of management, the resolution of any currently pending or threatened actions should not have a material adverse effect on the surplus position of the Company.

## **COMMENTS AND RECOMMENDATIONS**

The examination did not identify any material comments and/or recommendations deemed appropriate for inclusion in the examination report.

## **SUBSEQUENT EVENTS**

Effective December 30, 2010, Southern Capital Life Insurance Company ("SCLIC"), a wholly owned subsidiary of SFBLIC, was merged into SFBLIC. SCLIC was inactive during the time period covered by this examination, with its only income being generated from investments.

Southern Farm Bureau Fund Distributor ("SFBFD"), a wholly owned subsidiary of SFBLIC, ceased operations effective December 31, 2009. SFBFD filed Form BDW with the Financial Industry Regulatory Authority ("FINRA") to withdraw as a member firm with an effective date of 2009. All conditions necessary for withdrawal were met and the Securities and Exchange Commission approved this withdrawal during 2010. SFBFD was liquidated and dissolved in 2010.

Subsequent to the examination date, SFBLIC reached an agreement in principle with the Colorado Farm Bureau Mutual Insurance Company to sell its products in Colorado under the Farm Bureau name through the Colorado Farm Bureau agency force. SFBLIC received a Certificate of Authority and was licensed by the State of Colorado on February 11, 2010.

During the time period covered by this examination up through the date on which subsequent events were reviewed, it was noted that the Company had a comprehensive plan to comply with the Model Audit Rule ("MAR") and its related requirements. As a part of the efforts to comply with MAR, during 2010 the Company decreased the number of audit committee members from six to five. This occurred in order for the Company to be in compliance with the super majority requirement for the audit committee of the Board as contained within Section 14 of MAR. This Section requires the audit committee of the Board to be comprised of 75% independent members for companies with over \$500,000,000 of direct and assumed premiums for the previous year. During the review of this information for the 2009 examination and subsequent events, no material exceptions or concerns were noted.



**ACKNOWLEDGMENT**

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

Examiner-in-charge	R. Dale Miller, CPA, CFE, CFF
Supervising Examiner	Joseph R. May, CPA, CMA, CFE, CIE
Actuary	Cabe Chadick, FSA, MAAA
Automation Examiner	Francois Houde, CISA, CA
Automation Examiner	David Mills, CISA, CTGA, CGEIT, MCSE
Investment Specialist	Scott Schumpert, CPA-ABV, CVA
Examiner	Amanda Annison, CPA
Examiner	Cole Durant, CPA
Examiner	Breanne Hancock, CPA
Examiner	Jonathan Taylor

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

Respectfully submitted,



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