



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

MARK HAIRE
Deputy Commissioner of Insurance

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

March 14, 2012

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Mr. Hugh S. Potts, Jr., President
First M & F Insurance Company
221 East Washington Street
Kosciusko, MS 39090

RE: Report of Examination as of December 31, 2010

Dear Mr. Potts:

In accordance with Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011), an examination of your Company has been completed. Enclosed herewith is the Order adopting the report and a copy of the final report as adopted.

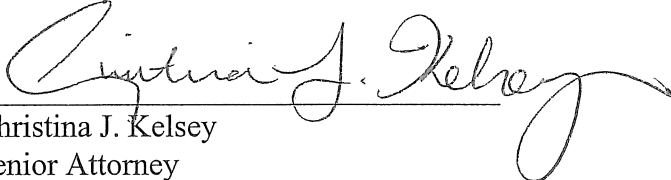
Pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 2011), the Mississippi Department of Insurance shall continue to hold the content of said report as private and confidential for a period of ten (10) days from the date of the Order. After the expiration of the aforementioned 10-day period, the Department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

If you have any questions or comments, please feel free to contact me.

Sincerely,

MIKE CHANEY
COMMISSIONER OF INSURANCE

BY


Christina J. Kelsey
Senior Attorney

MC/CJK/bs
Encls. Order w/exhibit

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

**IN RE: REPORT OF EXAMINATION OF FIRST
 M & F INSURANCE COMPANY**

CAUSE NO. 12-6481

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. 2011). 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. 2011).

II.

That First M & F Insurance Company is a Mississippi-domiciled Company licensed to write Credit Life, Credit 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. 2011), called for an examination of First M & F Insurance Company and appointed Barry McKenzie, Examiner-In-Charge, to conduct said examination.

IV.

That on or about February 15, 2012, the draft Report of Examination concerning First M & F Insurance Company for the period of January 1, 2008, through December 31, 2010, was submitted to the Department by the Examiner-In-Charge, Barry McKenzie.

V.

That on or about February 28, 2012, pursuant to Miss. Code Ann. § 83-5-209(2) (Rev. 2011), the Department forwarded to the Company a copy of the draft report and allowed the Company a 15-day period to submit any rebuttal to the draft report. On or about February 28, 2012, the Company responded in a letter to the Department citing no comments or concerns with the draft report.

CONCLUSIONS OF LAW

VI.

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

IT IS, THEREFORE, ORDERED, after reviewing the Report of Examination, the Company's response and all relevant examiner work papers, that the Report of Examination of First M & F 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. 2011).

IT IS FURTHER ORDERED, pursuant to Miss. Code Ann. § 83-5-209(4) (Rev. 2011), that within thirty (30) days of the issuance of the adopted report, First M & F 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 First M & F 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 14th day of March 2012.

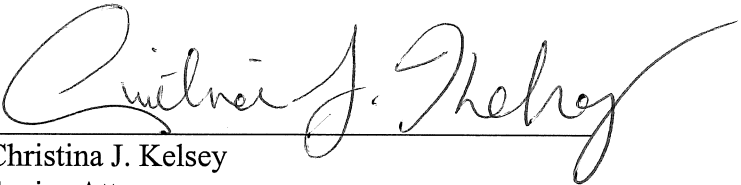


J. MARK HAIRE
DEPUTY COMMISSIONER OF INSURANCE

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 14th day of March 2012, to:

**Mr. Hugh S. Potts, Jr., President
First M & F Insurance Company
221 East Washington Street
Kosciusko, MS 39090**



Christina J. Kelsey
Senior Attorney

Christina J. Kelsey
Senior Attorney
Counsel for the Mississippi Department of Insurance
Post Office Box 79
Jackson, MS 39205-0079
(601) 359-3577
Miss. Bar No. 9853



Mississippi Insurance Department

Report of Examination

of

FIRST M & F INSURANCE COMPANY

as of

December 31, 2010

TABLE OF CONTENTS

Examiner Affidavit	1
Salutation	2
Scope of Examination	3
History of the Company	3
Corporate Records	3
Management and Control.....	4
Board of Directors	4
Officers	4
Conflict of Interest.....	5
Corporate Governance.....	5
Holding Company Structure	6
Organizational Chart	6
Affiliated and Related Party Transactions.....	6
Fidelity Bond and Other Insurance	7
Pensions, Stock Ownership and Insurance Plans.....	7
Territory and Plan of Operation	7
Reinsurance.....	7
Accounts and Records.....	7
Financial Statements	8
Introduction	8
Statement of Assets, Liabilities, Surplus and Other Funds	9
Summary of Operations.....	10
Reconciliation of Capital and Surplus	11
Reconciliation of Examination Adjustments to Surplus.....	11
Commitments and Contingent Liabilities	12
Subsequent Events	12
Acknowledgment	13

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

State of Mississippi,

County of Hinds,

Barry McKenzie, being duly sworn, states as follows:

1. I have authority to represent the Mississippi Insurance Department in the examination of First M&F 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 First M&F 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.

Barry McKenzie
Barry McKenzie
Examiner's Signature

Subscribed and sworn before me by Barry McKenzie on this 12 day of March, 2012.

(SEAL)

Mary Louise Gallagher
Notary Public

My commission expires _____



First M&F Insurance Company
MID Examination as of December 31, 2010



MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MARK HAIRE
Deputy Commissioner of
Insurance

MISSISSIPPI INSURANCE DEPARTMENT

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

MAILING ADDRESS
Post Office Box 79
Jackson, MS 39205-0079
TELEPHONE: (601) 359-3569
FAX: (601) 359-1951

February 2, 2012

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

Dear Commissioner Chaney:

Pursuant to your instructions and authorization and in compliance with statutory provisions, an examination has been conducted, as of December 31, 2010, of the affairs and financial condition of:

FIRST M & F INSURANCE COMPANY
221 East Washington Street
Kosciusko, MS 39090

License #	NAIC #	FEETS#
9000041	63117	63117-MS-2010-3

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

SCOPE OF EXAMINATION

We have performed our examination of First M & F Insurance Company (“Company”). The last exam was completed as of December 31, 2007. This examination covers the period of January 1, 2008 through December 31, 2010.

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.

HISTORY OF THE COMPANY

The Company was incorporated on May 7, 1990, under the laws of the State of Mississippi to carry on the business commonly known as life and health and accident insurance, on a stock plan, to contract for the payment of endowments and annuities, or to make and enter into such other contracts, conditioned upon the continuance or cessation of human life.

On January 1, 1991, the Company was licensed by the MID to write credit life, credit accident and health insurance in the State of Mississippi.

CORPORATE RECORDS

The minutes of the meetings of Stockholders and Board of Directors (“Board”), 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.

MANAGEMENT AND CONTROL

Board of Directors

The Articles of Incorporation 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, year elected/appointed, and principal occupation, at December 31, 2010, were as follows:

Name and Residence	Year Elected/Appointed	Principal Occupation
Mr. Scott M. Wiggers Kosciusko, MS 39090	1990	President, First M & F Corporation Vice Chairman, Merchants & Farmers Bank
Mr. Jon A. Crocker Canton, MS 39046	1999	Retired Banker
Mr. Samuel B. Potts Kosciusko, MS 39090	2008	Vice President, Merchants & Farmers Bank
Mr. Otho E. Pettit, Jr. Kosciusko, MS 39090	1993	Attorney
Mr. Hollis C. Cheek Kosciusko, MS 39090	2004	President, Cheek Companies President, Techno Catch
Mr. Jeffrey B. Lacey Kosciusko, MS 39090	2009	President and Chief Banking Officer of Merchants & Farmers Bank
Mr. Hugh S. Potts, Jr. Kosciusko, MS 39090	1990	Chairman and CEO, First M & F Corporation Chairman and CEO, Merchants & Farmers Bank
Mr. Larry D. Terrell Kosciusko, MS 39090	2004	President, Ivey Mechanical, LLC
Mr. Barry S. Winford Ridgeland, MS	2009	EVP/Sr. Credit Officer, M&F Bank
Mr. Charles W. Ritter Kosciusko, MS 39090	1990	President, JRS, Inc.

Officers

The following officers were duly elected by the Board and holding office at December 31, 2010:

Name	Year Elected/Appointed	Title
Mr. Hugh S. Potts, Jr.	1997	President
Ms. Evelyn G. Atwood	2001	Secretary
Mr. John G. Copeland	2005	Treasurer
Mr. Jeffrey B. Lacey	2009	Vice President

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 adequate based upon the Company's size and structure. The Company is 100% owned by First M & F Bank, whose parent is First M & F Corporation. Management was stable and comprised of individuals with several years' experience at the Company, there was no turnover during the examination period. Management records, such as Board minutes, were reviewed with no exceptions.

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 Board 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 with the Board, along with overall "tone at the top". Information regarding the Board members and other related information can be found in the Management and Control section of this report.

The appropriateness of the Company's organizational structure and its ability to provide the necessary information flow to manage its activities were considerations in obtaining our understanding of its 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 Company's organizational structure, its ability to provide for necessary information flow to manage its activities or assignment of authority and responsibility.

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 was no material concerns noted upon our consideration of this area. It was noted that management has significant experience with the Company.

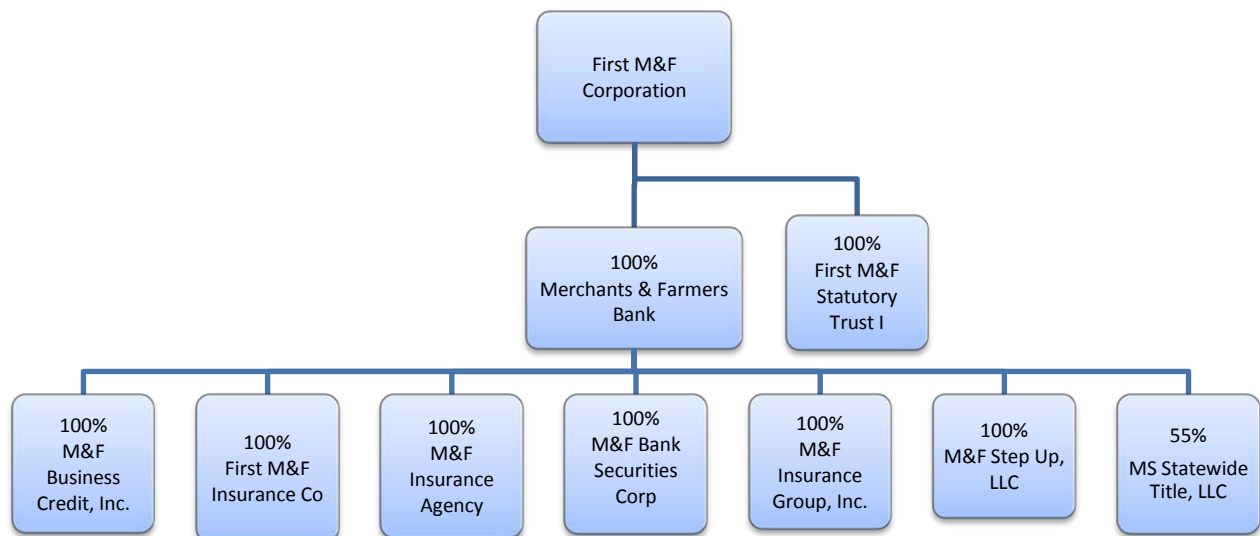
During our consideration of corporate governance, it was noted that the Company did not have an internal audit department. The Company's parent, First M & F Corporation, does have an internal audit department; however, the Company's business was largely out of scope due to its

relative immateriality to First M & F Corporation. Additionally, the Company utilizes different systems and processes from First M & F Corporation, and therefore the First M & F Corporation internal audit department was not taken into account in our review of the Company's corporate governance.

HOLDING COMPANY STRUCTURE

The Company was a member of an insurance holding company system as defined in Miss. Code Ann. § 83-6-1 *etc.* 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.

Organizational Chart



Affiliated and Related Party Transactions

Due to the Company being dormant, there are currently no affiliated or related party transaction agreements in place.

FIDELITY BOND AND OTHER INSURANCE

The Company was a covered entity under First M & F Corporation's fidelity coverage, which with its \$10 million single loss limit of liability exceeded the coverage amount recommended by the NAIC.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

There were no pensions or benefits paid by First M & F Insurance Corporation. The company has no employees and is presently dormant with no active policies.

TERRITORY AND PLAN OF OPERATION

The Company is licensed to write credit life, credit accident and health insurance in the State of Mississippi. As of the date of this report, there were no policies in force as the Company is dormant.

REINSURANCE

There were no reinsurance agreements in force during the examination period.

ACCOUNTS AND RECORDS

The company's financial statements and tax calculations were prepared by Inver Grove Financial Services, Inc. The company, during the examination period, was exempt from having an annual audit by an independent certified public accounting firm.

FINANCIAL STATEMENTS

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, 2010, a Summary of Operations - Statutory for the year ended December 31, 2010, and a Reconciliation of Surplus as Regards Policyholders - Statutory for the examination period ended December 31, 2010.

First M&F Insurance Company
Statement of Assets, Liabilities, Surplus and other Funds - Statutory
December 31, 2010

Assets

Bond	\$ 545,941
Cash and short term investments	1,753,526
Investment income due and accrued	9,836
Total Admitted Assets	<u><u>\$ 2,309,304</u></u> *

Liabilities, Surplus and Other Funds

General expenses due or accrued	400
Interest maintenace reserve	10
Federal Income tax payable	439
Total Liabilities	<u><u>\$ 849</u></u>

Common capital Stock	400,000
Gross paid in and contributed surplus	700,000
Unassigned funds	1,208,455
Total Capital and Surplus	<u><u>2,308,455</u></u>
Total Liabilities, Surplus and Other Funds	<u><u>\$ 2,309,304</u></u>

*rounded to nearest dollar

First M&F Insurance Company
Summary of Operations - Statement of Income - Statutory
December 31, 2010

Investment Income	\$ 32,755
Interest Maintenance Reserve Ammortization	37
Total Income	<u>\$ 32,792</u>
General Expenses	5,447
Taxes and Fees	1,330
Total Expenses	<u>\$ 6,777</u>
Net Gain (Loss) Before Taxes	\$ 26,015
Federal Income tax	3,977
State Income tax	(112)
Net Income After taxes	<u>\$ 22,150</u>

First M&F Insurance Company
Reconciliation of Capital and Surplus
December 31, 2010

	2008	2009	2010
Surplus Capital beginning of the year	\$ 2,253,925	\$ 2,262,076	\$ 2,286,317
Net Income	9,584	22,275	22,150
Adjustment to Capital	(1,433)	1,966	(12)
Surplus Capital at year end	<u>\$ 2,262,076</u>	<u>\$ 2,286,317</u>	<u>\$ 2,308,455</u>

RECONCILIATION OF EXAMINATION ADJUSTMENTS TO SURPLUS

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 balance reported by the Company in the December 31, 2010 annual statement as filed with the MID. The capital and surplus reported by the Company of \$2,308,455 is accepted as reasonably stated for purposes of the balance sheet per the examination.

COMMITMENTS AND CONTINGENT LIABILITIES

As of February 2, 2012, the company was not involved in any litigation matters.

SUBSEQUENT EVENTS

As of February 2, 2012, there were no subsequent events noted for First M & F Insurance Company.

ACKNOWLEDGMENT

The examiner representing the Mississippi Insurance Department and participating in this examination was:

Examiner-in-charge: Barry McKenzie

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

Respectfully submitted,


Examiner-in-charge