



MISSISSIPPI INSURANCE DEPARTMENT

MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

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

MARK HAIRE
Deputy Commissioner of Insurance

June 26, 2012

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Mr. Richard H. Laird
Family Security Life Insurance Company, Inc.
118 South Wall Street
Natchez, MS 39120

RE: Report of Examination as of December 31, 2010

Dear Mr. Laird:

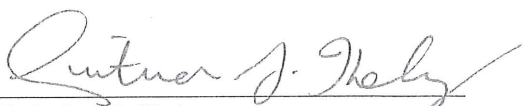
In accordance with Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011), an examination of your Company has been completed. Enclosed herewith is the Order adopting the report and a copy of the final report as adopted.

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 FAMILY
 SECURITY LIFE INSURANCE COMPANY, INC.**

CAUSE NO. 12-6538

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 Family Security Life Insurance Company, Inc., is a Mississippi-domiciled Company licensed to write Accident & Health; Industrial Life, Industrial Accident and Health; Life; 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. 2011), called for an examination of Family Security Life Insurance Company, Inc. and appointed Kim Strong, Examiner-In-Charge, to conduct said examination.

IV.

That on or about June 6, 2012, the draft Report of Examination concerning Family Security Life Insurance Company, Inc. for the period of January 1, 2008 through December 31, 2010, was submitted to the Department by the Examiner-In-Charge, Kim Strong.

V.

That on or about June 14, 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 10-day period to submit any rebuttal to the draft report. On or about June 25, 2012, the Department received a response from the Company by email, 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. 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, all relevant examiner work papers and the Company's rebuttal, that the Report of Examination of Family 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. 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, Family 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 Family 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 26th day of June 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 26th day of June 2012, to:

**Mr. Richard H. Laird
Family Security Life Insurance Company, Inc.
118 South Wall Street
Natchez, MS 39120**



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

**FAMILY SECURITY LIFE INSURANCE
COMPANY, INC.**

as of

December 31, 2010

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

State of Mississippi,

County of Madison,

Kimberly Strong, being duly sworn, states as follows:

1. I have authority to represent the Mississippi Insurance Department in the examination of Family Security Life Insurance Company, Inc. as of December 31, 2010.
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 Family Security Life Insurance Company, Inc. was performed in a manner consistent with the standards and procedures required by the National Association of Insurance Commissioners and the Mississippi Insurance Department.

The affiant says nothing further.



Kimberly Strong, CPA, CFE
Examiner-in-Charge

Subscribed and sworn before me by Kimberly Strong on this 25th day of June, 2012.





Notary Public

My commission expires 10/1/13 [date].



MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

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MARK HAIRE
Deputy Commissioner of
Insurance

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

February 28, 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:

FAMILY SECURITY LIFE INSURANCE COMPANY, INC.

118 South Wall Street
Natchez, MS 39120

License #	NAIC Group #	NAIC #	FEETS#	ETS #
7700160	N/A	75337	MS029-F10	MS120-M12

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

SCOPE OF EXAMINATION

We have performed our multi-state examination of Family Security Life Insurance Company, Inc. (“Company” or “FSLIC”). The last exam was completed as of December 31, 2007. This examination covers the period 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 evaluation 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.

COMMENTS AND RECOMMENDATIONS OF PREVIOUS EXAMINATION

Following are comments made in the previous examination report, as of December 31, 2007 that were not adequately addressed subsequent to the previous examination. As such, the recommendations or related recommendations are being repeated in the Comments and Recommendations section of this report. It is recommended that management aggressively pursue addressing these issues to fully comply with the directives of the Mississippi Insurance Department (“MID”).

Previous Exam Report Recommendation No. 1: It is recommended that all directors meet the qualifications established by the Bylaws or that the Bylaws be amended to reflect the current organization of the Company.

Review of the Company's Bylaws revealed that Article 3, Section 2 of the Company's Bylaws stated that each director must be a stockholder or an original subscriber to the Articles of Association.

Current status:

The Company did not file an amendment to the Bylaws with the MID which addressed this issue. This issue is repeated in the Comments and Recommendations of this report. Subsequent to the examination date, amended Bylaws were submitted and approved by the MID.

Previous Exam Report Recommendation No. 2: It is recommended that the Company amend its Bylaws to reflect the correct par value of the Company's capital stock.

It was noted that Article IV, Section 1 of the Company's Bylaws did not agree to the Articles of Association, as amended. (Article IV, Section 1 of the Bylaws state that all common capital stock of the Company shall have a par value of \$10 per share.)

Current status:

The Company did not file an amendment to the Bylaws with the MID which addressed this issue. This issue is repeated in the Comments and Recommendations of this report. Subsequent to the examination date, amended Bylaws were submitted and approved by the MID.

Previous Exam Report Recommendation No. 3: It is recommended that the Company amend its Bylaws to reflect that the offices of the president and treasurer may not be held by the same person in order to comply with Miss. Code Ann. § 83-19-15.

It was noted that Article V, Section 1 of the Company's Bylaws stated that the offices of the president and treasurer may be held by the same person.

Current status:

The Company did not file an amendment to the Bylaws with the MID which addressed this issue. This issue is repeated in the Comments and Recommendations of this report. Subsequent to the examination date, amended Bylaws were submitted and approved by the MID.

Previous Exam Report Recommendation No. 5: It is recommended that the Company execute an amendment to its pre-need trust agreement to include language prohibiting the use of any personal information other than for the purposes for which the information was disclosed pursuant to the requirements of MID Regulation 2001-1, Section 14.

Current status:

- The Company's Pre-Need Trust Agreement was not amended during the examination period. This issue is repeated in the Comments and Recommendations of this report. Subsequent to the examination date, an unexecuted, amended pre-need trust agreement containing the proposed changes as recommended by the previous examination report was submitted to the MID. This amendment has been approved pending execution and submission of the formalized agreement. The agreement had not been resubmitted or approved by the MID as of the date of this report.

Previous Exam Report Recommendation No. 6: It is recommended that written agreements be executed which clearly identifies the duties of all parties, monetary considerations for the duties performed and specific settlement requirements for all affiliated transactions in accordance with SSAP 96.

Current status:

- The Company submitted written agreements to the MID that did not meet the

requirements of Statement of Statutory Accounting (SSAP) No. 96. This issue is repeated in the Comments and Recommendations of this report. Unexecuted drafts of the proposed service agreements with related parties were submitted to the MID for review and proposed changes and resubmission was requested. The agreements had not been resubmitted or approved by the MID as of the date of this report.

HISTORY OF THE COMPANY

The Company was incorporated on May 13, 1970 under the laws of the State of Mississippi as Family Security Life Insurance Company, Inc., for the purpose of writing life, health and accident insurance policies on the industrial plan, burial insurance contracts for the funeral expenses of any one person, and to otherwise issue Class "B" types of insurance policies under subsection B of Section 5597 of the 1942 Mississippi Insurance Code, as amended.

In February, 1985, the Company amended its Articles of Association by adding to and expanding its primary business purpose; to carry on the business known as life and health insurance and issue life and health insurance policies of every kind and nature allowed under Miss. Code Ann. § 83-19-1. This amendment also changed the authorized shares of the Company from 30,000 shares of \$10 par common stock to 5,000 shares of \$100 par value common stock.

CORPORATE RECORDS

There were no minutes of the Board of Directors or Stockholders meetings of FSLIC for the period under examination as no meetings were held. It is recommended that the Board of Directors meet quarterly as prescribed in the Company's Bylaws and that minutes of these meetings be maintained which reflect the Board's review and approval of the financial reports and investment transactions of the Company. The Articles of Association and Bylaws, along with any amendments thereto, were reviewed.

Review of the Company's Bylaws revealed that Article 3, Section 2 of the Company's Bylaws stated that each director must be a stockholder or an original subscriber to the Articles of Association. It is recommended that all directors meet the qualifications established by the Bylaws or that the Bylaws be amended to reflect the current organization of the Company.

It was noted that Article IV, Section 1 of the Company's Bylaws did not agree to the Articles of Association, as amended. (Article IV, Section 1 of the Bylaws state that all common capital stock of the Company shall have a par value of \$10 per share.) It is recommended that the Company amend its Bylaws to reflect the correct par value of the Company's capital stock.

In addition, it was noted that Article V, Section 1 of the Company's Bylaws stated that the offices of the President and Treasurer may be held by the same person. It is recommended that the Company amend its Bylaws to reflect that the offices of the president and treasurer may not be held by the same person, in order to comply with Miss. Code Ann. § 83-19-15.

It was noted that there was no formal approval of investment transactions executed by the Company. It is recommended that the Board of Directors authorize investment transaction of the Company has required by Miss. Code Ann. § 83-19-51 (6).

MANAGEMENT AND CONTROL

Stockholders

The Company is a Mississippi domestic stock insurance company whose common stock at December 31, 2010 was jointly owned by Charles M. Laird and Richard H. Laird, with Charles M. Laird owning in excess of 99% of the outstanding stock. The Company paid no dividends during the examination period.

Board of Directors

The Articles of Association and Bylaws vest the management and control of the Company's business affairs with the Board of Directors (“Board”). The members of the duly elected Board, along with their place of residence, number of years as a Director, and principal occupation, at December 31 2010, were as follows:

Name and Residence	Year Elected/Appointed	Principal Occupation
Charles M. Laird Natchez, Mississippi	1970	President Family Security Life Insurance Company, Inc.
Billie R. Laird Natchez, Mississippi	1970	Secretary/Treasurer Family Security Life Insurance Company, Inc.
Richard H. Laird Natchez, Mississippi	1970	Funeral Director Laird Funeral Home, Inc.
Walter W. Barker Natchez, Mississippi	1970	Retired Family Security Life Insurance Company, Inc.

Committees

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

Officers

Name and Residence	Year Elected/Appointed	Title
Charles M. Laird	1970	President
Billie R. Laird	1970	Secretary/Treasurer
Richard H. Laird	1970	Vice President

Conflict of Interest

The Company had formal procedures whereby disclosure was made to the Board of any material interest or affiliation on the part of any officer or director that was, or would likely be, a conflict with the official duties of such persons. These procedures were reviewed and no exceptions to the Company's policy were noted.

Corporate Governance

The risk- focused surveillance approach requires examiners to consider the insurer's corporate governance and established risk management processes. This evaluation includes assessing the "tone-at-the-top", board of directors and management oversight and understanding and conveyance of the necessity of internal controls to employees.

It was noted that the Company's management consists primarily of the President, Mr. Charles Laird. The Company's Board of Directors appears to have sufficient knowledge of the Company and the insurance industry in order to carry out their duties as outlined in the Company's Bylaws. As noted in the "Corporate Records" section of this report, it appeared that the Board had not met formally since 2008 and that investment transactions had not been formally approved by the Board during the period of the examination. 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. Our consideration also encompassed understanding the assignment of authority and responsibility. It was noted that the Company did not maintain a formal internal control policy. Procedures were verbally communicated to the employees by the President and limited oversight was provided over key employees and/or functions. It appears that this lack of oversight led to delays in timely regulatory filings and examination requests as noted in the "Accounts and Records" section of this report.

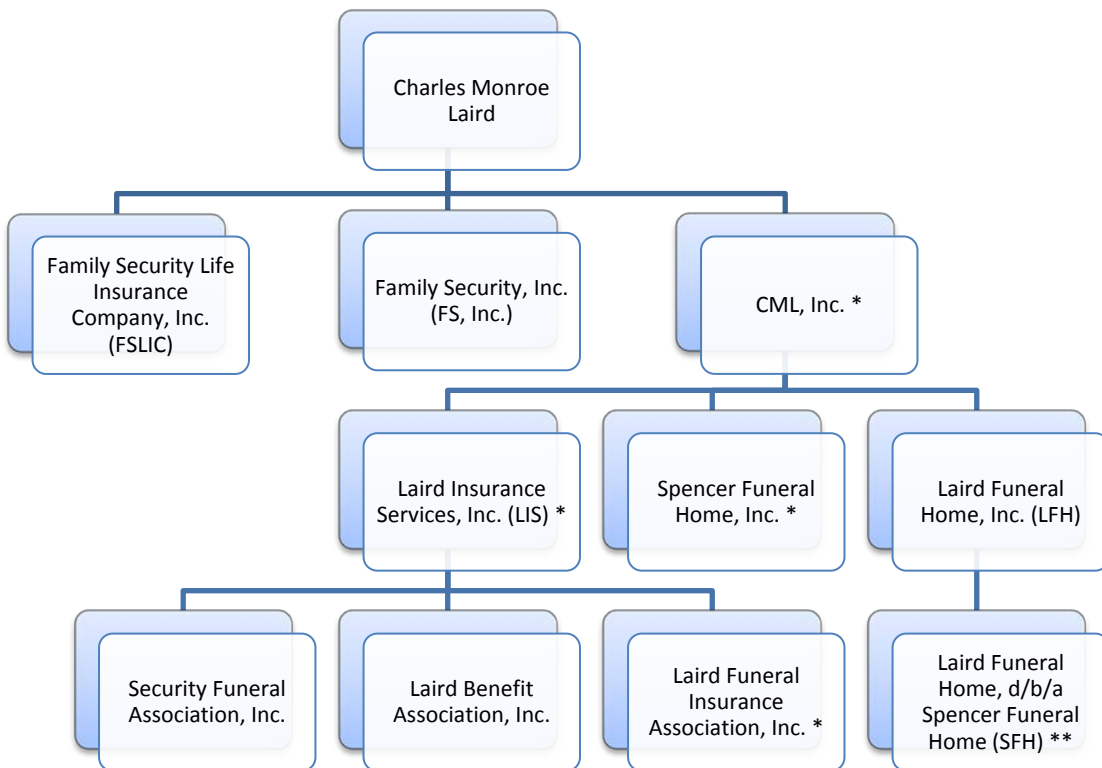
Management competence is a consideration in the overall assessment of corporate governance. In our review of this area, we considered factors such as management's experience level and management turnover. The Board of Directors and President have significant experience with the Company, many since its inception.

Concerns and/or issues noted relating to this section are included in the “Comments and Recommendations” section of this report.

HOLDING COMPANY STRUCTURE

The Company is a member of an insurance holding company system as defined in Miss. Code Ann. § 83-6-1. For the period covered by the examination, the Company filed holding company registration statements with the MID in compliance with Miss. Code Ann. §§ 83-6-5 and 83-6-9.

Organizational Chart



* It was noted that LIS and CML, Inc. were administratively dissolved on December 28, 2001 by the Mississippi Secretary of State’s Office. It is recommended that the Company file the necessary information with the Secretary of State’s Office to bring all companies within the holding company structure into good standing with the Secretary of State’s Office and that appropriate filings be made to maintain that status.

** Laird Funeral Home, d/b/a Spencer Funeral Home (SFH): SFH is a funeral home located in Fayette, Mississippi. As of the examination date, Spencer Funeral Home, Inc. was an administratively dissolved corporation that held no assets. Transactions described in this report

related to premiums, claims and related party transactions with SFH refer to Laird Funeral Home, d/b/a Spencer Funeral Home, not Spencer Funeral Home, Inc.

Affiliated and Related Party Transactions

During the period under examination the Company was a party to numerous transactions with its affiliates. However, no written agreements were in place which governed these transactions as required by SSAP 96. It is recommended that written agreements be executed which clearly identify the duties of all parties, monetary considerations for the duties performed and specific settlement requirements for all affiliated transactions in accordance with SSAP 96.

It was noted during the course of the examination that the Company had inaccurately reported the proper ownership of the related companies within the holding company structure. It is recommended that the Company accurately report the organization and ownership of the related parties within the holding company structure in Schedule Y – Part 1 of the Annual Statement; as well as, Holding Company Registration Statements filed with the MID as required by Miss. Code Ann. §83-6-5 and § 83-6-9.

FIDELITY BOND AND OTHER INSURANCE

The Company maintained a commercial insurance policy for employee theft with a limit of \$100,000. This amount meets the NAIC suggested minimum fidelity coverage for a company of its size. The Company also maintained an insurance program that appeared to provide adequate coverage to protect it from hazards that it may encounter.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company provided a generally complete health and welfare program for its officers and employees on a non-contributory basis, and dependents could be included on a contributory basis. Additionally, the Company offered paid vacation, holidays, and sick leave. No pension obligation existed as of December 31, 2010.

TERRITORY AND PLAN OF OPERATION

The Company was licensed to issue Life, Accident & Health, Industrial Life, Industrial Accident & Health and Life (Burial) in the State of Mississippi and Life, Accident & Health in the State of Louisiana. During the examination period, FSLIC issued these insurance contracts primarily through captive agents.

GROWTH OF COMPANY

Net change in capital and surplus increased 8 percent from 2009 and 7 percent from 2008 to 2009. However, the ratio of premium – to – surplus decreased 3 percent from 2009 and 10 percent between 2008 and 2009. The Company’s ratio of assets to liabilities was 1.3 for 2010, 2009 and 2008.

ACCOUNTS AND RECORDS

The Company's 2010 trial balance was tied to the financial statements within the statutory annual statement filed with the MID, with no material exceptions noted. The Company was audited annually by an independent CPA firm and the Company's aggregate reserve liability was calculated by a consulting actuarial firm.

The safekeeping agreement with Regions Bank did not contain the safeguards required by the NAIC. It is recommended that the Company amend its custodial agreement to include all of the safeguards required by the NAIC.

FSLIC utilized an obsolete program for data entry and is unable to receive maintenance from the manufacturer to update or fix problems within the program. It is recommended that the Company research and purchase a new software program that meets the needs of FSLIC and that includes a maintenance plan to keep the program updated and functioning properly.

FSLIC's data backup procedures did not include testing the backups for accuracy and completeness. It is recommended that a quarterly test of the data backups be performed to include restoring some or all data to verify the data is backed up properly without errors.

Payments of death benefits related to the pre-need line of business were applied utilizing a 1 percent accumulated death benefit rather than the 3 percent required by the single premium, increasing death benefit ordinary life insurance policy form issued pursuant to the Pre-Need Trust Agreement between Family Security, Inc., Laird Funeral Home and FSLIC. It is recommended that the Company conform to the provisions of the pre-need single premium increasing death benefit ordinary life insurance policy form. Also, it is recommended that the Company follow stated premium collection provisions, and pay death benefits as shown in the policy.

It was noted during the course of the examination, that certain difficulties were encountered in obtaining information requested by the examiners. These difficulties resulted in significant time delays related to the issuance of the examination report. It is recommended that the Company provided adequate responses to examination request within a reasonable period of time in the future.

It was noted that the documentation provided by the MID Analysis Division indicated that the Company had failed to submit timely and accurate scheduled document filings with the MID

during the examination period. It is recommended that the Company submit timely and accurate regulatory filings.

STATUTORY DEPOSITS

The Company's statutory deposits with the State of Mississippi complied with Miss. Code Ann.

Description of Security	Par Value	Fair Value
Corporate Bond	\$ 100,000	\$ 104,324
Corporate Bond	100,000	110,355
Corporate Bond	100,000	108,300
Corporate Bond	50,000	55,359
US Treasury Bond	50,000	66,836
US Treasury Bond	100,000	123,641
Total	<u>\$ 500,000</u>	<u>\$ 568,815</u>

FINANCIAL STATEMENTS

Introduction

The following financial statements, as determined by the examination, consist of a Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2010, a Summary of Operations for year ended December 31, 2010, a Reconciliation of Capital and Surplus for examination period ended December 31, 2010 and a Reconciliation of Examination Changes to Surplus at December 31, 2010.

**Statement of Assets, Liabilities, Surplus and Other Funds
December 31, 2010**

Assets

Bonds	\$	4,492,762
Preferred stocks		242,524
Common stocks		21,949
Real estate: Properties occupied by the Company		393,515
Cash and short-term investments		905,088
Investment income due and accrued		44,039
Uncollected premiums		3,888

Total assets 6,103,765

Liabilities, Surplus and Other Funds

Aggregate reserve for life contracts	\$	4,552,972
Contract claims: life		10,400
Premiums received in advance		3,405
Interest maintenance reserve		22,938
Taxes, licenses and fees due or accrued		6,400
Asset valuation reserve		76,884
Payable to parent, subsidiaries and affiliates		5,714

Total liabilities 4,678,713

Common capital stock, \$100 par value; 5,000 shares authorized; 4,000 shares issued and outstanding	400,000
Gross paid in and contributed surplus	426,065
Unassigned funds (surplus)	598,987

Total surplus and other funds 1,425,052

Total liabilities, surplus and other funds \$ 6,103,765

Summary of Operations
For the examination period ended December 31, 2010

Revenue		
Premiums	\$	770,655
Net investment income		259,712
Amortization of Interest Maintenance Reserve (IMR)		1,195
Aggregate write-ins for miscellaneous income		9,613
Total income		1,041,175
Expenses		
Death benefits	\$	436,648
Surrender benefits and other withdrawals for life contracts		10,914
Increase in aggregate reserves for life policies		69,124
Commissions of premiums and annuity considerations		162,574
General insurance expenses		180,937
Insurance taxes, licenses and fees		59,746
Increase in loading on deferred and uncollected premiums		689
Total expenses		920,632
Net gain from operations before dividends to policyholders and federal income tax		120,543
Federal tax expense		3,412
Net income from operations after federal income tax		117,131
Net realized capital losses less capital gains tax		(39,375)
Net income		\$ 77,756

**Reconciliation of Capital and Surplus
For the examination period ended December 31, 2010**

	2010	2009	2008
Capital and surplus, beginning of the year	\$ 1,314,282	\$ 1,261,588	\$ 1,269,417
Net income (loss)	77,756	57,490	30,756
Change in net unrealized capital gains or (losses)	50,000	23,941	(72,817)
Change in non-admitted assets	(6,699)	634	13,134
Change in asset valuation reserve	(10,287)	(29,371)	21,098
Capital and surplus, end of the year	\$ 1,425,052	\$ 1,314,282	\$ 1,261,588

**RECONCILIATION OF EXAMINATION ADJUSTMENTS TO SURPLUS
DECEMBER 31, 2008**

There were no changes made to the admitted assets, liabilities or surplus balances reported by the Company for the year ended December 31, 2010. The capital and surplus, which totaled \$1,425,052 as of the examination date, was determined to be reasonably stated and in compliance with Miss. Code Ann. §83-19-31.

MARKET CONDUCT ACTIVITIES

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

Policyholder Service

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

Underwriting and Rating

Based upon procedures performed during the course of the examination, the Company appeared to be appropriately applying premium rates for insured policies based on application data.

Examiners identified no first year death claims or causes of death that would indicate significant deficiencies related to underwriting.

It appeared that all applicable policy forms had been appropriately approved by the MID.

Claims Handling

Additionally, claim files were reviewed for general indicators of policyholder treatment concerns without material exception.

Producer Licensing

Based upon procedures performed during the course of the examination, the Company appeared to have the appropriate licensure to issue its products and agents appeared to be properly licensed and appointed.

Privacy

Privacy notices were sent to the Company's policyholders annually, and based upon the procedures performed during the course of the examination, these annual notices appeared to be in compliance with applicable laws and standards. However, it is recommended that the Company execute an amendment to its pre-need trust agreement to include language prohibiting the use of any personal information other than for the purposes for which the information was disclosed pursuant to the requirements of MID Regulation 2001-1, Section 14.

COMMITMENTS AND CONTINGENT LIABILITIES

Procedures performed during the course of the examination revealed no pending litigation, commitments or other contingent liabilities to which the Company was a party.

COMMENTS AND RECOMMENDATIONS

The following comments and recommendations reflect findings as of the examination date. Updates or changes to the status of these items noted during the period subsequent to the examination date but prior to the issuance of the report are included in the “Subsequent Events” section of the report.

1. It is recommended that the Board of Directors meet quarterly as prescribed in the Company’s Bylaws and that minutes of these meetings be maintained which reflect the Board’s review and approval of the financial reports and investment transactions of the Company. (Page 5)
2. It is recommended that all directors meet the qualifications established by the Bylaws or that the Bylaws be amended to reflect the current organization of the Company. (Page 5)
3. It is recommended that the Company amend its Bylaws to reflect the correct par value of the Company's capital stock. (Page 5)
4. It is recommended that the Company amend its Bylaws to reflect that the offices of the president and treasurer may not be held by the same person in order to comply with Miss. Code Ann. § 83-19-15. (Page 5)
5. It is recommended that the Board of Directors authorize investment transaction of the Company has required by Miss. Code Ann. §83-19-51 (6). (Page 5)
6. It is recommended that the Company file the necessary information with the Secretary of State’s Office to bring all companies within the holding company structure into good standing with the Secretary of State’s Office and that appropriate filings be made to maintain that status. (Page 8)
7. It is recommended that written agreements be executed which clearly identify the duties of all parties, monetary considerations for the duties performed and specific settlement requirements for all affiliated transactions in accordance with SSAP 96. (Page 9)
8. It is recommended that the Company accurately report the organization and ownership of the related parties within the holding company structure in Schedule Y – Part 1 of the Annual Statement; as well as, Holding Company Registration Statements filed with the MID as required by Miss. Code Ann. §83-6-5 and § 83-6-9. (Page 9)
9. It is recommended that the Company amend its custodial agreement to include all of the safeguards required by the NAIC. (Page 10)
10. It is recommended that the Company research and purchase a new software program that meets the needs of FSLIC and includes a maintenance plan to keep the program updated and functioning properly. (Page 10)

11. It is recommended that a quarterly test of the data backups be performed to include restoring some or all data to verify the data is backed up properly without errors. (Page 10)
12. It is recommended that the Company conform to the provisions of the pre-need single premium increasing death benefit ordinary life insurance policy form. Also, it is recommended that the Company follow stated premium collection provisions, and pay accumulated death benefits as indicated in the policy. (Page 10)
13. It is recommended that the Company provided adequate responses to examination request within a reasonable period of time in the future. (Page 10)
14. It is recommended that the Company submit timely and accurate regulatory filings. (Page 11)
15. It is recommended that the Company execute an amendment to its pre-need trust agreement to include language prohibiting the use of any personal information other than for the purposes for which the information was disclosed pursuant to the requirements of MID Regulation 2001-1, Section 14. (Page 17)

SUBSEQUENT EVENTS

Subsequent to the examination date, the following documentation was submitted to the MID in regard to items contained within the “Comments and Recommendations” section of this report:

- Amended Bylaws were submitted and approved by the Mississippi Insurance Department.
- Unexecuted drafts of the proposed service agreements with related parties were submitted to the MID for review and proposed changes and resubmission was requested. The agreements had not been resubmitted or approved by the MID as of the date of this report.
- An unexecuted, amended pre-need trust agreement containing the proposed changes as recommended by the previous examination report was submitted to the MID. This amendment has been approved pending execution and submission of the formalized agreement. The agreement had not been resubmitted or approved by the MID as of the date of this report.
- An unexecuted draft of the proposed safekeeping agreement with Regions Bank was submitted to the MID for review and proposed changes and resubmission were requested. The safekeeping agreement had not been resubmitted or approved by the MID as of the date of this report.

ACKNOWLEDGMENT

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

Examiner-in-charge	Kimberly D. Strong, CPA, CFE
Administrative Examiner	Jimmy D. Blissett, CFE
Actuary	Thomas L. Burger, FSA, MAAA
Examiner	Jim Feazell

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

Respectfully submitted,



Kimberly D. Strong, CPA, CFE
Examiner-in-charge