



## 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, 2014

### **CERTIFIED MAIL RETURN RECEIPT REQUESTED**

Mr. James Hilburn Robertson, President  
Gulf Guaranty Insurance Company  
4785 I-55 North, Suite 200  
Ridgeland, MS 39206

**RE: Report of Examination as of December 31, 2012**

Dear Mr. Robertson:

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

A handwritten signature in black ink, appearing to read "Christina J. Kelsey", written over a horizontal line.

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  
          GULF GUARANTY INSURANCE COMPANY**

**CAUSE NO. 14-6758**

**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 Gulf Guaranty Insurance Company is a Mississippi-domiciled company licensed to write Automobile Physical Damage/Liability; Boiler and Machinery; Casualty/Liability; Fidelity; Fire/Allied Lines; Guaranty; Home/Farm Owners; Industrial Fire; Inland Marine; Mortgage Guaranty; Ocean Marine; Plate Glass and Surety 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 Gulf Guaranty Insurance Company and appointed Kim Strong, Examiner-In-Charge, to conduct said examination.

### IV.

That on or about March 19, 2014, the draft Report of Examination concerning Gulf Guaranty Insurance Company for the period of January 1, 2009 through December 31, 2012, was submitted to the Department by the Examiner-In-Charge, Kim Strong.

### V.

That on or about May 23, 2014, 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. The Department received the Company's response on or about June 4, 2014, 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, the Company's rebuttal, and all relevant examiner work papers, that the Report of Examination of Gulf Guaranty 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.

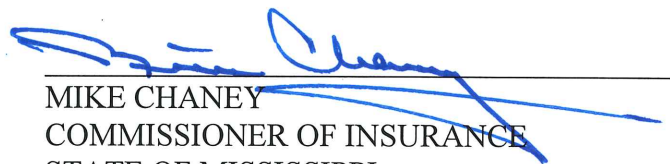
**IT IS FURTHER ORDERED** that the Mississippi Department of Insurance shall continue to hold the content of this report as private and confidential for a period of ten (10) days from the date of this Order, pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 2011).

**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, Gulf Guaranty 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 Gulf Guaranty 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 17<sup>th</sup> day of June 2014.



  
MIKE CHANEY  
COMMISSIONER OF INSURANCE  
STATE OF MISSISSIPPI

**CERTIFICATE OF MAILING**

I hereby certify that a true and correct copy of the above and foregoing Order and a copy of the final Report of Examination, as adopted by the Mississippi Department of Insurance, was sent by certified mail, postage pre-paid, return receipt requested, on this the 17<sup>th</sup> day of June 2014, to:

**Mr. James Hilburn Robertson, President  
Gulf Guaranty Insurance Company  
4785 I-55 North, Suite 200  
Ridgeland, MS 39206**



---

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**

**GULF GUARANTY INSURANCE COMPANY**

**as of**

**December 31, 2012**

## TABLE OF CONTENTS

Examiner's Affidavit .....	1
Salutation .....	2
Scope of Examination .....	3
Comments and Recommendations of Previous Examination .....	3
History of the Company .....	4
Corporate Records .....	4
Management and Control.....	5
Stockholders .....	5
Board of Directors .....	5
Officers.....	5
Conflict of Interest.....	5
Corporate Governance.....	5
Holding Company Structure .....	6
Organizational Chart .....	7
Related Party Transactions .....	7
Fidelity Bond and Other Insurance .....	8
Pensions, Stock Ownership and Insurance Plans .....	8
Territory and Plan of Operation .....	8
Growth of Company .....	9
Reinsurance.....	9
Accounts and Records.....	9
Statutory Deposits.....	10
Financial Statements .....	11
Introduction .....	11
Statement of Assets, Liabilities, Surplus and Other Funds .....	12
Statement of Income.....	13
Reconciliation of Surplus as Regards Policyholders .....	14
Reconciliation of Examination Adjustments to Surplus as Regards Policyholders .....	15

Market Conduct Activities.....	16
Policyholder Service .....	16
Underwriting and Rating.....	16
Claims Handling .....	16
Producer Licensing .....	16
Privacy.....	16
Commitments and Contingent Liabilities .....	17
Comments and Recommendations.....	18
Acknowledgment .....	19



**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 Gulf Guaranty Insurance Company as of December 31, 2012.
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 Gulf Guaranty Insurance Company 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  
Kimberly Strong, CPA, CFE  
Examiner-in-Charge

Subscribed and sworn before me by Kimberly Strong on this 15<sup>th</sup> day of April.



Elaine H. Manuel  
Notary Public

My commission expires 10/1/17 [date].



**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 25, 2014

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, 2012, of the affairs and financial condition of:

### GULF GUARANTY INSURANCE COMPANY

4785 I-55 North, Suite 200  
Jackson, Mississippi 39206

License #	NAIC Group #	NAIC #	FEETS #	ETS #
8100053	948	36765	36765-MS-2011-2	MS120-M22

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

## **SCOPE OF EXAMINATION**

We have performed a multi-state examination of Gulf Guaranty Insurance Company ("Company" or "GGIC"). The last exam was completed as of December 31, 2008. This examination covers the period January 1, 2009 through December 31, 2012.

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.

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

Following are comments made in the previous examination report as of December 31, 2009 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. 2:**

At December 31, 2008, the Company and its parent, Gulf Guaranty Life Insurance Company (GGLIC), were covered by a financial institutions bond with a \$75,000 single loss limit. The amount recommended by the NAIC for just the Company was \$75,000.

It is noted that a recommendation to increase the fidelity insurance was made in each of the last two Reports on Examination of the Company.

We again recommend that the fidelity coverage be increased to provide adequate protection for both companies.

Current status:

The fidelity bond in effect as of the examination date did not meet the recommended amount as suggested by the NAIC. This comment will be repeated in the Comments and Recommendations section of this report.

Previous Exam Report Recommendation No. 3:

The Company's securities were held by Trustmark National Bank (Trustmark) and UBS Financial Services, Inc., (UBS). The Company had a custodial agreement with Trustmark. However, it did not conform to NAIC guidelines.

The Company did not have a custodial agreement with UBS.

The prior Report on Examination noted the same findings.

We again recommend that the Company have custodial agreements with all custodians of its investments and that those agreements comply with NAIC guidelines.

Current status:

The Company executed an agreement with UBS that appears to comply with NAIC guidelines; however, the safekeeping agreement with Trustmark did not conform to NAIC guidelines. This comment will be repeated in the Comments and Recommendations section of this report.

## **HISTORY OF THE COMPANY**

The Company was incorporated in Mississippi on January 15, 1981, as Three Rivers Insurance Company, a Mississippi insurance corporation and was licensed on August 1, 1981. The Company's name was changed to National General Insurance Company on October 12, 1981, and to National General Fire and Casualty Insurance Company (NGF&C) on March 21, 1983. On January 1, 1988 Gulf Guaranty Insurance Company (GGIC) was incorporated in Mississippi as an insurance corporation. On February 13, 1991, GGIC was merged into NGF&C, with the latter the surviving corporation. NGF&C's name was changed to Gulf Guaranty Insurance Company effective February 13, 1991.

## **CORPORATE RECORDS**

The minutes of the meetings of the stockholders and board of directors, prepared during the period under examination, were reviewed and appeared to be complete with regard to the matters brought up at the meetings for deliberation, which included approval of the Company's investment portfolio and actions of the Company's officers.

## **MANAGEMENT AND CONTROL**

### **Stockholders**

As of December 31, 2012, GGIC had issued and outstanding all 600,000 shares of its authorized common capital stock with a par value of \$1.75 per share. The common capital stock was 100% owned by GGLIC. The Company paid \$0 in corporate allocations to stockholders during 2012.

### **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 and principal occupation, at December 31, 2012, were as follows:

Name and Residence	Principal Occupation
Jack Westbrook Robertson, Chairman & CEO Jackson, Mississippi	Gulf Guaranty Life Insurance Company and Gulf Guaranty Insurance Company
James Hilbun Robertson Madison, Mississippi	President, Gulf Guaranty Life Insurance Company and Gulf Guaranty Insurance Company
John Westbrook Robertson, III Jackson, Mississippi	Executive Vice President, Gulf Guaranty Insurance Company

### **Officers**

Name	Title
James Hilbun Robertson	President
Robert Morris Berry	Secretary/Treasurer
John Westbrook Robertson, III	Executive 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. Written statements were signed annually by all officers and members of the Board.

### **Corporate Governance**

The risk-focused surveillance approach requires examiners to consider the insurer's corporate governance and established risk management processes. This evaluation included assessing the

"tone-at-the-top", board of directors and management oversight and understanding and conveyance of the necessity of internal controls to employees. Strong corporate governance encompasses a clearly defined vision of ethics, appropriate goals, effective strategy, effective implementation of the strategy, and appropriate reporting systems emphasizing feedback and transparency.

It was noted that the Company's management as of December 31, 2012 consisted of a President, Secretary/Treasurer and Executive Vice President. In accordance with the Company's Bylaws, the Board consisted of three board members. It was noted that the Company was closely held and the members of the Board were related. Information regarding the Board members and officers 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 an understanding of the organizational structure. This consideration also encompassed understanding the assignment of authority and responsibility. It was noted that the Company maintained informal internal control policies during the period under examination. Management maintained controls over its IT environment and frequent correspondence with its external auditors, Carr, Riggs & Ingram, LLC. The management structure of the Company showed clear assignment of responsibilities within the Company. It appeared that the Company's organizational structure provided appropriate segregation of duties, review and oversight for the size and nature of the Company.

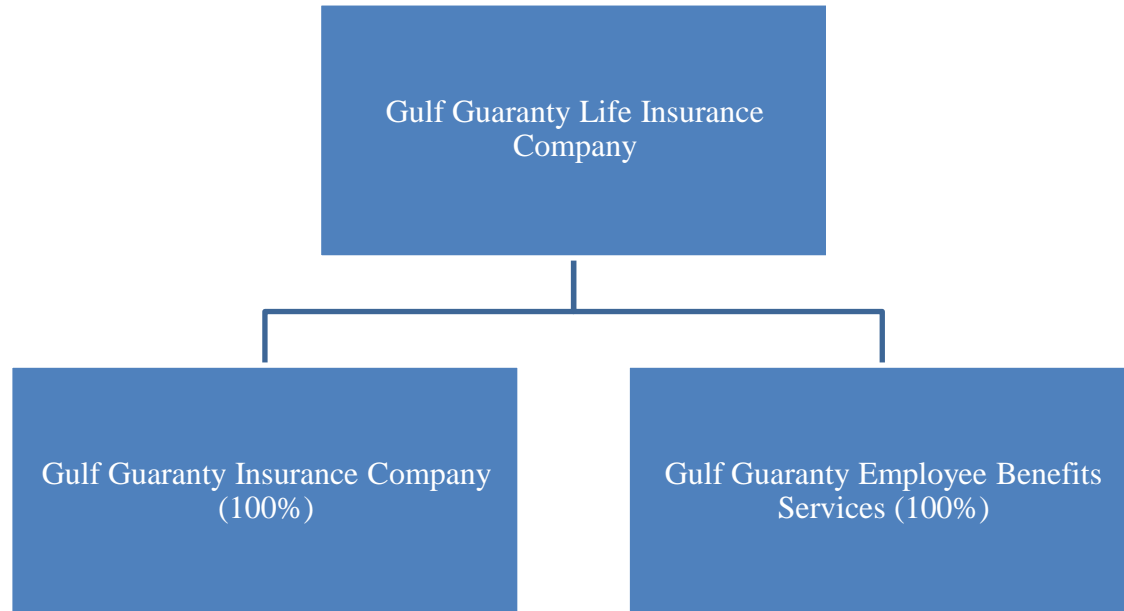
Management competence was a consideration in the overall assessment of corporate governance. Factors such as management's experience level and management turnover were considered as part of the assessment. It was determined that management had significant experience with the Company and the credit insurance industry.

The Company's enterprise risk management was informal. Risk management was discussed in regular meetings by management and plans were developed to manage and mitigate those risks. Management interacted and communicated frequently.

### **HOLDING COMPANY STRUCTURE**

The Company was a member of an insurance holding company system as defined in Miss. Code Ann. § 83-6-1. The Company was required to file with the MID, Holding Company Registration Statements in accordance with Miss. Code Ann. §§ 83-6-5 and 83-6-9. These filings set forth material changes in structure, identity or relationships of affiliates and any material transactions by and between the Company and its affiliates.

## **Organizational Chart**



### **Parent and Subsidiaries:**

**GULF GUARANTY LIFE INSURANCE COMPANY (GGLIC):** GGLIC, which was incorporated on February 20, 1970, under the laws of the State of Mississippi, owned 100% of the outstanding shares of GGIC and GGEBS. It provided credit life and credit accident & health, group health insurance and industrial, ordinary, and individual annuity life insurance products.

**GULF GUARANTY INSURANCE COMPANY (GGIC):** GGIC, a wholly owned subsidiary of GGLIC, was organized on January 15, 1981, under the laws of the State of Mississippi, as a property and casualty insurer which primarily wrote vendor's single interest ("VSI") and collateral protection insurance ("CPI") programs for financial institutions.

**GULF GUARANTY EMPLOYEE BENEFITS SERVICES (GGEBS):** GGEBS was formed on July 8, 1992 under the laws of Mississippi. GGEBS' principal activities included providing administrative services for health products for self-insured plans.

### **Related Party Transactions**

#### **Tax Sharing Agreement among Affiliates:**

The Companies entered into an Intercompany Tax Sharing Agreement effective January 9, 2004. Pursuant to the terms of the Agreement, the companies will file a consolidated tax return and pay any taxes due on or before the due date. GGLIC will be reimbursed by GGIC and GGEBS for their individual share of the affiliated group's consolidated tax liability. Annually, amounts due

to or from a member are to be settled no later than the extended due date for the return. This agreement appears to be in compliance with the requirements of SSAP No. 25.

#### Expense Allocation Agreement

The Companies were party to an expense allocation agreement effective November 3, 1994 and amended July 14, 2008. Pursuant to this agreement, all direct expenses of each company will be paid by the company incurring the expenses and not subject to the expense allocation agreement. Expenses associated with GGLIC's corporate accounting, investment, data processing, sales, and executive functions will be allocated between GGLIC and GGIC in relation to each company's total direct written premium for all lines of business. Lines of business are defined within the agreement as credit life, VSI and industrial/ordinary life with 100% of the expenses incurred in the VSI line of business being allocated to GGIC.

In accordance with the agreement, each month GGIC will make a payment to GGLIC for the expenses expected to be allocated during that month. At the end of each quarter, a calculation will be made of the actual expenses that were allocable during that quarter. Any over or underpayment of allocable expenses for the prior quarter will be settled between the parties within two months following the end of the prior quarter. This agreement appears to be in compliance with SSAP No. 25.

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

The Company had a comprehensive corporate insurance program in place, which included commercial general liability and commercial property; as well as, other policies deemed appropriate by management. At December 31, 2012, the Company and its subsidiary, Gulf Guaranty Insurance Company, were covered by a financial institutions bond with a \$75,000 single loss limit. The amount recommended by the NAIC was \$200,000. It is recommended that the Company obtain a financial institutions bond in the amount suggested by the NAIC *Financial Condition Examiners Handbook*.

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

The Company had no employees. Pursuant to an expense allocation agreement, certain services associated with the administration and management of business written in GGIC was provided by employees of GGLIC.

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

As of December 31, 2012, the Company was authorized to write the following lines of business in the State of Mississippi:



Automobile physical damage/liability  
 Casualty/liability  
 Fidelity  
 Fire/allied lines  
 Ocean marine  
 Surety

Home/farm owners  
 Industrial fire  
 Inland marine  
 Mortgage guaranty  
 Plate glass

GGIC wrote VSI and CPI policies. VSI is provided on a blanket basis which protects the lender from losses related to physical damage, theft, skip (default), and fire for the life of the loan, where the pledged collateral is the purpose for the loan. CPI covers against loss or damage to personal property, covering a creditor's security interest in such property, where the borrower has pledged collateral to secure a loan. As of the examination date, the Company was authorized to transact business in the states of Alabama, Arkansas, Louisiana, Mississippi, and Tennessee.

### **GROWTH OF COMPANY**

The review of the growth of the Company was performed based on balances, as reported in the annual statements filed with the MID during the period under examination.

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Change in surplus	(112,006)	49,903	39,829	84,590
Ratio of premiums to surplus	.35 to 1	.30 to 1	.34 to 1	.37to 1
Ratio of assets to liabilities	4.4 to 1	4.8 to 1	4.5 to 1	4.6 to 1
Ratio of revenues to expenses	.91 to 1	1 to 1	1 to 1	1 to 1
Cash flows from operations	(302,553)	173,299	(154,361)	(83,893)
Net income (loss)	(167,036)	42,930	(6,130)	67,255

### **REINSURANCE**

The Company was not a party to any reinsurance contracts during the period under examination.

### **ACCOUNTS AND RECORDS**

The Company's 2012 trial balances were tied to the financial statements within the statutory annual statements 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 actuary.

It was noted that the safekeeping agreement with Trustmark National Bank did not comply with the requirements established in the NAIC *Financial Condition Examiners Handbook*. It is recommended that the Company execute a safekeeping agreement with Trustmark National Bank that complies with the requirements of the NAIC *Financial Condition Examiners Handbook*.

The Company is licensed as a single-line insurance company pursuant to Miss. Code Ann. § 83-19-31(a), which requires the Company to maintain a minimum capital of \$400,000 and surplus of \$600,000. Pursuant to Miss. Code Ann. § 83-5-55, the Company is required to file an NAIC Property and Casualty Annual Statement. The Company is also required to file a risk-based capital (RBC) report pursuant to Miss. Code Ann. § 83-5-401 through § 83-5-427.

### **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 deposits at December 31, 2012:

<b>Description of Security</b>	<b>State Deposited</b>	<b>Fair Value</b>
Certificate of deposit	Arkansas	\$ 150,000
Certificate of deposit	Louisiana	100,000
Bonds	Mississippi	577,813
Total		\$ 827,813

## **FINANCIAL STATEMENTS**

### **Introduction**

The following financial statements consist of a Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2012, a Statement of Income for the year ended December 31, 2012, a Reconciliation of Surplus as Regards Policyholders for the examination period ended December 31, 2012 and a Reconciliation of Examination Adjustments to Surplus as Regards Policyholders at December 31, 2012.

**Statement of Assets, Liabilities, Surplus and Other Funds  
December 31, 2012**

<b>Assets</b>	
Bonds	\$ 3,637,254
Common stock	429,902
Mortgage loans – first liens	187,500
Real estate – properties held for the production of income	129,375
Cash and short-term investments	605,576
Other invested assets	12,024
Investment income due and accrued	30,273
Uncollected premiums and agents' balances	11,510
Electronic data processing equipment and software	768
<b>Total assets</b>	<b>\$ 5,044,182</b>
<b>Liabilities, Surplus and Other Funds</b>	
Losses	\$ 139,103
Loss adjustment expenses	13,910
Commissions payable	4,724
Other expenses	147,852
Taxes, licenses and fees	5,485
Unearned premiums	672,008
Payable to parent, subsidiaries and affiliates	156,848
<b>Total liabilities</b>	<b>1,139,930</b>
Common capital stock: \$1.75 par value; 600,000 shares authorized; 600,000 shares issued and outstanding	1,050,000
Gross paid-in and contributed surplus	1,302,032
Unassigned funds (surplus)	1,552,220
<b>Surplus as regards policyholders</b>	<b>3,904,252</b>
<b>Total liabilities, surplus and other funds</b>	<b>\$ 5,044,182</b>

---

**Statement of Income**  
**For the Examination Period Ended December 31, 2012**

---

**Underwriting Income**

Premiums earned	\$ 1,384,632
Losses incurred	603,482
Loss adjustment expenses incurred	26,105
Other underwriting expenses incurred	1,236,610

---

Total underwriting deductions 1,866,197

---

Net underwriting gain (loss) (481,565)

**Investment income**

Net investment income earned	\$ 150,997
Net realized capital gains	52,658

---

Net investment gain (loss) 203,655

**Other Income**

Miscellaneous income 110,874

---

Total other income 110,874

---

Net income \$ (167,036)

**Reconciliation of Surplus as Regards Policyholders  
For the Examination Period Ended December 31, 2012**

	2012	2011	2010	2009
Surplus as regards policyholders, beginning of the year	\$ 4,016,258	\$ 3,966,355	\$ 3,926,526	\$ 3,841,936
Net income	(167,036)	42,930	(6,130)	67,255
Change in net unrealized capital gains	46,976	11,202	40,776	12,364
Change in net deferred income tax	65,391	(10,207)	-	-
Change in non-admitted assets	(57,337)	5,978	5,183	4,971
Surplus as regards policyholders, end of the year	\$ 3,904,252	\$ 4,016,258	\$ 3,966,355	\$ 3,926,526

**RECONCILIATION OF EXAMINATION ADJUSTMENTS TO SURPLUS AS  
REGARDS POLICYHOLDERS  
DECEMBER 31, 2012**

There were no changes made to the admitted assets, liabilities or surplus balances reported by the Company for the year ended December 31, 2012. Surplus as regards policyholders, which totaled \$3,904,252 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 complaint documentation during the period under examination. 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. It appeared that all applicable policy forms and rates had been appropriately approved by the MID.

### **Claims Handling**

Claim files were reviewed for general indicators of policyholder treatment concerns. No significant areas of concern were noted.

### **Producer Licensing**

The Company appeared to have the appropriate licensure to issue its products and agents appeared to have been 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 regulations.



## **COMMITMENTS AND CONTINGENT LIABILITIES**

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

## **COMMENTS AND RECOMMENDATIONS**

1. It is recommended that the Company obtain a financial institutions bond in the amount suggested by the NAIC *Financial Condition Examiners Handbook*.
2. It is recommended that the Company execute a safekeeping agreement with Trustmark National Bank that complies with the requirements of the NAIC *Financial Condition Examiners Handbook*.

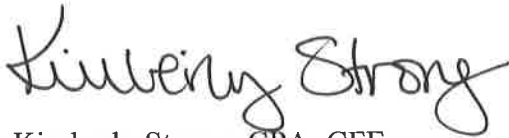
## ACKNOWLEDGMENT

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

Administrative Examiner	Jimmy Blissett, CFE
Examiner-in-charge	Kimberly Strong, CPA, CFE
IT Specialist	Steve Sartin, CISA, CRISC
Consulting Actuary	Robert P. Daniel, ACAS, MAAA
Examiner	Mary Anne King, CPA
Examiner	Todd Merchant

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

Respectfully submitted,



Kimberly Strong, CPA, CFE  
Examiner-in-charge