



MISSISSIPPI INSURANCE DEPARTMENT

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

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

MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MARK HAIRE
Deputy Commissioner of Insurance

RICKY DAVIS
State Chief Deputy Fire Marshal

June 23, 2016

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

Mr. Rick Denson Riley, Chairman of the Board and CEO
Magnolia Guaranty Life Insurance Company
400 East Anderson Lane
Austin, TX 78752

RE: Report of Examination as of December 31, 2014

Dear Mr. Riley:

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

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 Magnolia Guaranty Life Insurance Company and appointed Dale Miller, Examiner-In-Charge, to conduct said examination.

IV.

That on or about May 17, 2016, the draft Report of Examination concerning Magnolia Guaranty Life Insurance Company for the period of January 1, 2010 through December 31, 2014, was submitted to the Department by the Examiner-In-Charge, Dale Miller.

V.

That on or about May 27, 2016, 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 Company responded in a letter on or about June 13, 2016.

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 written submission, and all relevant examiner work papers, that the Report of Examination of Magnolia Guaranty 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. 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, Magnolia Guaranty 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 Magnolia Guaranty 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 23rd day of June 2016.




J. MARK HAIRE
DEPUTY 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 24th day of June 2016, to:

**Mr. Rick Denson Riley, Chairman of the Board and CEO
Magnolia Guaranty Life Insurance Company
400 East Anderson Lane
Austin, TX 78752**



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

**MAGNOLIA GUARANTY LIFE INSURANCE
COMPANY**

as of

December 31, 2014

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**EXAMINER'S AFFIDAVIT AS TO STANDARDS AND
PROCEDURES USED IN AN 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 Magnolia Guaranty Life Insurance Company as of December 31, 2014.
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 Magnolia Guaranty Life 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.

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

Subscribed and sworn before me by *R. Dale Miller* on this *27th* day of *May*, 20*14*.

April D. McDonald
Notary Public



My commission expires *October 10, 2016*



MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MARK HAIRE
Deputy Commissioner of
Insurance

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May 6, 2016

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, 2014, of the affairs and financial condition of:

MAGNOLIA GUARANTY LIFE INSURANCE COMPANY

102 Business Park Drive, Suite H
Ridgeland, MS 39157

License #	NAIC Group #	NAIC #	FEETS #	MATS #
9100031	612	75208	75208-MS-2013-5	MS009-M3

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

SCOPE OF EXAMINATION

We have performed our single state examination of Magnolia Guaranty Life Insurance Company (“Company” or “MGLIC”). The last exam covered the period of January 1, 2006 through December 31, 2009. This examination covers the period of January 1, 2010 through December 31, 2014.

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, assess corporate governance, identify current prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This examination report includes significant findings of fact and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

COMMENTS AND RECOMMENDATIONS OF PREVIOUS EXAMINATION

All previous examination findings appeared to have been appropriately addressed during the period since the last examination.

HISTORY OF THE COMPANY

The Company was incorporated November 18, 1991, under the laws of the State of Mississippi for the purpose of engaging in all forms of the insurance business as may be allowed in accordance with Miss. Code Ann. §83-19-1 et seq., as amended. The original Articles of Association authorized capital of \$500,000 (500,000 shares of common capital stock with a par value of \$1) and the Company commenced business on January 1, 1992, with its principal office located in Jackson, MS. In 1994, the Company’s principal office was moved to Flowood, MS. In October 2009, the Mississippi Insurance Department (“MID”) issued an approval to the Company’s Articles of Amendment to the Articles of Association to effect the change of statutory home office to Ridgeland, MS. The Company was licensed to issue industrial life and

accident and health insurance, and in 2011, the Company was licensed to issue ordinary life insurance in the State of Mississippi.

During 2002, the Company declared a 2-for-1 stock dividend to all shareholders. This transaction facilitated a transfer of \$122,805 from the Company's surplus account to its capital stock account. During 2005, the Company declared a 1-for-2 stock dividend to all shareholders. This transaction facilitated a transfer of \$122,630 from the Company's surplus account to its capital stock account. The Company issued two 10% stock dividends which were approved by the Board of Directors ("Board") in September 2007 and March 2008. During 2010, the Company repurchased and retired 19,965 shares of stock at \$3.00 per share. During 2011, the Company repurchased and retired 6,352 shares of common stock at \$3.00 per share. During 2012, 9,256 shares of common stock were tendered to the Company in partial settlement of indebtedness to the Company and were retired. The value of the shares for the purpose of the retirement of the stock was \$6.00 per share. In addition, during 2012, the Company changed the par value of its common shares from \$1.00 to \$2.00 per share.

On March 7, 2014, Security Plan Life Insurance Company ("SPLIC") purchased the 409,553 shares of MGLIC stock owned by the stockholders for \$5,235,000.

CORPORATE RECORDS

The minutes of the meetings of the Stockholders and Board, regarding the Company's business affairs as recorded during the period covered by the examination were reviewed. The Articles of Association and Bylaws, along with any amendments thereto, were reviewed. The Company's Bylaws were repealed and replaced with new Bylaws effective March 7, 2014.

Based on the review of the Board meeting minutes, the Company was unable to provide signed Board minutes for each meeting of the exam period. It is recommended that signed Board minutes be maintained by the Company.

MANAGEMENT AND CONTROL

Stockholders

As of December 31, 2014, the Company had 500,000 shares of \$2 par value common stock authorized with 409,553 shares issued and outstanding. SPLIC owned 100% of the shares issued and outstanding. The Company paid the following ordinary dividends during the exam period:

2010	\$	33,438
2011	\$	33,785
2012	\$	37,693
2013	\$	36,860

Board of Directors

The Articles of Incorporation and Bylaws vest the management and control of the Company's business affairs with the Board. The members of the duly elected Board, along with their place of residence, year elected/appoint, and principal occupation, at December 31, 2014, were as follows:

Name and Residence	Year Elected/Appointed	Principal Occupation
Harold Eugene Riley Austin, Texas	2014	Chairman of the Board and Chief Executive Officer of Citizens, Inc.
Rick Denson Riley Austin, Texas	2014	Vice Chairman, President, and Chief Corporate Officer of Citizens, Inc.
Sara Christine Morris Austin, Texas	2014	Executive Vice President Chief Operations Officer of Citizens, Inc.
Kay Elizabeth Osborn Austin, Texas	2014	Executive Vice President, Chief Financial Officer, Treasurer of Citizens, Inc.
Sydney Louis Harp Donaldsonville, Louisiana	2014	President of Security Plan Life Insurance Company

Committees

During the time period covered by this examination, the following committees were utilized by the Company to carry out certain specified duties: Executive Committee and Claims Committee.

Executive Committee:

The Executive Committee has the authority to authorize investments on behalf of the Company and review the results of operations of the Company.

Claims Committee:

The Claims Committee provides oversight responsibilities in assuring that claims governance is fully integrated into enterprise governance and is effectively implemented. The committee also informs the Board on claims related matters and risks.

The following officers and directors served on the aforementioned committees at December 31, 2014.

Executive	Claims
Rick Denson Riley, Chairman	Sara Christine Morris, Chairman
Kay Elizabeth Osborn	Michael Paul Buchweitz
Sara Christine Morris	Malesa Diane King
	Larry Delbert Welch

The Audit Committee is maintained at the ultimate holding company level and assists the Board in oversight responsibility of the parent and subsidiaries. The minutes to these committees were reviewed and appeared to be complete and in order.

Officers

Name	Number of Years with the Company	Title
Rick Denson Riley	1	Chairman of the Board and Chief Executive Officer
Robert Harold Spell	21	President
Kay Elizabeth Osborn	1	Executive Vice President, Chief Financial Officer and Treasurer
Jonathan Meyer Pollio	1	Vice President, Chief Actuary
Sara Christine Morris	1	Executive Vice President, Chief Operations Officer
Malesa Diane King	1	Vice President, Claims
Robert Eugene Rainey, Jr	1	Vice President, Electronic Systems
Michael Paul Buckweitz	1	Vice President, Chief Underwriter
Geoffrey Martin Kolander	1	Executive Vice President, General Counsel and Secretary
Larry Delbert Welch	1	Vice President, Special Projects

Conflict of Interest

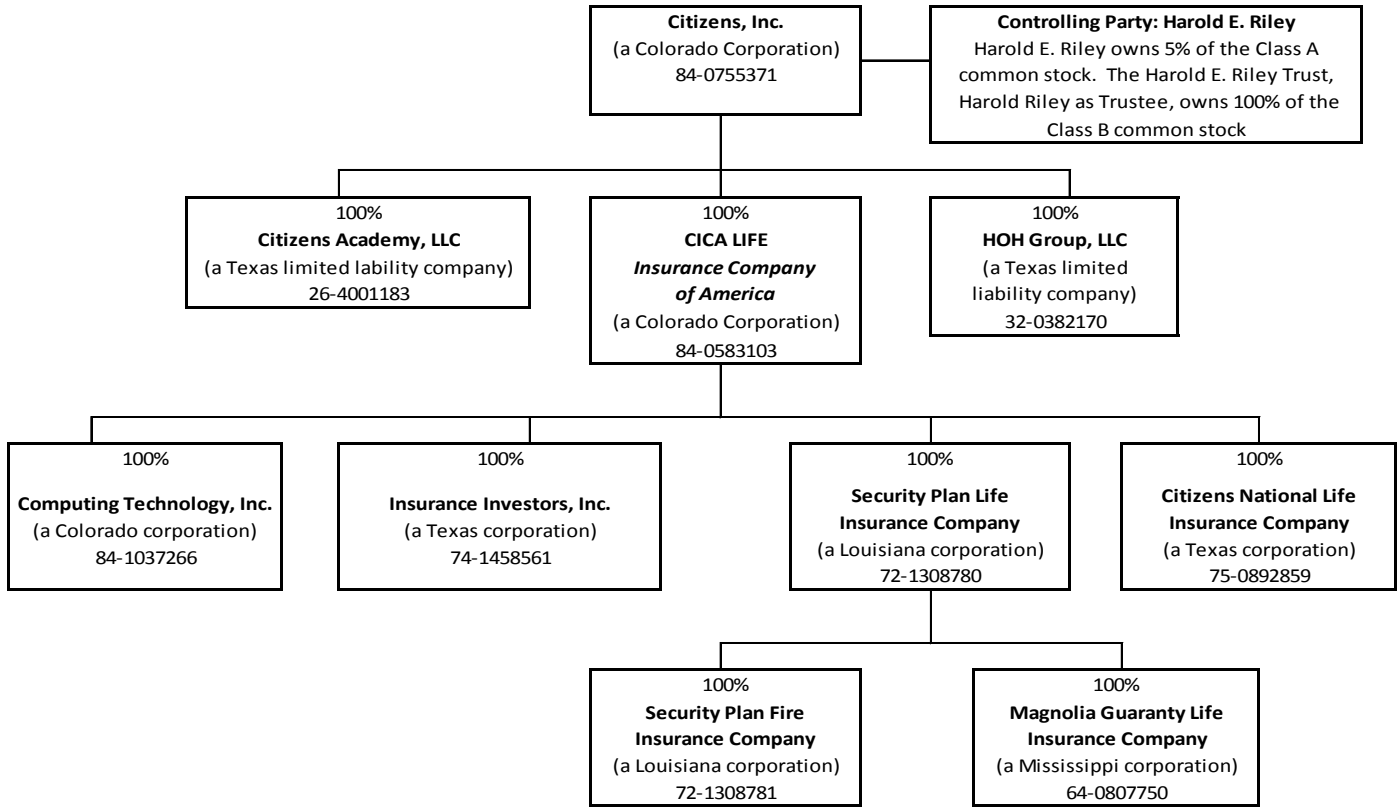
The directors and officers completed conflict of interest affidavits for the period under examination. These affidavits were reviewed, but the Company was unable to provide signed conflict of interest policies for certain periods of this examination. It is recommended that copies of signed conflict of interest policies be maintained by the Company.

HOLDING COMPANY STRUCTURE

The Company is a member of an insurance holding company system as defined in Miss. Code Ann. §83-6-1. The Company was granted an exemption by the MID from filing Holding Company Registration Statements during 2010 through 2013 in accordance with Miss. Code Ann. §83-6-5 and §83-6-9. Holding Company Registration Statements were filed for the year ended December 31, 2014, with the MID. The statements and applicable amendments 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.

The following chart depicts the Company's ownership as of December 31, 2014:

Organizational Chart



Related Party Transactions

Upon the Company's acquisition by SPLIC on March 7, 2014, a management services agreement was executed whereby Citizens, Inc. ("Citizens") provided personnel, systems, reporting, claims processing, actuarial and management services and systems to the Company. Under the terms of the agreement, the Company reimbursed Citizens \$322,392 for its allocated share of actual expenses incurred by Citizens on behalf of the Company during 2014. The amount due to Citizens for the management services agreement at December 31, 2014, was \$45,594.

FIDELITY BOND AND OTHER INSURANCE

The parent company maintained a financial institution bond with an aggregate limit of liability of \$1,250,000 which met the NAIC suggested minimum amount.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company had no employees, and the administrative functions were performed by employees of Citizens through a management services agreement.

TERRITORY AND PLAN OF OPERATION

The Company was licensed to issue ordinary life, industrial life, and accident and health insurance in the State of Mississippi. During the examination period, the Company issued insurance contracts through independent agents.

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.

	2014	2013	2012	2011	2010
Total admitted assets	10,123,058	8,615,094	7,985,405	7,138,702	6,310,927
Total liabilities	7,310,663	6,120,073	5,688,572	5,217,790	4,678,446
Total capital and surplus	2,812,396	2,495,021	2,296,833	1,920,912	1,632,481
Net cash from operations	796,270	681,329	735,742	939,862	640,018
Total adjusted capital	3,023,073	2,665,767	2,507,968	2,040,683	1,728,909
Authorized control level risk-based	251,768	220,360	231,641	191,576	181,715
Net earned premium income	3,041,296	2,205,087	2,142,312	2,038,643	2,414,664
Net investment income	474,973	456,623	431,099	389,668	339,334
Net income	137,587	229,566	440,196	368,185	140,005
Net income/capital and surplus (ROE)	4.9%	9.2%	19.2%	19.2%	8.6%
Net premium & deps/capital and surplus	108.1%	88.4%	93.3%	106.1%	147.9%
Total benefits & exp/premium & deps	108.2%	110.8%	101.5%	103.5%	105.7%

REINSURANCE

The Company did not utilize a reinsurance program during the examination period.

ACCOUNTS AND RECORDS

The 2014 trial balance of the Company's accounts were traced to the balance sheet of the Company's statutory annual statement filed with the MID, with no exceptions noted. MGLIC was audited annually by an independent CPA firm.

Prior to the Company's acquisition in March 2014, MGLIC's records and accounting processes

were maintained on desktop computers. Policy administration was maintained in Microsoft Access while the Company's accounting records were maintained using QuickBooks Pro for Windows. After the acquisition, MGLIC's IT function is performed by its ultimate parent, Citizens, and its affiliate Computing Technology, Inc. ("CTI"). CTI processes financially significant applications on an IBM z/Series Mainframe computer system. A layering of firewall protection, virus detection and spam elimination systems are in place to isolate and protect internal networks from Internet access.

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 at December 31, 2014.

Description	Par Value	Fair Value
Municipal bond	200,000	206,042
Municipal bond	100,000	107,810
Municipal bond	70,000	77,798
Corporate bond	100,000	106,750
Residential mortgage backed security	62,000	65,013
Preferred stock	100,000	103,560
Total	\$ 632,000	\$ 666,973

Magnolia Guaranty Life Insurance Company
Financial Statements
Examination as of December 31, 2014

Introduction

The following financial statements consists of a Statement of Admitted Assets, Liabilities, Surplus and Other Funds - Statutory at December 31, 2014, a Summary of Operations - Statutory for the year ended December 31, 2014, and a Reconciliation of Capital and Surplus - Statutory for the examination period ended December 31, 2014.

The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

**Statement of Admitted Assets, Liabilities, Surplus And Other Funds – Statutory
For the Examination Period Ended December 31, 2014**

Admitted Assets

Bonds	\$ 6,649,355
Preferred stocks	1,558,200
Common stocks	738,370
Cash and short term investments	269,246
Contract loans	225
Other invested assets	93,300
Investment income due and accrued	107,157
Uncollected premiums	56,014
Deferred premiums	371,922
Current federal and foreign income tax recoverable and interest thereon	28,999
Net deferred tax asset	222,351
Electronic data processing equipment and software	10,975
Aggregate write-ins for other than invested assets	16,944
Total admitted assets	\$ 10,123,058

Liabilities, Capital and Surplus

Aggregate reserve for life contracts	\$ 7,025,814
Liability for deposit-type contracts	12,698
Contract claims	110,625
Premiums and annuity considerations for life and accident and health contacts received in advance	19,113
Interest maintenance reserve	2,574
Amounts held for agents account	8,545
Remittances and items not allocated	12,525
Asset valuation reserve	210,677
Payable to parent, subsidiaries and affiliates	48,091
Total liabilities	7,450,662

Common capital stock	819,106
Gross paid in and contributed surplus	240,020
Unassigned funds	1,613,270
Total capital and surplus	2,672,396
Total liabilities, capital and surplus	\$ 10,123,058

**Summary of Operations – Statutory
For the Examination Period Ended December 31, 2014**

Income

Premiums and annuity considerations for life and accident and health contracts	\$ 3,041,296
Net investment income	474,973
Amortization of interest maintenance reserve	399
Aggregate write-ins for miscellaneous income	1,452
Total income, net of amortization of interest maintenance reserve	3,518,120

Benefits and Reserve Changes

Death benefits	574,114
Matured endowments	9,788
Surrender benefits and withdrawals for life contracts	37,043
Increase in aggregate reserves for life and accident and health contracts	1,004,464
Total benefits and reserve changes, including interest on contract funds	1,625,409

Other Operating Expenses and Transfers

Commissions	580,893
General insurance expenses	524,250
Taxes, licenses and fees, excluding federal income taxes	78,231
Increase in loading on deferred and uncollected premiums	482,076
Total other operating expenses and transfers	1,665,450

Net gain from operations before dividends to policyholders and federal income taxes	227,261
Federal income taxes incurred	90,126

Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	137,135
Net realized capital gains (losses), excluding transfers to interest maintenance reserve	452
Net income	\$ 137,587

**Reconciliation of Capital and Surplus – Statutory
For the Examination Period Ended December 31, 2014**

	2014	2013	2012	2011	2010
Capital and surplus, beginning of the year	\$ 2,495,021	\$ 2,296,833	\$ 1,920,912	\$ 1,632,481	\$ 1,729,201
Net income	137,587	229,566	440,196	368,185	140,005
Change in net unrealized capital gains (losses)	23,686	(44,197)	74,339	(42,812)	(185)
Change in net deferred income tax	289,512	(17,160)	1,395	(6,673)	22,436
Change in nonadmitted assets	(93,429)	26,400	44,584	45,915	(172,849)
Change in asset valuation reserve	(39,981)	40,439	(91,364)	(23,343)	7,206
Capital changes:					
Paid in			(9,256)	(6,352)	(19,965)
Transferred from surplus (stock dividend)			409,553		
Surplus Adjustment					
Paid in			(5,100)	(3,500)	(11,000)
Transferred to capital (stock dividend)			(409,553)		
Dividends to stockholders		(36,860)	(37,693)	(33,785)	(33,438)
Aggregate write-ins for gains and losses in surplus			(41,180)	(9,204)	(28,930)
Examination adjustments directly to surplus	(140,000)				
Net change in capital and surplus for the year	177,375	198,188	375,921	288,431	(96,720)
Capital and surplus, end of the year	\$ 2,672,396	\$ 2,495,021	\$ 2,296,833	\$ 1,920,912	\$ 1,632,481

**Reconciliation of Examination Adjustments to Surplus
For the year ended December 31, 2014**

	Balance Per Annual Statement	Balance Per Examination	Increase (Decrease) in Surplus
Liabilities			
Aggregate reserve for life contracts	\$ 6,885,814	\$ 7,025,814	\$ (140,000)
<u>Surplus per annual statement</u>			<u>1,993,290</u>
<u>Surplus per examination report</u>			<u>\$ 1,853,290</u>

The Company's total capital and surplus per the December 31, 2014, examination was \$2,672,396 and consisted of \$819,106 in capital stock and \$1,853,290 in surplus. Surplus was determined to be in compliance with Miss. Code Ann. §83-19-31.

COMMENTS ON FINANCIAL STATEMENT ITEMS

The MID contracted with Jeffrey A. Beckley, FSA, MAAA of Actuarial Options LLC to review the actuarial analysis supporting the Company's carried aggregate reserves for industrial life policies and contracts, aggregate reserves for accident and health contracts, uncollected premiums and agent balances, deferred premiums and agent balances, liability for deposit type contracts, and contract claims. Due to errors noted within the Company's policy records that were used to determine the reserves held, the Statement of Examining Actuary contained a qualified opinion.

Aggregate reserve for life contracts \$7,025,814

Certain policyholders provided evidence of premiums paid to agents related to policies that were lapsed or in extended term insurance as of December 31, 2014, per the Company's records. An examination adjustment was recorded in the amount of \$65,000 to increase the reserve liability related to these policies. It is recommended that the Company implement the appropriate oversight and internal controls to ensure policyholder premiums are appropriately remitted by agents representing the Company in a timely manner.

Prior to MGLIC's acquisition, the Company held interpolated terminal reserves. However, after the acquisition, the Company held mean reserves but did not calculate a reserve for nondeduction of deferred modal premiums. An examination adjustment was recorded in the amount of \$41,000 to increase the reserve liability for nondeduction of deferred modal premiums. It is recommended that the Company record a reserve for nondeduction of deferred modal premiums in future annual statement filings.

Certain in force policies did not comply with Section 7702 which is the definition of life insurance under the Internal Revenue Code (IRC) of 1986. An examination adjustment was recorded in the amount of \$34,000 to increase the reserve liability for those policies affected by Section 7702 at December 31, 2014. It is recommended that the Company implement appropriate oversight and internal controls to ensure these policies comply with Section 7702 of the IRC.

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 specific areas reviewed included those items as indicated below. No significant exceptions with regard to the limited procedures performed were noted.

Policyholder Service

The Company maintained a complaint log during the period under examination. No complaints were noted during the examination period.

Producer Licensing

The Company appeared to have the appropriate licensure to issue its products and its agents appeared to be properly licensed and appointed.

Claims Handling

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

COMMITMENTS AND CONTINGENT LIABILITIES

During the examination period of January 1, 2010 through December 31, 2014, there was no litigation, commitments or other contingent liabilities to which the Company was a party.

SUBSEQUENT EVENTS

During the first quarter of 2015, management determined that a portion of its life policies did not qualify for the favorable U.S. federal income tax treatment afforded by Sections 7702 and 7702A of the IRC of 1986. The Company has continued to review these failures on a policy by policy basis. As of December 31, 2015, the Company estimated the reserve impact for these contracts to be approximately \$34,000.

COMMENTS AND RECOMMENDATIONS

The following comments and recommendations reflect findings as of the examination date.

1. It is recommended that signed Board minutes be maintained by the Company. (Page 4)
2. It is recommended that copies of signed conflict of interest policies be maintained by the Company. (Page 6)
3. It is recommended that the Company implement the appropriate oversight and internal controls to ensure policyholder premiums are appropriately remitted by agents representing the Company in a timely manner. (Page 15)
4. It is recommended that the Company record a reserve for nondeduction of deferred modal premiums in future annual statement filings. (Page 15)
5. It is recommended that the Company implement appropriate oversight and internal controls to ensure certain policies comply with Section 7702 of the IRC. (Page 15)

ACKNOWLEDGMENT

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

Supervising Examiner	Joseph R. May, CPA, CFE, CMA, CIE
Examiner-in-Charge	R. Dale Miller, CPA, CFE, CFF
IT Specialist	Francois Houde, CPA, CA, CFE, CISA
Actuary Specialist	Jeffrey A. Beckley, FSA, MAAA
Senior Examiner	Andrea Harbison, CPA
Examiner	Taylor Phillips, CPA

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

Respectfully submitted,



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