



## MISSISSIPPI INSURANCE DEPARTMENT

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

**MARK HAIRE**  
Deputy Commissioner of Insurance

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Jackson, Mississippi 39205-0079  
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June 21, 2021

### CERTIFIED MAIL RETURN RECEIPT REQUESTED

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

**RE: Report of Examination as of December 31, 2019**

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/de  
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. 21-7629**

**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 R. Dale Miller-In-Charge, to conduct said examination.

### IV.

That on or about March 30, 2021, the draft Report of Examination concerning Family Security Life Insurance Company, Inc. for the period of January 1, 2015 through December 31, 2019, was submitted to the Department by the Examiner-In-Charge, R. Dale Miller.

### V.

That on or about May 5, 2021, pursuant to Miss. Code Ann. § 83-5-209(2) (Rev. 2011), the Department forwarded to the Company a copy of the draft report and allowed the Company a 15-day period to submit any rebuttal to the draft report. On or about May 20, 2021, the Company responded by email to the Department.

## 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 21<sup>st</sup> day of June 2021.



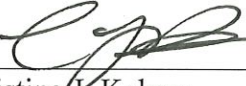
*J. Mark Haire*  
\_\_\_\_\_  
J. MARK HAIRE  
DEPUTY COMMISSIONER OF INSURANCE



**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 21<sup>st</sup> day of June 2021, to:

**Mr. Richard . Laird, President  
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, 2019**

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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:

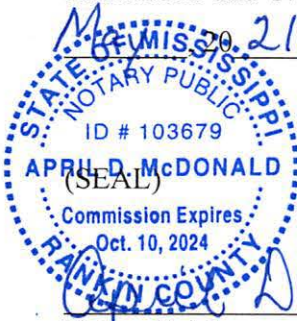
1. I have authority to represent the Mississippi Insurance Department in the examination of Family Security Life Insurance Company, Inc. as of December 31, 2019.
2. The Mississippi Insurance Department is accredited under the National Association of Insurance Commissioners Financial Regulation Standards 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.

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

Subscribed and sworn before me by *Dale Miller* on this *3<sup>rd</sup>* day of

*October 21*.



*April D. McDonald*  
Notary Public

My commission expires *October 10, 2024* [date].



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

**MARK HAIRE**  
Deputy Commissioner of  
Insurance

## MISSISSIPPI INSURANCE DEPARTMENT

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March 17, 2021

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, 2019, of the affairs and financial condition of:

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

118 South Wall Street  
Natchez, MS 39120

License #	NAIC #	FEETS#	MATS#
7700160	75337	75337-MS-2019-7	MS-MS099-24

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, and the office of Carr, Riggs & Ingram, LLC located in Ridgeland, Mississippi. 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 examination covered the period of January 1, 2011 through December 31, 2014. This examination covers the period January 1, 2015 through December 31, 2019.

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 and 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, as mentioned in the Miss. Code Ann. §83-5-201, and general information about the insurer 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**

The Company complied with the comments and/or recommendations made by the Mississippi Insurance Department (“MID”) examination team in the previous examination report, except for the following:

- The Board of Director (“Board”) minutes did not reflect the annual review of the external auditor's engagement letter for all years under examination. This issue is repeated in the Comments and Recommendations of this report. (Page 17)
- The Board minutes reflected the annual presentation and review of the Actuarial Opinion and the Regulatory Asset Adequacy Issues Summary. However, the Actuarial Memorandum was not presented and reviewed. This issue is repeated in the Comments and Recommendations of this report. (Page 17)

## **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**

The minutes of the meetings of the Board prepared during the period under examination, were reviewed. The Articles of Association and Bylaws, along with any amendments thereto, were reviewed.

The minutes of the Board did not indicate that the Board approved the engagement letter of the external auditor for all years under examination. It is recommended that policies and procedures are implemented to ensure the engagement of the external auditor is presented to and reviewed by the Board on an annual basis.

The minutes of the Board did not document presentation of the Actuarial Memorandum to the Board on an annual basis in compliance with Annual Statement Instructions. It is recommended that policies and procedures are implemented to ensure the Actuarial Memorandum is presented to and reviewed by the Board on an annual basis, in accordance with Annual Statement Instructions. In addition, it is recommended that the appointed actuary add a brief cover letter (executive summary or presentation) to the Actuarial Memorandum, drawing attention to any actuarial items of significance for the year and giving guidance to the Board regarding the presentation in its minutes. Such summary might quantify the adequacy of reserves and any material sensitivities that might affect adequacy.

## **MANAGEMENT AND CONTROL**

### **Stockholders**

At December 31, 2019, the Company had 5,000 shares authorized and 4,000 shares issued and outstanding of common capital stock with a par value of \$100 per share. The Company's stock was jointly owned by the estate of Charles M. Laird and Richard H. Laird, with the estate of

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 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/appointed, and principal occupation, at December 31, 2019, were as follows:

<b>Board Member</b>	<b>Year Elected/Appointed</b>	<b>Principal Occupation</b>
Richard Hugh Laird Natchez, Mississippi	1970	President and Board Chairman of FSLIC
Betty Diane Laird Natchez, Mississippi	2018	Secretary of FSLIC
Judy Ann Wilson Natchez, Mississippi	2018	Vice President of FSLIC

### **Committees**

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

### **Officers**

The senior officers of the Company as of December 31, 2019, were:

<b>Name and Place of Residence</b>	<b>Number of Years with Company</b>	<b>Principal Occupation</b>
Richard Hugh Laird Natchez, Mississippi	49	President and Board Chairman of FSLIC
Betty Diane Laird Natchez, Mississippi	27	Secretary of FSLIC
Judy Ann Wilson Natchez, Mississippi	5	Vice President of FSLIC
Dennis Ray Switzer Starkville, Mississippi	5	Treasurer of FSLIC

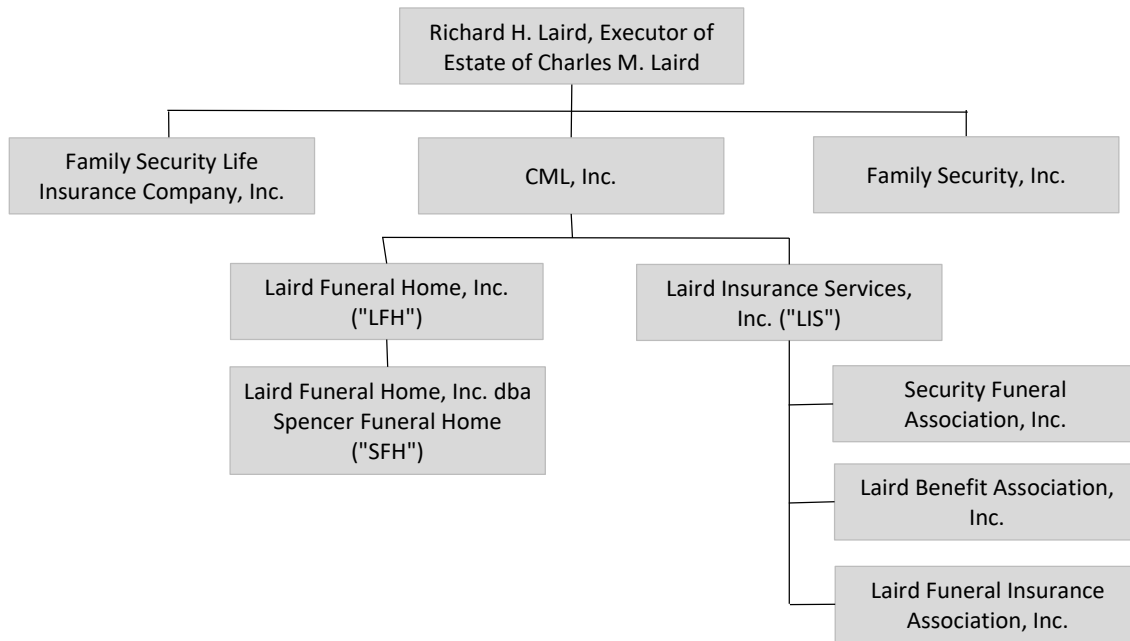
### **Conflict of Interest**

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 their official duties. These procedures were reviewed, and no conflicts or exceptions to the Company's policies were noted.

## **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.



### **Related Party and Other Transactions**

During the period under examination, the Company was a party to numerous agreements with its affiliates. The Company executed written agreements which governed these transactions as required by Statement of Statutory Accounting Principles No. 25.

Agreement between FSLIC, LFH and SFH: Pursuant to this agreement, FSLIC agreed to pay claims, upon submission of all appropriate, required claims documentation received from LFH and SFH on the last Friday of each month, no later than the 28<sup>th</sup> day of the month. In relation to Class A burial association policies, LFH agreed to accept payment of 50% on benefit payments of claims submitted by LFH and SFH.

In accordance with this agreement, FSLIC agreed to reimburse LFH for 100% of the premiums related to FSLIC employees under LFH's group insurance policy on March 31<sup>st</sup>, June 30<sup>th</sup>, September 30<sup>th</sup> and December 31<sup>st</sup> of each year.



Agreement between FSLIC and LIS: Pursuant to this agreement, FSLIC granted LIS the authority to solicit and sell industrial and ordinary life products on behalf of the Company. LIS agreed to remit all collections to the Company on, or before, Friday of each week. The Company agreed to compensate LIS at a commission rate of 30% of any funds collected by LIS within 30 days after each quarter year.

The Company agreed to service Class A burial association premiums and claims. LIS agreed to compensate the Company up to the maximum of 30% of the funds it collects for Class A fees. The Company agreed to reimburse LIS any excess funds after FSLIC pays any claims associated with the Class A business; likewise, LIS agreed that the Company shall deduct from any commissions paid any deficits associated with the Class A claims paid by FSLIC. The reimbursements shall be submitted on the same quarterly basis as the industrial and ordinary commissions are paid.

Pre-Need Trust Agreement and Enforcement Agreement: This agreement includes all policies issued between FSI (“Trustee”), LFH (“Agent”), and FSLIC on behalf of all pre-need purchasers of funeral services and merchandise. Pre-need purchasers, through LFH, have appointed FSI as the Trustee of pre-need arrangements established pursuant to the provisions of Chapter 63 of Title 75, Miss. Code Ann. LFH agreed to make all deposits with FSI on or before the time required by law. Immediately upon deposit of the required funds, LFH directs FSI to purchase life insurance and/or annuity contracts that will be owned by FSI for the benefit of insuring the life of the pre-need contract holder from FSLIC. Such contracts are purchased on or about the 15<sup>th</sup> of each month. The policy will provide an increasing death benefit after the first policy year, which will increase annually for the first 40 years, on the policy anniversary, by 3% of the initial death benefit plus any additional excess interest earned.

Upon the death of the pre-need contract holder, LFH will be required to file an affidavit certifying that funeral services have been provided with FSLIC. The face value of the contracts, along with its accretions (increasing death benefit), at the time of death of the pre-need contract holder shall be paid to LFH on the 30<sup>th</sup> day of each month for all completed claims

## **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. The Company did not

provide a defined benefit plan or defined contribution plan to its employees.

## **TERRITORY AND PLAN OF OPERATION**

As of December 31, 2019, 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. Approximately 92% of premiums written by the Company were written in the state of Mississippi. During the examination period, FSLIC issued these insurance contracts through captive agents.

## **GROWTH OF COMPANY**

	2019	2018	2017	2016	2015
<b>Balance Sheet</b>					
Total admitted assets	\$ 6,876,070	\$ 6,865,330	\$ 6,826,051	\$ 6,713,771	\$ 6,512,764
Total liabilities	\$ 5,154,961	\$ 5,154,858	\$ 5,160,986	\$ 5,080,513	\$ 4,956,789
Total capital and surplus	\$ 1,721,109	\$ 1,710,472	\$ 1,665,065	\$ 1,633,258	\$ 1,555,975
<b>Cash Flow</b>					
Net cash from operations	\$ 11,432	\$ 18,959	\$ 127,785	\$ 207,891	\$ (83,862)
<b>Risk-Based Capital Analysis</b>					
Total adjusted capital	\$ 1,781,392	\$ 1,768,689	\$ 1,722,233	\$ 1,697,547	\$ 1,614,923
Authorized control level risk-based capital	\$ 98,486	\$ 99,382	\$ 85,026	\$ 97,805	\$ 86,055
<b>Income Statement</b>					
Net earned premium income	\$ 699,902	\$ 748,257	\$ 812,138	\$ 900,705	\$ 792,895
Net investment income	\$ 228,725	\$ 224,709	\$ 241,361	\$ 230,065	\$ 224,304
Total death and surrender benefits	\$ 570,945	\$ 550,678	\$ 637,510	\$ 544,901	\$ 655,640
Increase in life reserves	\$ (30,820)	\$ 9,133	\$ 35,278	\$ 113,748	\$ (31,381)
Net income (loss)	\$ (1,006)	\$ 36,791	\$ 23,010	\$ 81,958	\$ (98,187)
Net income/capital and surplus (ROE)	-0.1%	2.2%	1.4%	5.0%	-6.3%
Net premium earned /capital and surplus	40.7%	43.7%	48.8%	55.1%	51.0%
Total benefits & expenses/ net prem earned	131.2%	126.8%	127.2%	116.6%	140.9%
Investment yield	3.4%	3.3%	3.6%	3.5%	3.5%

## **MORTALITY AND LOSS EXPERIENCE**

The MID contracted with Risk & Regulatory Consulting, LLC (“RRC”) to review the actuarial analysis supporting the Company’s carried aggregate reserves for life contracts and life contract claims. Based on the examination actuarial evaluation, the Company’s estimates for life reserves and contract claims appeared to be reasonably stated in all material respects.

## REINSURANCE

The Company was not party to a reinsurance agreement during the exam period.

## ACCOUNTS AND RECORDS

The 2019 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. FSLIC was audited annually by an independent CPA firm. The Company utilized QuickBook for their accounting records and WANG for policy maintenance.

## 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 held at December 31, 2019.

<u>Description</u>	<u>Par Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Corporate Bond	\$ 150,000	\$ 150,000	\$ 158,050
Corporate Bond	100,000	100,000	99,377
Corporate Bond	100,000	99,991	103,640
US Treasury	50,000	49,600	63,742
US Treasury	100,000	99,716	124,516
<b>Total Held in Mississippi</b>	<u>\$ 500,000</u>	<u>\$ 499,307</u>	<u>\$ 549,325</u>

**FAMILY SECURITY LIFE INSURANCE COMPANY, INC.**  
**FINANCIAL STATEMENTS**  
**EXAMINATION AS OF DECEMBER 31, 2019**

**Introduction**

The following financial statements reflect the same amounts reported by the Company and consist of a Statement of Admitted Assets, Liabilities, Surplus and Other Funds - Statutory at December 31, 2019, a Summary of Operations - Statutory for the year ended December 31, 2019, and a Reconciliation of Capital and Surplus - Statutory for the examination period ended December 31, 2019, and a Reconciliation of Examination Changes to Surplus - Statutory at December 31, 2019.

**Statement of Admitted Assets, Liabilities, Surplus And Other Funds – Statutory  
December 31, 2019**

**Admitted Assets**

Bonds	\$	5,188,234
Preferred stocks		49,805
Common stocks		23,410
Real estate occupied by the company		204,319
Cash, cash equivalents, and short term investments		1,328,348
Investment income due and accrued		54,630
Uncollected premiums		4,324
Net deferred tax asset		23,000
<b>Total admitted assets</b>	<b>\$</b>	<b>6,876,070</b>

**Liabilities, Capital and Surplus**

Aggregate reserve for life contracts	\$	4,943,922
Life contract claims		105,320
Premiums received in advance		3,708
Interest maintenance reserve		11,303
General expenses due and accrued		8,900
Taxes, licenses and fees due or accrued		6,057
Current federal and foreign income taxes		14,700
Amounts withheld or retained by reporting entity as agent or trustee		768
Asset valuation reserve		60,283
<b>Total liabilities</b>		<b>5,154,961</b>

Common capital stock	400,000
Gross paid in and contributed surplus	426,065
Unassigned funds	895,044
<b>Total capital and surplus</b>	<b>1,721,109</b>
<b>Total liabilities, capital and surplus</b>	<b>\$ 6,876,070</b>

**Summary of Operations – Statutory  
December 31, 2019**

**Income**

Life premiums	\$ 699,902
Net investment income	228,725
Amortization of interest maintenance reserve	2,008
<b>Total income, net of amortization of interest maintenance reserve</b>	<b>930,635</b>

**Benefits and reserve changes**

Death benefits	549,419
Surrender benefits and withdrawals for life contracts	21,526
Increase in aggregate reserves for life contracts	(30,820)
<b>Total benefits and reserve changes</b>	<b>540,125</b>

**Other operating expenses**

Commissions	140,492
General insurance expenses	205,930
Taxes, licenses and fees, excluding federal income taxes	31,785
Increase in loading on deferred and uncollected premiums	59
<b>Total other operating expenses</b>	<b>378,266</b>

Net gain from operations before dividends to policyholders and federal income taxes	12,244
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Policyholders' dividends	-
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Federal income taxes incurred	13,250
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Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains	(1,006)
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Net realized capital gains, excluding transfers to interest maintenance reserve	-
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<b>Net income (loss)</b>	<b>\$ (1,006)</b>
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**Reconciliation of Capital and Surplus – Statutory  
For the Examination Period Ended December 31, 2019**

	2019	2018	2017	2016	2015
Capital and surplus, beginning of the year	\$ 1,710,472	\$ 1,665,065	\$ 1,633,258	\$ 1,555,975	\$ 1,621,956
Net income (loss)	(1,006)	36,791	23,010	81,958	(98,187)
Change in net unrealized capital gains (losses)	3,493	(3,449)	1,601	544	9,318
Change in net deferred income tax	5,700	(8,400)	20,450	41,950	-
Change in nonadmitted assets	5,464	20,566	(20,285)	(41,918)	5,539
Change in asset valuation reserve	(3,014)	(101)	7,031	(5,251)	17,349
Capital and surplus, end of the year	\$ 1,721,109	\$ 1,710,472	\$ 1,665,065	\$ 1,633,258	\$ 1,555,975

**Reconciliation of Examination Adjustments to Surplus - Statutory  
For the year ended December 31, 2019**

There were no changes made to the assets, liabilities or surplus balances reported by the Company for the year ended December 31, 2019. The capital and surplus reported by the Company of \$1,721,109 is accepted as reasonably stated for purposes of the balance sheet per the examination and in compliance with Miss. Code Ann. §83-19-31.

## **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.

### **Privacy**

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

### **Complaints**

The Company maintained a complaint log during the period under examination. All complaints appeared to have been resolved amicably and no policyholder abuse or undesirable patterns were noted.

### **Producer Licensing**

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

### **Underwriting and Rating**

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.

## **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.

## **SUBSEQUENT EVENTS**

The full effect of COVID-19 on the U.S. and global insurance industry is still unknown at the time of releasing this report. The MID and all insurance regulators, with the assistance of the NAIC, are continuing to monitor the situation through coordinated efforts and will continue to assess the impacts of the pandemic on U.S. insurers. The MID has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position.

During 2020, the Company applied for and received \$17,400 from a Small Business Association guaranteed loan as part of the Payroll Protection Program which was enacted to encourage employers to continue salary and wage payments to employees during the economic downturn that has resulted from COVID-19. Provisions of the loan allow borrowers to apply for forgiveness of the loan amount if certain requirements are met during the specified time frame. Management believes it has complied with the provisions of the program and anticipates total forgiveness of the loan amount.

## **COMMENTS AND RECOMMENDATIONS**

### **1. Board Review of Auditor Engagement Letter**

The minutes of the Board did not indicate that the Board approved the engagement letter of the external auditor for all years under examination.

It is recommended that policies and procedures are implemented to ensure the engagement of the external auditor is presented to and reviewed by the Board on an annual basis. (Page 4)

### **2. Board Review of Actuarial Memorandum**

The minutes of the Board did not document presentation of the Actuarial Memorandum to the Board on an annual basis in compliance with Annual Statement Instructions.

It is recommended that policies and procedures are implemented to ensure the Actuarial Memorandum is presented to and reviewed by the Board on an annual basis, in accordance with Annual Statement Instructions. In addition, it is recommended that the appointed actuary add a brief cover letter (executive summary or presentation) to the Actuarial Memorandum, drawing attention to any actuarial items of significance for the year and giving guidance to the Board regarding the presentation in its minutes. Such summary might quantify the adequacy of reserves and any material sensitivities that might affect adequacy. (Page 4)

## ACKNOWLEDGMENT

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

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

Respectfully submitted,



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



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Mark Cooley, CFE  
Mississippi Insurance Department Designee