



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

**MARK HAIRE**  
Deputy Commissioner of Insurance

**RICKY DAVIS**  
State Chief Deputy Fire Marshal

## MISSISSIPPI INSURANCE DEPARTMENT

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WOOLFOLK BUILDING  
JACKSON, MISSISSIPPI 39201  
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June 24, 2021

**CERTIFIED MAIL  
RETURN RECEIPT REQUESTED**

Mr. Robert M. Mauldin III, President and CEO  
Magnolia Guaranty Life Insurance Company  
11815 Alterra Parkway, Suite 1500  
Austin, TX 78758

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

Dear Mr. Mauldin:

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

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

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

Sincerely,

MIKE CHANEY  
COMMISSIONER OF INSURANCE

BY

  
Christina J. Kelsey  
Senior Attorney

MC/CJK/bs  
Encls. Order w/exhibit

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

**IN RE:   REPORT OF EXAMINATION OF  
          MAGNOLIA GUARANTY LIFE INSURANCE COMPANY**

**CAUSE NO. 21-7633**

**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 Magnolia Guaranty Life Insurance Company is a Mississippi-domiciled company licensed to write Industrial Life, Industrial Accident and Health and Life 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 Magnolia Guaranty Life Insurance Company and appointed Barry W. Lupus, Examiner-In-Charge, to conduct said examination.

### **IV.**

That on or about May 3, 2021, the draft Report of Examination concerning Magnolia Guaranty Life Insurance Company for the period of January 1, 2015 through December 31, 2019, was submitted to the Department by the Examiner-In-Charge, Barry W. Lupus.

### **V.**

That on or about May 28, 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 20-day period to submit any rebuttal to the draft report. The Company responded in an email on or about June 10, 2021.

## **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 24<sup>th</sup> day of June 2021.

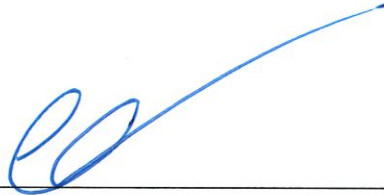


  
J. MARK HAIRE  
DEPUTY COMMISSIONER OF INSURANCE  
STATE OF MISSISSIPPI

**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 24<sup>th</sup> day of June 2021, to:

**Mr. Robert M. Mauldin III, President and CEO  
Magnolia Guaranty Life Insurance Company  
11815 Alterra Parkway, Suite 1500  
Austin, TX 78758**



---

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, 2019**

## TABLE OF CONTENTS

Examiner Affidavit .....	1
Salutation .....	2
Scope of Examination.....	3
Comments and Recommendations of Previous Examination.....	3
History of the Company.....	3
Corporate Records .....	4
Management and Control.....	4
Stockholders .....	4
Board of Directors .....	4
Committees.....	5
Officers .....	6
Conflict of Interest.....	6
Holding Company Structure .....	7
Organizational Chart.....	8
Affiliated and Related Party Transactions.....	8
Territory and Plan of Operation.....	9
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
Summary of Operations.....	14
Reconciliation of Capital and Surplus.....	15
Reconciliation of Examination Adjustments to Surplus .....	16

Comments on Financial Statement Items.....	16
Market Conduct Activities.....	17
Operations/Management.....	17
Producer Licensing.....	17
Complaint Handling.....	17
Underwriting and Rating.....	17
Claims.....	17
Commitments and Contingent Liabilities.....	17
Subsequent Events.....	17
Comments and Recommendations.....	19
Acknowledgment.....	20



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


State of Connecticut

Hartford County

Barry W. Lupus, being duly sworn, states as follows:

1. I have authority to represent Mississippi in the examination of Magnolia Guaranty Life Insurance Company 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 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.

  
Barry W. Lupus, CFE CPA, CFE (Fraud)

Subscribed and sworn before me by Barry W. Lupus on this 11<sup>th</sup> day of June, 2021.

(SEAL)

  
  
Susan E. Sklenka  
Notary Public

My commission expires November 30, 2023 [date].

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Magnolia Guaranty Life Insurance Company  
MID Examination as of December 31, 2019



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

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**MARK HAIRE**  
Deputy Commissioner of  
Insurance

April 30, 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:

**MAGNOLIA GUARANTY LIFE INSURANCE COMPANY**

1700 Lelia Drive  
Jackson, MS 39216

License #	NAIC Group #	NAIC #	FEETS#	ETS#
9100031	612	75208	75208-MS-2019-6	MS-MS099-26

This examination was commenced in accordance with Miss. Code Ann. §83-5-201 *et seq.* The report of examination is herewith submitted.

## **SCOPE OF EXAMINATION**

We have performed a full-scope multi-state examination of Magnolia Guaranty Life Insurance Company (the “Company” or “MGLIC”). This last examination covered the period of January 1, 2010 through December 31, 2014. This examination covers the period of January 1, 2015 through December 31, 2019.

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, 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.

The examination report includes significant findings of fact, in accordance with Miss. Code Ann. §83-5-209 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**

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 19, 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. 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 February 2, 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 Board, committees thereof, and the annual meeting of the Shareholder were reviewed. The minutes adequately reflected the ratification, confirmation and approval of the transactions and events undertaken by the Board and Shareholder on behalf of the Company.

## **MANAGEMENT AND CONTROL**

### **Stockholders**

As of December 31, 2019, 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. No dividends were paid by the Company during the examination period. In 2017 and 2018, the Company received capital contributions of \$250,000 and \$450,000 respectively from its parent, SPLIC.

### **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, number of years as Director, and principal occupation, at December 31, 2019, were as follows:

Name and Residence	Year Elected/Appointed	Principal Occupation
Geoffrey M. Kolander Austin, Texas	2017	Chairman of the Board, President and Chief Executive Officer <sup>1</sup>
Robert M. Mauldin III Austin, Texas	2017	President, Chief Executive Officer and Chief Marketing Officer
Jeffery P. Conklin Austin, Texas	2018	Vice President, Chief Financial Officer and Treasurer <sup>2</sup>
Larry D. Welch Round Rock, Texas	2018	Vice President, Compliance
Carolina S. Numan New Braunfels, Texas	2019	Director of Marketing, Domestic and International Segments

In accordance with the provisions of Miss. Code Ann. §83-19-13, the Board consisted of not less than three (3) persons who are elected by a majority vote of the member insurers, subject to the approval of the Commissioner of Insurance for the State of Mississippi.

### **Committees**

During the period covered by this examination, the following committees were utilized by the Company to carry out specific duties:

#### Executive Committee

Geoffrey M. Kolander, Chairman  
Jeffery P. Conklin  
Robert M. Mauldin III

#### Asset Liability Management (ALM) Committee

Jeffery P. Conklin, Chairman  
Andrew M. Dakers

#### Investment Committee

Jeffery P. Conklin, Chairman  
Andrew M. Dakers  
Geoffrey M. Kolander  
Harvey J. Waite

#### Interest Rate and Dividend Review Committee

Jeffery P. Conklin, Chairman  
Andrew M. Dakers  
Geoffrey M. Kolander  
Harvey J. Waite

#### Claims Committee

Jeffery P. Conklin, Chairman  
Kerry L. Cox  
Andrew M. Dakers  
Dennis Fones (ex officio)  
Phillip Fritz  
Larry D. Welch

<sup>1</sup> Effective August 5, 2020, Geoffrey M. Kolander resigned as a member of the Board and was replaced by Harvey J. Waite, Vice President and Chief Actuary

<sup>2</sup> Effective August 5, 2020 via the resignation of Geoffrey M. Kolander, Jeffery P. Conklin was appointed as Chairman of the Board

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

### **Officers**

<b>Name</b>	<b>Year Elected/Appointed</b>	<b>Title</b>
Robert M. Mauldin III	2018 (President) 2017 (Chief Executive Officer and Chief Marketing Officer)	President, Chief Executive Officer and Chief Marketing Officer
Jeffery P. Conklin	2019	Vice President, Chief Financial Officer and Treasurer
Jane E. Magnuson	2019	Corporate Secretary
Kerry L. Cox	2017	Vice President, Head of Underwriting
James A. Eliasberg	2018	Vice President, Chief Legal Officer
Philip Fritz	2019	Vice President, Home Service Marketing
Larry D. Welch	2015	Vice President, Compliance
Jason Bourg	2019	Assistant Vice President, Home Service Business Accounting
Barbara J. Lick	2016	Assistant Vice President, Accounting Operations and Assistant Treasurer
Alexis M. Russell	2016	Assistant Vice President, Actuary
Susan J. Gross	2019	Assistant Secretary
Harvey J. Waite	2019	Interim Chief Actuary

### **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.

## **HOLDING COMPANY STRUCTURE**

MGLIC is a member of an insurance holding company structure as defined in Miss. Code Ann. §83-6-1. For the period under examination, the Company filed Holding Company Registration Statements with the MID, in accordance with Miss. Code Ann. §83-6-5 and §83-6-9, with Citizens, Inc. as the ultimate parent. Citizens has two direct subsidiaries that accept applications for insurance – CICA Life Insurance Company of America, a Colorado domiciled insurer (“CICA Life”) and CICA Life Limited (“CICA Ltd.”), a newly established Bermuda entity which accepted all international policies issued by CICA Life in a novation transaction effective July 1, 2018. CICA Life has two direct subsidiaries that accept applications for life insurance- Citizens National Life Insurance Company, a Texas domiciled insurer (“CNLIC”), and Security Plan Life Insurance Company, a Louisiana domiciled insurer (“SPLIC”). CICA Life is licensed in thirty-one states. CNLIC is licensed in ten states and writes life insurance primarily in Texas, Louisiana, Mississippi and Oklahoma. SPLIC is licensed in three states and provides final expense ordinary life insurance and annuities in Louisiana, Mississippi and Arkansas. SPLIC owns two subsidiaries- Security Plan Fire Insurance Company (“SPFIC”), which writes limited property and casualty (fire) policies in Louisiana, and MGLIC, which provides final expenses products in Mississippi.

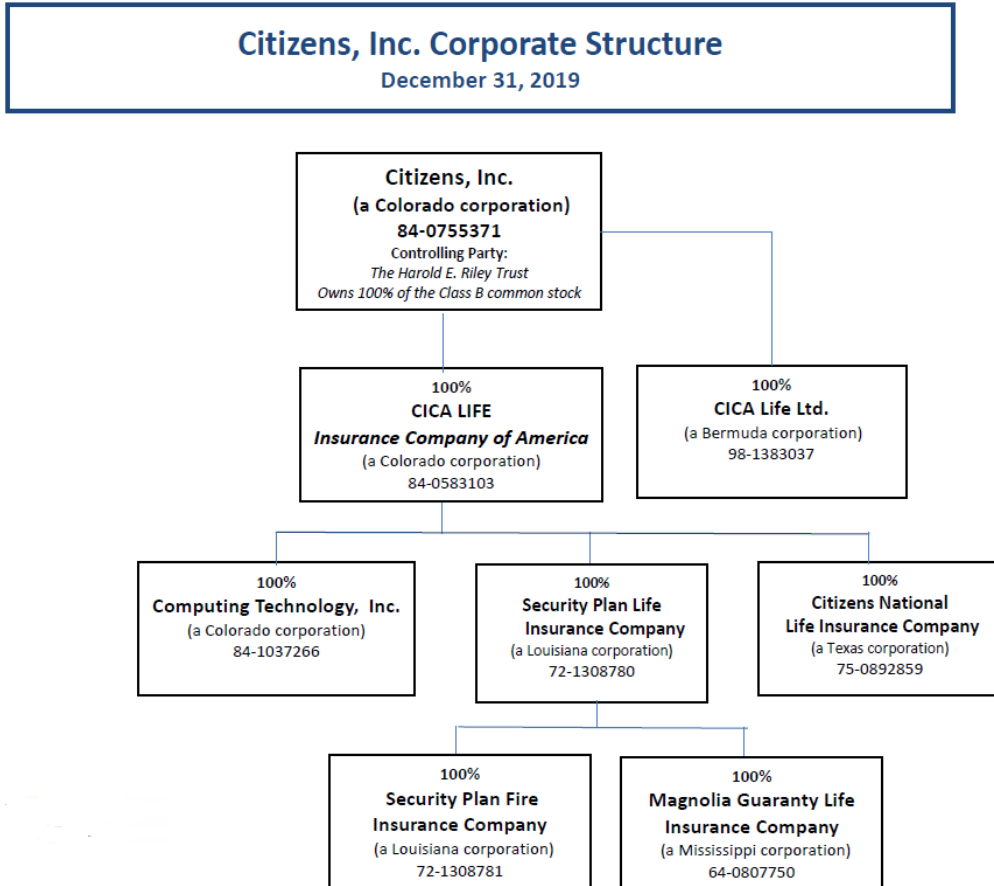
Citizens operates in two business segments as follows:

- Life Insurance Segment (approximately 75% of total gross premium), which is comprised of CICA Life, CICA Ltd. and CNLIC.
- Home Service Segment (approximately 25% of total gross premium), which is comprised of SPLIC, SPFIC and the Company under examination (MGLIC).

In addition to the life insurance business conducted by Citizens’ subsidiaries, Citizens provides management services to these subsidiaries through agreements that have been filed and approved by the insurance department of the domiciliary state of each such subsidiary. Citizens is also licensed as a Third-Party Administrator (TPA) in Arkansas, Kansas, Louisiana, Mississippi, Missouri and North Dakota.

## Organizational Chart

The following chart depicts the Company's ownership as of December 31, 2019:



## Affiliated and Related Party Transactions

### *Management Services Agreement*

During the examination period, the Company operated under a Management Service Agreement with Citizens, their ultimate parent, whereby 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 for its allocated share of actual expenses incurred by Citizens on behalf of the Company plus a 12.5% fee thereon. During 2019, the Company incurred expenses and fees totaling \$844,000 under the agreement. The amount due to Citizens for the management services agreement at December 31, 2019, was \$69,919.



### *Service Agreement*

As discussed in the *Subsequent Events* Section below, the Company entered into a Service Agreement (effective January 1, 2020) with their direct parent, SPLIC. During the term of the agreement, SPLIC's employees shall perform services to support the Company's insurance business.

## **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 primarily through independent agents.

## **GROWTH OF COMPANY**

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

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Total admitted assets	\$10,831,474	\$10,731,667	\$10,318,716	\$10,153,141	\$10,547,717
Total liabilities	9,237,767	8,869,409	8,716,626	8,272,179	7,874,679
Aggregate life reserves	8,550,610	8,344,542	8,104,506	7,734,575	7,250,272
Total capital and surplus	1,593,707	1,862,258	1,602,090	1,880,962	2,673,038
Net cash from operations	103,133	207,740	102,108	(364,901)	475,320
Total adjusted capital	1,721,126	1,960,185	1,734,768	2,025,096	2,871,013
Authorized control level risk-based	166,460	156,197	161,282	170,079	204,073
Risk Based Capital (RBC)	1,034.0%	1,254.9%	1,075.6%	1,190.7%	1,406.9%
Net earned premium income	1,605,709	1,668,160	1,995,534	2,011,832	2,048,363
Net investment income	454,608	449,710	438,052	450,218	495,838
Net income	(269,970)	(192,338)	(473,779)	(542,411)	(21,351)

## **REINSURANCE**

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

## **ACCOUNTS AND RECORDS**

The 2019 trial balance of the Company's accounts was traced to the balance sheet of the Company's statutory annual statement filed with the MID, with no exceptions noted. The Company was audited annually by an independent CPA firm.

## **STATUTORY DEPOSITS**

The Company's statutory deposit 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 as of December 31, 2019:

<b><u>State Deposited</u></b>	<b><u>Description of Security</u></b>	<b><u>Par Value</u></b>	<b><u>Fair Value</u></b>
Mississippi	Multiple	\$ 636,699	\$ 679,752

## **FINANCIAL STATEMENTS**

### **Introduction**

The following financial statements are based on the statutory financial statements filed by the Company with the MID and present the financial condition of the Company for the period ending December 31, 2019. The statements were prepared by management and are therefore the responsibility of management. The accompanying notes on financial statements reflect no adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

**STATEMENT OF ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS  
DECEMBER 31, 2019**

**ASSETS**

	Per Company	Examination Adjustments	Per Examination
Bonds	\$ 9,027,112	\$ -	\$ 9,027,112
Preferred stocks	337,125	-	337,125
Common stocks	354,711	-	354,711
Cash, cash equivalents and short-term investments	587,186	-	587,186
<b>Subtotals, cash and invested assets</b>	<b>10,306,135</b>	<b>-</b>	<b>10,306,135</b>
Investment income due and accrued	108,732	-	108,732
Uncollected premiums and agents' balances in the course of collection	47,167	-	47,167
Deferred premiums, agents' balances and installments booked but deferred and not yet due	358,637	-	358,637
Current federal and foreign income tax recoverable and interest thereon	8,101	-	8,101
Net deferred tax asset	2,700	-	2,700
Guaranty funds receivable or on deposit	2	-	2
<b>Total Net Admitted Assets</b>	<b>\$ 10,831,474</b>	<b>\$ -</b>	<b>\$ 10,831,474</b>

**STATEMENT OF ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS  
DECEMBER 31, 2019**

**LIABILITIES, SURPLUS AND OTHER FUNDS**

	Per Company	Examination Adjustments	Per Examination
Aggregate reserve for life contracts	\$ 8,550,610	\$ -	\$ 8,550,610
Aggregate reserve for accident and health contracts	3	-	3
Liability for deposit-type contracts	52,865	-	52,865
Contract Claims / Life	201,424	-	201,424
Premiums and annuity considerations for life and accident and health contracts	10,047	-	10,047
Contract liabilities not included elsewhere / Surrender values on cancelled contracts	26,946	-	26,946
General expenses due or accrued	120,346	-	120,346
Taxes, licenses and fees due or accrued	861	-	861
Amounts held for agents' account	16,025	-	16,025
Remittances and items not allocated	11,987	-	11,987
Asset valuation reserve	127,419	-	127,419
Payable to parent, subsidiaries and affiliates	72,486	-	72,486
Aggregate write-ins for liabilities	46,748	-	46,748
<b>Total Liabilities</b>	<b>9,237,767</b>	<b>-</b>	<b>9,237,767</b>
Common capital stock	819,106	-	819,106
Gross paid in and contributed surplus	940,020	-	940,020
Unassigned funds (surplus)	(165,419)	-	(165,419)
Surplus	774,601	-	774,601
<b>Total Capital and Surplus</b>	<b>1,593,707</b>	<b>-</b>	<b>1,593,707</b>
<b>Total Liabilities, Surplus and Other Funds</b>	<b>\$ 10,831,474</b>	<b>\$ -</b>	<b>\$ 10,831,474</b>

**SUMMARY OF OPERATIONS  
FOR YEAR ENDED DECEMBER 31, 2019**

	Per Company	Examination Adjustments	Per Examination
Premiums and annuity considerations for life and accident and health contracts	\$ 1,605,709	\$ -	\$ 1,605,709
Net investment income	454,608	-	454,608
Amortization of Interest Maintenance Reserve (IMR)	(323)	-	(323)
Aggregate write-ins for miscellaneous income	7	-	7
<b>Total premiums and revenues</b>	<b>2,060,001</b>	<b>-</b>	<b>2,060,001</b>
Death benefits	682,028	-	682,028
Matured endowments	5,767	-	5,767
Surrender benefits and withdrawals for life contracts	35,938	-	35,938
Interest and adjustments on contracts or deposit-type contract funds	21	-	21
Increase in aggregate reserves for life and accident and health contracts	206,053	-	206,053
<b>Total policy benefits</b>	<b>929,807</b>	<b>-</b>	<b>929,807</b>
Commissions on premiums, annuity considerations and deposit-type contract funds	444,886	-	444,886
General insurance expenses and fraternal expenses	885,185	-	885,185
Insurance taxes, licenses and fees, excluding federal income taxes	85,458	-	85,458
Increase in loading on deferred and uncollected premiums	(12,325)	-	(12,325)
<b>Total benefits and expenses</b>	<b>2,333,011</b>	<b>-</b>	<b>2,333,011</b>
Net gain from operations before dividends to policyholders, refunds to members and federal income taxes	(273,008)	-	(273,008)
Dividends to policyholders and refunds to members	-	-	-
Net gain from operations after dividends to policyholders, refunds to members and before federal income taxes	(273,008)	-	(273,008)
Federal and foreign income taxes incurred	(2,700)	-	(2,700)
Net gain from operations after dividends to policyholders, refunds to members and federal income taxes and before realized capital gains or (losses)	(270,308)	-	(270,308)
Net realized capital gains (losses)	338	-	338
<b>Net Income</b>	<b>\$ (269,970)</b>	<b>\$ -</b>	<b>\$ (269,970)</b>

**CAPITAL AND SURPLUS ACCOUNT**

Capital and surplus, December 31, prior year	\$ 1,862,258	\$ -	\$ 1,862,258
Net Income (Loss)	(269,970)	-	(269,970)
Change in unrealized capital gains (losses)	46,899	-	46,899
Change in net deferred income tax	2,700	-	2,700
Change in nonadmitted assets	(18,688)	-	(18,688)
Change in asset valuation reserve	(29,492)	-	(29,492)
Net change in capital and surplus for the year	(268,551)	-	(268,551)
<b>Capital and surplus, December 31, current year</b>	<b>\$ 1,593,707</b>	<b>\$ -</b>	<b>\$ 1,593,707</b>

**RECONCILIATION OF CAPITAL AND SURPLUS  
FOR EXAMINATION PERIOD ENDED DECEMBER 31, 2019**

	2015	2016	2017	2018	2019
Capital and surplus, prior year	\$ 2,812,396	\$ 2,673,038	\$ 1,880,962	\$ 1,602,090	\$ 1,862,258
Net Income (Loss)	(21,351)	(542,411)	(473,779)	(192,338)	(269,970)
Change in net unrealized capital gains	(35,679)	25,003	26,512	(27,613)	46,899
Change in net deferred income tax	68,377	(357,888)	-	-	2,700
Change in nonadmitted assets	(163,407)	29,379	(93,061)	(4,632)	(18,688)
Change in asset valuation reserve	12,702	53,841	11,456	34,751	(29,492)
Paid in surplus	-	-	250,000	450,000	-
Net Change in Capital & Surplus	(139,358)	(792,076)	(278,872)	260,168	(268,551)
<b>Capital and surplus, current year</b>	<b>\$2,673,038</b>	<b>\$1,880,962</b>	<b>\$1,602,090</b>	<b>\$1,862,258</b>	<b>\$1,593,707</b>

**RECONCILIATION OF EXAMINATION ADJUSTMENTS TO SURPLUS  
DECEMBER 31, 2019**

As a result of this examination, there have been no changes made to the admitted assets, liabilities, and surplus as regards policyholders balances reported by the Company for the year ended December 31, 2019. The capital and surplus reported by the Company of \$1,593,707 is accepted as reasonably stated for purposes of the balance sheet per the examination.

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

**Note 1: Actuarial Review**

Exhibit 5 - Aggregate reserve for life contracts	\$8,550,610
Exhibit 6 - Aggregate reserve for A&H contracts	3
Exhibit 7 - Liability for deposit-type contracts	52,865
Exhibit 8 - Contract claims life	201,424

The MID retained the services of Risk and Regulatory Consulting, LLC. (RRC) to conduct an independent review of the Company's liabilities listed above as of December 31, 2019. The consulting actuary's analysis was performed using a risk-focused approach according to the guidelines contained in the NAIC Handbook. The conclusions set forth in the consulting actuary's report were based on information provided by the Company, including the 2019 Annual Statement. The Statement of Actuarial Opinion and Actuarial Memorandum for 2019 were prepared by the Company and signed by the appointed actuary, Edward Mire, FSA, MAAA, a consulting actuary with the firm of Rudd and Wisdom, Inc.

Based on the work performed, the consulting actuary found the Company's liabilities provision for aggregate reserve for life contracts, liabilities for deposit-type contracts and contract claims life were adequate. In addition, RRC verified the liabilities comply with actuarial standards, and the methodologies appeared reasonable.



## **MARKET CONDUCT ACTIVITIES**

A full-scope market conduct examination was not performed, however, specific areas of the Company's market conduct activities were reviewed. The specific areas reviewed included those items indicated below.

### **Operations/Management**

The Company appeared to have appropriate policies and procedures in place to protect the privacy of its customers, consumers and consumers that are not customers.

### **Producer Licensing**

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

### **Complaint Handling**

The Company appeared to maintain adequate complaint handling procedures.

### **Underwriting and Rating**

The Company appeared to have adequate procedures in place relating to cancellations /nonrenewals.

### **Claims**

The Company appeared adequate procedures in place for claim handling.

## **COMMITMENTS AND CONTINGENT LIABILITIES**

No commitments or contingent liabilities were noted during the course of this examination that would require inclusion within this examination report.

## **SUBSEQUENT EVENTS**

1. On July 29, 2020, a change in control of Citizens, MGLIC's ultimate parent company occurred, and the Harold E. Riley Foundation (the "Foundation"), a charitable organization established under 501(c)(3) of the Internal Revenue Code, became the owner of 100% of Citizens' Class B common stock.

Prior to the change in control, the Harold E. Riley Trust (the "Trust") was the beneficial owner of 100% of Citizens' Class B common stock. The Trust documents provided that upon Harold Riley's death, which occurred in 2017, the Class B common stock would transfer from the Trust to the Foundation. Because the Class B common stock elects a simple majority of the Board of Directors of Citizens, this transfer constitutes an acquisition of control by the Foundation, which required prior regulatory approvals by the insurance regulators of Colorado, Louisiana, Mississippi and Texas, the states in which Citizens' insurance subsidiaries are domiciled.

On February 6, 2021, pursuant to the Foundation Settlement Agreement, the Company entered into an agreement with the Foundation to purchase all of the Class B Shares for a purchase price of \$9,090,463.80 (the “B Share Transaction”). The B Share Transaction was consummated on March 8, 2021 and thus as of such date, the foundation divested its control of the Company. The Class B Shares are now classified as authorized, but unissued shares. As a result of the B Share Transaction, the Company has only one class of stock outstanding, the Class A common shares, which are registered under the Securities Act of 1933, as amended, and listed on the New York Stock Exchange (NYSE).

2. On July 29, 2020, following the change in control of Citizens, Mr. Geoffrey M. Kolander notified the Company of his intention to resign from his position as Chief Executive Officer and President and as a member of the Board of Directors of Citizens and to resign from his position as Chairman of the Board of Directors of Magnolia Guaranty Life Insurance Company, and terminated the Employment Agreement by and between Citizens and Mr. Kolander. Mr. Kolander’s resignation and separation from employment and a member of the Board of Directors was effective August 6, 2020.

In connection with Mr. Kolander’s resignation and separation from employment, Mr. Kolander signed a Chief Executive Officer Separation of Service and Consulting Agreement (the “Separation and Consulting Agreement”) with Citizens to assist in the orderly transition of his duties and responsibilities. Under the Separation and Consulting Agreement, Mr. Kolander agreed to provide leadership transition guidance and business continuity assistance to the Citizens as a consultant from August 6, 2020 through December 31, 2020.

On July 29, 2020, the Board of Directors appointed Gerald W. Shields, a member of Citizens’ Board of Directors, as Interim Chief Executive Officer, to be effective upon Mr. Kolander’s separation from employment.

Effective August 5, 2020, Mr. Kolander resigned as Chairman of the Board and Director. Harvey J. L. Waite was added as a Director and Jeffery P. Conklin was named Chairman of the Board and Director. As a result, the following Committee changes were also made effective August 5, 2020:

- Jeffery P. Conklin was appointed as Executive Committee Chairman
- Mr. Harvey J.L. Waite was appointed to the Executive Committee
- Geoffrey M. Kolander was removed as Chairman of the Executive Committee and member of the Investment Committee

3. In September 2020, the Company received a capital contribution in the amount of \$350,000 from its parent, SPLIC.
4. Effective January 1, 2020, the Company entered into a Service Agreement with SPLIC. Under the terms of the agreement, SPLIC’s employees will perform services to support MGLIC’s insurance business. On October 9, 2020, the Company submitted Form D (Prior Notice of a

Transaction) to the MID.

5. For the period ranging from January 1, 2021 through January 31, 2021, MGLIC was required to comply with a recent mandate from the MID and suspended the sale of all products while a required reserve interest rate change was made.
6. COVID-19 Economic Impact: The COVID-19 pandemic has continued to develop throughout 2020 and into 2021, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. At the time of releasing this report, the examination's review of MGLIC noted that there does not appear to have been a significant impact to MGLIC as a result of the pandemic. In early 2020, the Company updated its Crisis Management Plan, which was used to address issues associated with the COVID-19 pandemic. The parent Company, Citizens, has conducted stress testing of the financial impact of COVID-19 on CICA Life as part of its life insurance segment and SPLIC as part of the home service insurance segment. Stress testing included moderate and severe scenarios. For SPLIC, potential impacts ranged from a \$0.7 million loss (moderate) up to a \$7.5 million loss (severe). In accordance with MID State Mandate Bulletin 2020-3, MGLIC placed a sixty (60) day moratorium (effective March 24, 2020) on policy cancellations or non-renewals for nonpayment of premium and forbearance on premium collections.

The MID has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The MID continues to closely monitor the impact of the pandemic on MGLIC and will take necessary action if a solvency concern arises.

### **COMMENTS AND RECOMMENDATIONS**

The examination noted no significant findings of fact. As a result, no comments and/or recommendations are noted herein.

## ACKNOWLEDGMENT

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

Examiner-in-Charge: Barry W. Lupus, CFE, CPA, CFE (Fraud)

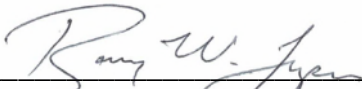
Supervising Examiner: John B. Humphries, ASA, MAAA, CFE, CISA, AES, MCM  
Information Technology (IT) Examiner: David W. Hall, CISA, CPA, CITP

Actuarial Examiner: T. Michael Presley, FSA, MAAA

Department Designee: Mark Cooley, CFE

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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Barry W. Lupus, CFE, CPA, CFE (Fraud)

Examiner-in-Charge

Risk and Regulatory Consulting, LLC.

Representing the State of Mississippi



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Mark Cooley, CFE

Chief Examiner

Mississippi Insurance Department