



MISSISSIPPI INSURANCE DEPARTMENT

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MIKE CHANEY  
Commissioner of Insurance  
State Fire Marshal

MARK HAIRE  
Deputy Commissioner of Insurance

RICKY DAVIS  
State Chief Deputy Fire Marshal

June 15, 2023

**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, 2021**

Dear Mr. Mauldin:

In accordance with Miss. Code Ann. § 83-5-201 et seq. (Rev. 2022), 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. 2022), 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  
General Counsel

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. 2022), called for an examination of Magnolia Guaranty Life Insurance Company and appointed Ralph Romano, Examiner-In-Charge, to conduct said examination.

### IV.

That on or about March 8, 2023, the draft Report of Examination concerning Magnolia Guaranty Life Insurance Company for the period of January 1, 2020 through December 31, 2021, was submitted to the Department by the Examiner-In-Charge, Ralph Romano.

### V.

That on or about May 02, 2023, pursuant to Miss. Code Ann. § 83-5-209(2) (Rev. 2022), 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 May 22, 2023.

## CONCLUSIONS OF LAW

### VI.

The Commissioner, pursuant to Miss. Code Ann. § 83-5-209(3) (Rev. 2022), 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. 2022).

**IT IS FURTHER ORDERED**, pursuant to Miss. Code Ann. § 83-5-209(4) (Rev. 2022), 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 15<sup>th</sup> day of June 2023.

  
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 15<sup>th</sup> day of June 2023, 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  
General Counsel

Christina J. Kelsey  
Legal Counsel  
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, 2021**

## 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 .....	5
Management and Control.....	5
Stockholders .....	5
Board of Directors .....	5
Committees.....	6
Officers .....	6
Conflict of Interest.....	7
Holding Company Structure .....	7
Organizational Chart.....	8
Affiliated and Related Party Transactions.....	9
Territory and Plan of Operation.....	10
Growth of Company .....	10
Reinsurance.....	10
Accounts and Records.....	11
Statutory Deposits.....	11
Financial Statements .....	12
Introduction .....	12
Statement of Assets, Liabilities, Surplus and Other Funds .....	13
Summary of Operations.....	15
Reconciliation of Capital and Surplus.....	16
Reconciliation of Examination Adjustments to Surplus .....	17

Comments on Financial Statement Items .....	17
Commitments and Contingent Liabilities .....	18
Subsequent Events .....	18
Comments and Recommendations.....	18
Acknowledgment .....	19



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

State of Mississippi

Hinds County

Ralph Romano, 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, 2021.
  
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.

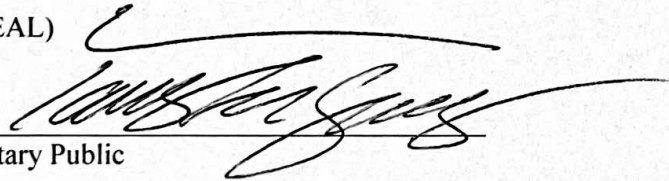
The affiant says nothing further.



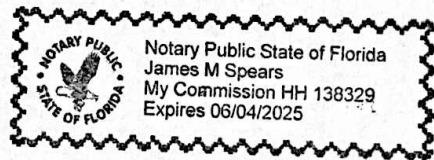
\_\_\_\_\_  
Ralph Romano, CFE

Subscribed and sworn before me by Ralph Romano on this 26<sup>th</sup> day of April, 2023.

(SEAL)



\_\_\_\_\_  
Notary Public



My commission expires 6.4.25 [date].



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

**MARK HAIRE**  
Deputy Commissioner of  
Insurance

**MISSISSIPPI INSURANCE DEPARTMENT**

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May 1, 2023

Honorable Mike Chaney  
Commissioner of Insurance  
Mississippi Insurance Department  
501 North West Street  
1001 Woolfolk Building  
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, 2021, of the affairs and financial condition of:

**MAGNOLIA GUARANTY LIFE INSURANCE COMPANY**

1700 Lelia Drive, Suite 107  
Jackson, MS 39216

License #	NAIC Group #	NAIC #	FEETS#
9100031	612	75208	75208-MS-2021-13

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”). The last examination covered the period of January 1, 2015 through December 31, 2019. This examination covers the period of January 1, 2020 through December 31, 2021.

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.

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**

The previous examination noted no material findings.

## **HISTORY OF THE COMPANY**

The Company was incorporated on 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.

On July 29, 2020, a change in control of Citizens, Inc. ("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. On the same day, the Citizens' Board appointed Gerald W. Shields as Interim Chief Executive Officer of Citizens.

On August 6, 2020, Mr. Geoffrey M. Kolander resigned from his position as Chief Executive Officer and President and as a member of the Board of Citizens. Mr. Kolander additionally resigned from his position as Chairman of the Board of the Company and terminated his Employment Agreement with Citizens. As a result of Mr. Kolander's resignation, Jeffery P. Conklin was named Chairman of the Board of MGLIC.

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 Citizens, this transfer constituted an acquisition of control by the Foundation, which required prior regulatory approvals from 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, Citizens 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 Citizens. The Class B Shares are now classified as authorized, but unissued shares. As a result of the B Share Transaction, Citizens 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").

## **CORPORATE RECORDS**

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

The Articles of Association and Bylaws, along with any amendments thereto, were reviewed. No amendments were made during the examination period.

## **MANAGEMENT AND CONTROL**

### **Stockholders**

As of December 31, 2021, 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 2020 and 2021, the Company received capital contributions of \$350,000 and \$350,000 respectively from its parent, SPLIC.

### **Board of Directors**

The Articles of Association 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, as of December 31, 2021, were as follows:

<b>Name and Residence</b>	<b>Year Elected/Appointed</b>	<b>Principal Occupation</b>
Jeffery P. Conklin Austin, Texas	2018	Chairman of the Board, Vice President, Chief Financial Officer and Treasurer
Robert M. Mauldin III Charlotte, North Carolina	2017	President, Chief Executive Officer and Chief Marketing Officer
Sheryl Kinlaw Spicewood, Texas	2021	Vice President, Chief Legal Officer, and Secretary
Byron M. Lewis Leander, Texas	2021	Vice President, Operations
Harvey J. Waite Ambler, Pennsylvania	2021	Vice President, Chief Actuary

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

In November 2021, MGLIC, with approval of the Board, consolidated three standing committees, the Interest Rate and Dividend Review Committee, Asset Liability Management Committee, and the Investment Committee into one single committee that, going forward, is known as the “Investment Committee”. Further, the Company dissolved the Executive Committee in that the Board of the Company shall approve or ratify all future actions. As such, the Company had two standing committees as of December 31, 2021; Investment Committee and Claims Committee.

### Investment Committee

Jeffery P. Conklin, Chairman  
Alexis M. Russell  
Harvey J. Waite

### Claims Committee

Jeffery P. Conklin, Chairman  
Kerry L. Cox  
Jack Hurtado  
Robert Nahrgang  
Rebecca Patel  
Linda Tollinger  
Larry D. Welch

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, Chief Executive Officer and Chief Marketing Officer
Jeffery P. Conklin	2019	Vice President, Chief Financial Officer and Chief Investment Officer/Treasurer
Kerry L. Cox	2017	Vice President, Head of Underwriting
Sheryl Kinlaw	2021	Vice President, Chief Legal Officer and Secretary
Kathryn M. Fordney	2021	Vice President, Strategy and Analytics

<b>Name</b>	<b>Year Elected/Appointed</b>	<b>Title</b>
Paula Guerrero	2021	Vice President, Information Technology
Byron M. Lewis	2021	Vice President of Operations
Barbara J. Lick	2016	Vice President, Accounting Operations and Assistant Treasurer
Debra D. Smith	2020	Vice President, Financial Reporting
Larry D. Welch	2015	Vice President, Compliance
Alexis M. Russell	2016	Assistant Vice President, Actuary
Rebecca Patel	2021	Assistant Secretary
Harvey J. Waite	2019	Vice President, 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, the ultimate parent. Citizens has two direct subsidiaries that accept applications for insurance; CICA Life Insurance Company of America (“CICA Life”), a Colorado domiciled insurer, and CICA Life Limited (“CICA Ltd.”), a newly established Bermuda entity that 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 (“CNLIC”), a Texas domiciled insurer, and SPLIC, which operates out of Louisiana. 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.

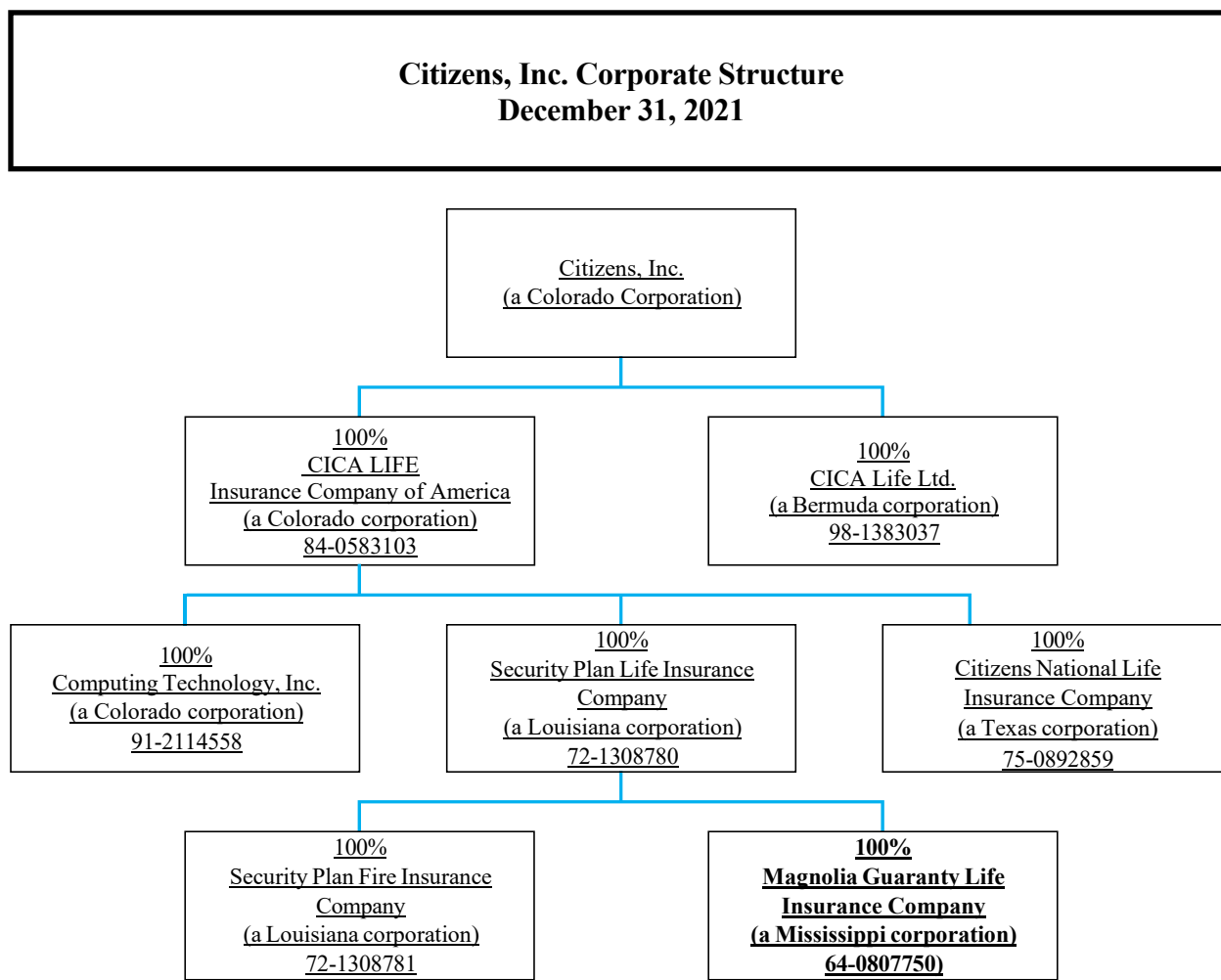
Citizens operates in two business segments as follows:

- 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 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 organizational chart depicts the Company's relationship within the Citizens holding company system as of December 31, 2021:





## **Affiliated and Related Party Transactions**

### *Management Services Agreement: Citizens*

During the examination period, the Company operated under a Management Service Agreement with Citizens 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.

### *Management Service Agreement: SPLIC*

The Company entered into and operated under a Management Service Agreement (effective January 1, 2020) with their direct parent, SPLIC, during the examination period. During the term of the agreement, SPLIC's employees shall perform services to support the Company's insurance business. Under the terms of the agreement, the Company agrees to pay to SPLIC a monthly fee equal to SPLIC's actual expenses in making such employees available.

During 2021, the Company incurred expenses and fees totaling \$997,876 under the service agreements with Citizens and SPLIC. The amount due to affiliates as of December 31, 2021, was \$82,861.

### *Tax Sharing Agreement*

The Company was added as a member into a Tax Sharing Agreement with Citizens in March of 2021. The agreement was created to stipulate the inclusion of those new subsidiaries that may be formed or acquired. Citizens is responsible for the filing of the consolidated income tax return, responsible for payment of any required tax deposit to the Internal Revenue Service ("IRS"), and is the agent for the members filing any amendments.

For yearend 2021, Citizens filed Federal Income Taxes on a consolidated basis inclusive of the following members:

- Citizens, Inc.
- CICA Insurance Company of America
- Security Plan Fire Insurance Company
- Security Plan Life Insurance Company
- Citizens National Life Insurance Company
- Computing Technology, Inc.
- Magnolia Guaranty Life Insurance Company

The following are the provisions as prescribed under the agreement:

- Consolidated tax liability equals the sum of total taxes due to the IRS for the year as shown on the consolidated tax return including the sum of the tax benefits resulting from current year losses.
- Tax benefit due an individual member equals the amount of refund the member would have received had it filed a separate return.

- Each member is responsible for paying to Citizens its share within 30 days of notification by Citizens. If payment is due a member, Citizens shall pay within 30 days of filing the return.
- Method used to calculate the allocation of the liability is based on separate return calculations pursuant to the “wait and see” method. Under this method, members are not given credit for losses until future taxable income is generated in an amount sufficient to realize such credits.
- The final tax allocation and settlement shall be completed within 60 days of filing the return.

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

MGLIC specializes in the sale of final expense and pre-need life insurance policies in Mississippi through its funeral home distribution channel. These policies are designed to fund final expenses for the insured, primarily consisting of funeral and burial costs.

### **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>2021</b>	<b>2020</b>
Total admitted assets	\$11,220,270	\$11,265,203
Total liabilities	9,714,864	9,183,302
Aggregate life reserves	8,545,674	8,229,872
Total capital and surplus	1,505,406	2,081,901
Net cash from operations	(588,153)	(362,794)
Total adjusted capital	1,644,797	2,223,278
Authorized control level risk-based	196,000	180,901
Risk Based Capital (RBC)	839.20%	1229.00%
Net earned premium income	2,065,497	1,393,197
Net investment income	435,848	440,262
Net income	(333,153)	(145,894)

### **REINSURANCE**

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

## **ACCOUNTS AND RECORDS**

The 2021 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, 2021:

<b><u>State Deposited</u></b>	<b><u>Description of Security</u></b>	<b><u>Book Value</u></b>	<b><u>Fair Value</u></b>
Mississippi	Multiple	\$652,943	\$814,681

## **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, 2021. 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, 2021**

**ASSETS**

	Per Company	Examination Adjustments	Per Examination
Bonds	\$ 9,447,114	\$ -	\$ 9,447,114
Preferred stocks	199,940	-	199,940
Common stocks	375,027	-	375,027
Cash, cash equivalents and short-term investments	772,640		772,640
Receivables for securities	44	-	44
<b>Subtotals, cash and invested assets</b>	<b>10,794,765</b>	<b>-</b>	<b>10,794,765</b>
Investment income due and accrued	104,165	-	104,165
Uncollected premiums and agents' balances in the course of collection	34,772	-	34,772
Deferred premiums, agents' balances and installments booked but deferred and not yet due	286,565	-	286,565
Guaranty funds receivable or on deposit	3	-	3
<b>Total Net Admitted Assets</b>	<b>\$ 11,220,270</b>	<b>\$ -</b>	<b>\$ 11,220,270</b>

**STATEMENT OF ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS  
DECEMBER 31, 2021**

**LIABILITIES, SURPLUS AND OTHER FUNDS**

	Per Company	Examination Adjustments	Per Examination
Aggregate reserve for life contracts	\$ 8,545,674	\$ -	\$ 8,545,674
Aggregate reserve for accident and health contracts	1	-	1
Liability for deposit-type contracts	265,285	-	265,285
Contract Claims / Life	204,488	-	204,488
Premiums and annuity considerations for life and accident and health contracts	12,979	-	12,979
Contract liabilities not included elsewhere / Surrender values on cancelled contracts	47,172	-	47,172
General expenses due or accrued	63,076	-	63,076
Taxes, licenses and fees due or accrued	31,311	-	31,311
Amounts held for agents' account	148,456	-	148,456
Remittances and items not allocated	174,170	-	174,170
Asset valuation reserve	139,391	-	139,391
Payable to parent, subsidiaries and affiliates	82,861	-	82,861
<b>Total Liabilities</b>	<b>9,714,864</b>	<b>-</b>	<b>9,714,864</b>
Common capital stock	819,106	-	819,106
Gross paid in and contributed surplus	1,640,020	-	1,640,020
Unassigned funds (surplus)	(953,720)	-	(953,720)
Surplus	686,300	-	686,300
<b>Total Capital and Surplus</b>	<b>1,505,406</b>	<b>-</b>	<b>1,505,406</b>
<b>Total Liabilities, Surplus and Other Funds</b>	<b>\$ 11,220,270</b>	<b>\$ -</b>	<b>\$ 11,220,270</b>

**SUMMARY OF OPERATIONS  
FOR YEAR ENDED DECEMBER 31, 2021**

	Per Company	Examination Adjustments	Per Examination
Premiums and annuity considerations for life and accident and health contracts	\$ 2,065,497	\$ -	\$ 2,065,497
Net investment income	435,848	-	435,848
Amortization of Interest Maintenance Reserve (IMR)	(1,322)	-	(1,322)
Aggregate write-ins for miscellaneous income		-	
<b>Total premiums and revenues</b>	<b>2,500,022</b>	<b>-</b>	<b>2,500,022</b>
Death benefits	897,580	-	897,580
Matured endowments	26,481	-	26,481
Surrender benefits and withdrawals for life contracts	45,609	-	45,609
Interest and adjustments on contracts or deposit-type contract funds		-	
Increase in aggregate reserves for life and accident and health contracts	315,798	-	315,798
<b>Total policy benefits</b>	<b>1,285,468</b>	<b>-</b>	<b>1,285,468</b>
Commissions on premiums, annuity considerations and deposit-type contract funds	502,382	-	502,382
General insurance expenses and fraternal expenses	925,457	-	925,457
Insurance taxes, licenses and fees, excluding federal income taxes	205,020	-	205,020
Increase in loading on deferred and uncollected premiums	(26,132)	-	(26,132)
Aggregate write-ins for deductions	(46,748)	-	(46,748)
<b>Total benefits and expenses</b>	<b>2,845,447</b>	<b>-</b>	<b>2,845,447</b>
Net gain from operations before dividends to policyholders, refunds to members and federal income taxes	(345,425)	-	(345,425)
Dividends to policyholders and refunds to members	-	-	-
Net gain from operations after dividends to policyholders, refunds to members and before federal income taxes	(345,425)	-	(345,425)
Federal and foreign income taxes incurred	(12,762)	-	(12,762)
Net gain from operations after dividends to policyholders, refunds to members and federal income taxes and before realized capital gains or (losses)	(332,663)	-	(332,663)
Net realized capital gains (losses)	(490)	-	(490)
<b>Net Income</b>	<b>\$ (333,153)</b>	<b>\$ -</b>	<b>\$ (333,153)</b>

**CAPITAL AND SURPLUS ACCOUNT**

Capital and surplus, December 31, prior year	\$ 2,081,901	\$ -	\$ 2,081,901
Net Income (Loss)	(333,153)	-	(333,153)
Change in unrealized capital gains (losses)	(29,182)	-	(29,182)
Change in net deferred income tax	9,420	-	9,420
Surplus Adjustment: Paid in	350,000	-	350,000
Change in nonadmitted assets	(575,566)	-	(575,566)
Change in asset valuation reserve	1,986	-	1,986
Net change in capital and surplus for the year	(576,495)	-	(576,495)
<b>Capital and surplus, December 31, current year</b>	<b>\$ 1,505,406</b>	<b>\$ -</b>	<b>\$ 1,505,406</b>

**RECONCILIATION OF CAPITAL AND SURPLUS  
FOR EXAMINATION PERIOD ENDED DECEMBER 31, 2021**

	2020	2021
Capital and surplus, prior year	\$ 1,593,707	\$ 2,081,901
Net Income (Loss)	(145,894)	(333,153)
Change in net unrealized capital gains	26,787	(29,182)
Change in net deferred income tax	4,420	9,420
Change in nonadmitted assets	266,838	(575,566)
Change in asset valuation reserve	(13,958)	1,986
Paid in surplus	350,000	350,000
Net Change in Capital & Surplus	488,194	(576,495)
<b>Capital and surplus, current year</b>	<b>\$ 2,081,901</b>	<b>\$ 1,505,406</b>



**RECONCILIATION OF EXAMINATION ADJUSTMENTS TO SURPLUS  
DECEMBER 31, 2021**

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, 2021. The capital and surplus reported by the Company of \$1,505,406 is accepted as reasonably stated for purposes of the balance sheet per the examination.

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

**Note 1: Actuarial Review**

P3 Line 1: Aggregate Reserves for Life Contracts	\$8,545,674
P3 Line 2: Aggregate Reserves for A&H Contracts	1
P3 Line 3: Liability for Deposit Type Contracts	265,285
P3 Line 4.1: Contract Claims: Life	204,488
P2 Line 15.1: Uncollected Premiums	34,772
P2 Line 15.2: Deferred Premiums	286,565

The MID retained the services of INS Consultants, Inc. (“INS”) to conduct an independent review of the Company’s liabilities listed above as of December 31, 2021. The consulting actuary’s analysis was performed in accordance with the procedures as outlined in the NAIC Handbook, 2022 Edition. The conclusions set forth in the consulting actuary’s report were based on information provided by the Company, including the 2021 Annual Statement. The Statement of Actuarial Opinion and Actuarial Memorandum for 2021 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, INS found the Company’s provisions for the liabilities included in the examination scope were adequate as of December 31, 2021. Liability assumptions and methodologies were reasonable and in compliance with valuation laws and guidelines and the methodology for asset adequacy was reasonable and appropriate.

## **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**

Effective January 1, 2022, Gerald Shields became the permanent CEO and President of Citizens.

On December 12, 2022, SPLIC authorized a capital contribution to the Company in the amount of \$100,000, payable in December 2022.

No additional material subsequent events were identified by the examination team and the Company is in compliance with SSAP No. 9 – Subsequent Events as of the date of this report.

## **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: Ralph Romano, CFE, INS Regulatory Insurance Service, Inc.

Supervising Examiner: Cecilee Houdek, CPA, CFE, INS Regulatory Insurance Service, Inc.

Financial Examiner: Brendan Gordon, INS Regulatory Insurance Service, Inc.

Information Technology (IT) Examiners: David Gordon, CISA, CIA, CFE (Fraud), CDFE and James Coyle, CISA, INS Services, Inc.

Actuarial Examiners: Frank Edwards, ASA, MAAA, and Vasilis Keisoglou, ASA, MSSA, INS Consultants, Inc.

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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Ralph Romano, CFE  
Examiner-in-Charge  
INS Regulatory Insurance Service, Inc.  
Representing the State of Mississippi



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Mark Cooley, CFE  
Chief Examiner  
Mississippi Insurance Department