



MISSISSIPPI INSURANCE DEPARTMENT

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WOOLFOLK BUILDING
JACKSON, MISSISSIPPI 39201
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Post Office Box 79
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MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

June 26, 2008

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Mr. Robert Joel Barnes, President
New South Life Insurance Company
200 South Lamar Street, Suite 700
Jackson MS 39201

RE: Report of Examination as of December 31, 2006

Dear Mr. Barnes:

In accordance with Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999), 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.

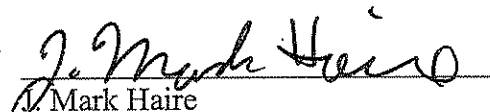
Pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 1999), the Mississippi Department of Insurance shall continue to hold the content of said report as private and confidential for a period of ten (10) days from the date of the Order. After the expiration of the aforementioned 10-day period, the Department will open the report for public inspection.

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

Sincerely,

GEORGE DALE
COMMISSIONER OF INSURANCE

BY


J. Mark Haire
Special Assistant Attorney General

MC/JMH/bs
Encls. Order w/exhibit

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

**IN RE: REPORT OF EXAMINATION OF
 NEW SOUTH LIFE INSURANCE COMPANY**

CAUSE NO. 08-5769

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. 1999). 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. 1999).

II.

That New South Life Insurance Company is a Mississippi-domiciled Company licensed to write Credit Life, Credit Accident and Health coverages.

FINDINGS OF FACT

III.

That the Commissioner, or his appointee, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999), called for an examination of New South Life Insurance Company and appointed Kimberly Strong, Examiner-In-Charge, to conduct said examination.

IV.

That on or about March 25, 2008, the draft Report of Examination concerning New South Life Insurance Company for the period of January 1, 2004 through December 31, 2006, was submitted to the Department by the Examiner-In-Charge, Kimberly Strong.

V.

That on or about May 7, 2008, pursuant to Miss. Code Ann. § 83-5-209(2) (Rev. 1999), the Department forwarded to the Company a copy of the draft report and allowed the Company a 30-day period to submit any rebuttal to the draft report. The Company did not submit a written response or rebuttal to the Department.

CONCLUSIONS OF LAW

VI.

The Commissioner, pursuant to Miss. Code Ann. § 83-5-209(3) (Rev. 1999), 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 and all relevant examiner work papers, that the Report of Examination of New South 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. 1999).

IT IS FURTHER ORDERED, pursuant to Miss. Code Ann. § 83-5-209(4) (Rev. 1999), that within thirty (30) days of the issuance of the adopted report, New South 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 New South 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.

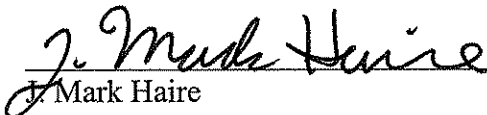
SO ORDERED, this the 26th day of June, 2008.


MIKE CHANEY
COMMISSIONER OF INSURANCE
STATE OF MISSISSIPPI

CERTIFICATE OF MAILING

I hereby certify that a true and correct copy of the above and foregoing Order and a copy of the final Report of Examination, as adopted by the Mississippi Department of Insurance, was sent by certified mail, postage pre-paid, return receipt requested, on this the 26th day of June, 2008, to:

**Mr. Robert Joel Barnes, President
New South Life Insurance Company
200 South Lamar Street, Suite 700
Jackson MS 39201**



J. Mark Haire
Special Assistant Attorney General

J. Mark Haire
Special Assistant Attorney General
Counsel for the Mississippi Department of Insurance
Post Office Box 79
Jackson, MS 39205-0079
(601) 359-3577
Miss. Bar No. 2065



Mississippi Insurance Department

Report of Examination

of

New South Life Insurance Company

**200 South Lamar Street
Suite 700 South Tower
Jackson, Mississippi 39201**

As of December 31, 2006

**NAIC Company Code 60027
NAIC ETS No. MS029-C34**

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

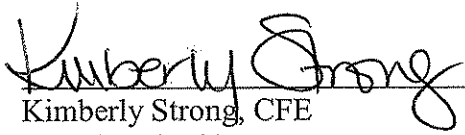
STATE OF MISSISSIPPI,

COUNTY OF HINDS

Kimberly Strong, CFE, being duly sworn, states as follows:


1. I have authority to represent the Commissioner of Insurance of the State of Mississippi in the examination of New South Life Insurance Company.
2. The Mississippi Insurance Department is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have prepared the examination work papers and examination report, and the examination of New South Life Insurance Company Insurance Company was performed in a manner consistent with the standards and procedures required by the Commissioner of Insurance of the State of Mississippi.

The affidavit says nothing further.



Kimberly Strong, CFE
Examiner-in-Charge

Subscribed and sworn before me by Kimberly D. Strong on this 6 day of May, 2008.



Notary Public

**Notary Public State of Mississippi At Large
My Commission Expires: December 9, 2009
Bonded Thru Heiden, Brooks & Garland, Inc.**

My commission expires _____.

TABLE OF CONTENTS

Salutation	1
Introduction	2
Scope of Examination	2
History of the Company	2
Holding Company Structure	3
Organizational Chart	3
Related Party Agreements and Transactions	4
Management and Control	4
Stockholders	4
Board of Directors	4
Officers	5
Committees	5
Conflict of Interest	6
Corporate Records	6
Fidelity Bonds and Other Insurance	6
Directors', Officers', Employees' and Agents' Welfare	6
Reinsurance	6
Accounts and Records	7
Statutory Deposits	7
Introduction to the Financial Statements	8
Statement of Admitted Assets, Liabilities, Surplus and Other Funds	9
Summary of Operations	10
Reconciliation of Capital, Surplus and Other Funds	11
Reconciliation of Examination Adjustments to Surplus	12
Market Conduct	13
Claims	13
Complaint Handling	13
Marketing and Sales	13
Privacy	13
Producer Licensing	13
Territory and Plan of Operation	13
Underwriting and Rating	13
Compliance with Previous Recommendations	14
Comments and Recommendations	15
Subsequent Events	16
Acknowledgment	16



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February 22, 2008

Honorable Mike Chaney
Commissioner of Insurance
Mississippi Insurance Department
501 North West Street
1001 Woolfolk Building (39201)
Post Office Box 79
Jackson, Mississippi 39205-0079

Dear Commissioner Chaney:

Pursuant to Commissioner Chaney's instructions and authorization and in compliance with statutory provisions, an examination has been conducted, as of December 31, 2006, of the affairs and financial condition of:

NEW SOUTH LIFE INSURANCE COMPANY
(NAIC COMPANY CODE 60027)

200 South Lamar Street
Suite 700 South Tower
Jackson, Mississippi 39201

This examination was commenced in accordance with Miss. Code Ann. § 83-5-201 et seq. and was performed in Jackson, Mississippi, at the offices of the Company's third party administrator, Ross & Yerger Insurance, Inc. The report of examination is herewith submitted.

INTRODUCTION

This examination was performed by examiners representing the Mississippi Insurance Department (MID) and covered New South Life Insurance Company's ("NSLIC" or "the Company") operations and financial condition from January 1, 2004 through December 31, 2006; including material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

For purposes of this examination report, the examination period is defined as January 1, 2004 through December 31, 2006, and the examination date is defined as December 31, 2006.

SCOPE OF EXAMINATION

This examination was a full scope financial examination that included assessing the Company's financial condition, its ability to fulfill and manner of fulfillment of its obligations, the nature of its operations, and compliance with the law. A full scope market conduct examination was not performed; however, limited procedures were performed on specific areas of the Company's market conduct.

This examination was conducted in accordance with procedures recommended by the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*.

Reporting in the comments and recommendations section of this report was by exception; therefore, items that were tested and deemed acceptable by the examiners without material change receive little or no comment.

HISTORY OF THE COMPANY

NSLIC was incorporated on December 14, 1993 under the laws of the state of Mississippi, with its principal office in Jackson, Mississippi. The Company was licensed on January 1, 1994 for credit life and credit accident and health lines of business.

The Company's Articles provided for the following classes of capital stock:

Common Stock: The Articles authorized 400,000 shares of common stock with a par value of \$1 per share. Each owner of this stock was required to purchase shares of the designated series of Class "A" participating preferred stock.

Class "A" Preferred Stock: The Articles authorized 100,000 shares of Class "A" preferred stock with a par value of \$5 per share, divided into five series. The authorized number of shares for each series was 20,000 and ownership of the Company's common stock was required in order to purchase the stock.

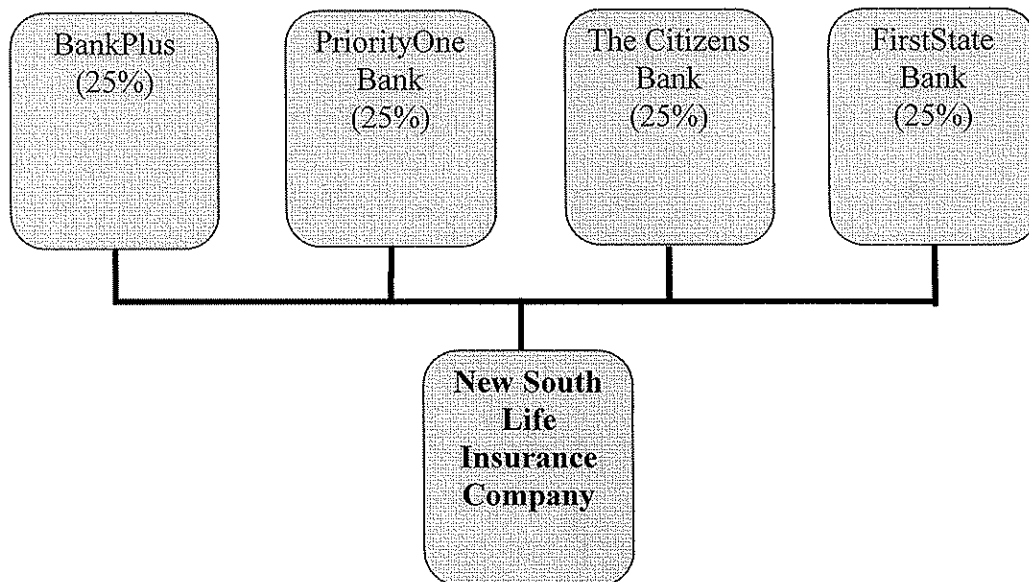
Class "B" Preferred Stock: The Articles authorized 1,000,000 shares of Class "B" preferred stock with a par value of \$5 per share, divided into one hundred series. The authorized number of shares for each series was 10,000.

HOLDING COMPANY SYSTEM

The Company was a member of an insurance company holding system as defined by Miss. Code Ann. § 83-6-1. On January 10, 1995, the Company, along with its shareholders, filed a disclaimer of affiliation on the basis that with equal ownership none of the shareholders was capable, singly, of controlling the insurer. Since the filing of the disclaimer of affiliation, the ownership of the Company changed; the original parties to the disclaimer were Citizens Bank of Philadelphia, BankPlus, First Bank, Peoples Bank and Citizens State Bank.

Organizational Chart

The following organizational chart displays the ownership of the Company at December 31, 2006 along with a brief description of each member:



BankPlus; This company was incorporated on March 12, 1909 in the state of Mississippi to conduct business as a state chartered commercial bank. BankPlus was a wholly owned subsidiary of BancPlus Corporation and provided a full range of banking services to individual and corporate customers through its offices in Mississippi.

PriorityOne Bank; This company was incorporated on May 14, 1974 in the state of Mississippi to conduct business as a state chartered commercial bank. PriorityOne Bank was a wholly owned subsidiary of PriorityOne Capital Corporation and provided a full range of banking services through its offices in central Mississippi.

The Citizens Bank of Philadelphia (“Citizens Bank”); This company was incorporated on April 19, 1917 in the state of Mississippi to conduct business as a state chartered commercial bank. Citizens Bank was a wholly owned subsidiary of The Citizens Holding Company and offered full service banking to its customers throughout East Central Mississippi.

First State Bank; This company was incorporated on June 4, 1934 in the state of Mississippi to conduct business as a state chartered commercial bank.

Related Party Agreements and Transactions

Reinsurance Treaty Trust Agreement: The Company was a party to a reinsurance treaty trust agreement, whereby, NSLIC (Reinsurer) agreed to deposit assets having a total value at least equal to the Minimum Trust Account Balance (as defined in the agreement) with BankPlus (Trustee). The assets in the Trust Fund to be held by BankPlus for the sole benefit of American General Assurance Company (“AGAC or Ceding Company”) for the purpose of indemnifying AGAC against loss resulting from the failure of, or refusal by NSLIC to discharge its obligations under the Reinsurance Agreement, to reimburse AGAC for losses and loss expenses paid and unearned premium refunds and premium taxes paid by AGAC with respect to the contracts reinsured.

MANAGEMENT AND CONTROL

Stockholders

At December 31, 2006, the Company had 240,000 shares of its authorized 400,000, \$1 par value common stock, as well as, 44,000 shares of its authorized 100,000, \$5 par value “Class A” preferred stock issued and outstanding. The outstanding shares of the Company were held equally (25%) by each of the Company’s four owner-banks; BankPlus, The Citizens Bank of Philadelphia, PriorityOne Bank and First State Bank. No dividends were paid to stockholders during the examination period.

Board of Directors

The Articles of Association and By-laws vest the management and control of the Company's business and affairs with the Board of Directors. At December 31, 2006, the members of the duly-elected Board of Directors with their place of residence and principal occupation were as follows:

<u>Name and Place of Residence</u>	<u>Principal Occupation</u>
Robert Joel Barnes Magee, Mississippi	Division President PriorityOne Bank
Eloise Strain Patridge Belzoni, Mississippi	Executive Vice President BankPlus
Doyle Odean Busby Magee, Mississippi	President PriorityOne Bank
Greg McKee Philadelphia, Mississippi	President The Citizens Bank of Philadelphia
William Allen Ray Yazoo City, Mississippi	President & CEO BankPlus
Michael Lynn Guthrie Philadelphia, Mississippi	Vice President The Citizens Bank of Philadelphia
Joel Crews Clements Waynesboro, Mississippi	President First State Bank, Waynesboro
Byron Corey Jordan Waynesboro, Mississippi	Senior Vice President First State Bank, Waynesboro

Officers:

The officers of the Board of Directors held the following positions at December 31, 2006:

<u>Name</u>	<u>Position</u>
Robert Joel Barnes	President
Eloise Strain Patridge	Secretary/Treasurer

Committees

The officers of the Board of Directors elected to the Investment Committee were:

<u>Name</u>
William Allen Ray
Doyle Odean Busby
Gregory Lyle McKee

Conflict of Interest

The Company had formal procedures whereby disclosure was made to the Board of Directors of any material interest or affiliation on the part of any officers or directors that was a conflict, or would likely be a conflict, with the official duties of such persons. It appeared that all officers and directors completed these statements with no exceptions noted.

CORPORATE RECORDS

The minutes of the meetings of the Shareholders and Board of Directors, taken during the period covered by the examination, were reviewed and appeared to be complete and in order with regard to recording action on matters brought up at these meetings for deliberation, which included approval of actions taken by officers.

FIDELITY BONDS AND OTHER INSURANCE

The Company was a covered insured on a \$500,000 financial institutions bond, which exceeded the minimum fidelity coverage recommended by the NAIC for a company of this size. In addition, the Company was a covered insured on a general liability policy with a per occurrence limit of \$1,000,000 and a general aggregate limit of \$2,000,000.

DIRECTORS', OFFICERS', EMPLOYEES', AND AGENTS' WELFARE

During the examination period, the Company was a party to an administrative services agreement with Ross & Yerger Insurance, Inc. (hereinafter referred to as "Ross & Yerger"). Pursuant to this agreement, Ross & Yerger was required to provide services including; maintaining and preparing accounting records, completing federal and state income tax returns, payment of claims, maintenance of claim files and preparing various management reports.

As the Company had no employees during the exam period, no provision was made in the financial statements for obligations under any benefit plan.

REINSURANCE

Summarized below are the reinsurance agreements to which the Company was a party and were active as of the examination date:

Reinsurance Treaty with American General Assurance Company:

Pursuant to this agreement, NSLIC agreed to accept as reinsurance 100% of each credit life insurance risk up to a maximum amount of \$10,000 per life and \$150 monthly maximum benefit for credit accident and health for policies issued by American General Assurance Company in the state of Mississippi. These policies were written exclusively through the Company's owner banks. This

treaty was effective January 1, 2003.

Automatic Reinsurance Agreement with Swiss Re Life and Health America, Inc.:

Pursuant to this agreement, NSLIC ceded 100% of each credit life insurance risk in excess of \$10,000 per life and \$150 per month maximum benefit for credit accident and health for policies written by the Company to Swiss Re Life and Health America, Inc. This agreement relates to policies written by NSLIC prior to January 1, 2003.

ACCOUNTS AND RECORDS

The 2006 trial balance was tied to the balance sheet of the Company's statutory Annual Statement filed with the MID, with no significant exceptions noted. The Company was audited annually by an independent CPA firm.

It was noted that the Company did not have a custodial agreement with its custodian, Trustmark National Bank, that complied with the requirements of the NAIC *Financial Condition Examiners Handbook* Part 1, Section IV, subsection J, at the examination date. Subsequent to the examination date, the Company executed a custodial agreement which appears to contain the required language.

It was noted that of 8 acquisitions and disposals of investments occurring during 2006, 5 exceptions were noted related to the Company reporting the transactions on the settlement date rather than the trade date. It is recommended that the Company report all acquisitions and disposals on the trade date in compliance with SSAP No. 26, paragraph 4.

It was noted that the Company reported bank statement balances on Schedule E rather than reconciled balances. It is recommended that the Company report amounts on Schedule E at the reconciled balance in accordance with NAIC *Annual Statement Instructions*.

STATUTORY DEPOSITS

The Company's statutory deposits with the state of Mississippi complied with Miss. Code Ann. § 83-19-31 (2). The following chart displays the Company's deposits as of December 31, 2006:

<u>Description of Security</u>	<u>State Deposited</u>	<u>Par Value</u>	<u>Book Value</u>	<u>Fair Value</u>
FHLMC	Mississippi	650,000	650,000	649,701

INTRODUCTION TO THE FINANCIAL STATEMENTS

The following financial statements consist of a Statement of Admitted Assets, Liabilities, Surplus and Other Funds at December 31, 2006, a Summary of Operations for year ended December 31, 2006, a Reconciliation of Capital and Surplus for the examination period ended December 31, 2006, and a Reconciliation of Examination Adjustments to Unassigned Funds at December 31, 2006.

NEW SOUTH LIFE INSURANCE COMPANY
STATEMENT OF ADMITTED ASSETS, LIABILITIES, SURPLUS AND OTHER
FUNDS
DECEMBER 31, 2006

ASSETS	
Bonds	\$ 5,361,104
Cash and short-term investments	588,583
Investment income due and accrued	94,348
Net deferred tax asset	10,000
Aggregate write-ins for other than invested assets	<u>15,256</u>
Total assets	<u>\$ 6,069,291</u>
 LIABILITIES, SURPLUS AND OTHER FUNDS	
Aggregate reserve for life contracts	216,240
Aggregate reserve for accident and health contracts	134,815
Contract claims: life	8,001
Contract claims: accident and health	9,256
Taxes, licenses and fees due or accrued	2,936
Federal income taxes payable	4,381
Asset valuation reserve	15,121
Aggregate write-ins for liabilities	<u>230,574</u>
Total liabilities	<u>\$ 621,324</u>
Common capital stock	240,000
Preferred capital stock	220,000
Gross paid in and contributed surplus	485,574
Unassigned funds (surplus)	<u>4,502,393</u>
Total capital and surplus	<u>5,447,967</u>
Total liabilities and surplus	<u>\$ 6,069,291</u>

**NEW SOUTH LIFE INSURANCE COMPANY
SUMMARY OF OPERATIONS
FOR YEAR ENDED DECEMBER 31, 2006**

Premiums and annuity considerations	\$ 350,917
Net investment income	231,030
Total income	<u>581,947</u>
Death benefits	20,974
Disability benefits and benefits under accident and health plans	40,263
Increase in aggregate reserves for life and accident and health contracts	(37,979)
Commissions on premiums, annuity considerations, and deposit-type funds	23,258
Commissions and expense allowances on reinsurance assumed	1,020
General insurance expenses	130,508
Insurance taxes, licenses and fees, excluding federal income taxes	93,255
Increase in loading on deferred and uncollected premiums	7,894
Total expenses	<u>255,935</u>
Net gain from operations	326,012
Federal and foreign income taxes incurred	33,555
Net income	<u>\$ 292,457</u>

**NEW SOUTH LIFE INSURANCE COMPANY
RECONCILIATION OF CAPITAL AND SURPLUS
FOR EXAMINATION PERIOD ENDED DECEMBER 31, 2006**

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Capital and surplus- Beginning of the year	\$ 4,508,559	\$ 4,865,707	\$ 5,096,781
Net Income	359,936	244,713	292,457
Change in net deferred income tax	2,000	(4,000)	(1,000)
Change in non-admitted assets	0	(4,492)	4,492
Change in asset valuation reserve	640	(1,288)	(1,447)
Capital changes:	0	0	0
Paid in	0	0	55,000
Surplus adjustment:	0	0	0
Paid in	0	0	65,574
Aggregate write-ins for Gains and losses in surplus	(5,428)	(3,861)	*(63,892)
Capital and surplus, end of the year	<u>\$ 4,865,707</u>	<u>\$ 5,096,781</u>	<u>\$ 5,447,963</u>

*This amount consisted of (1) prior year tax adjustments of \$1,682 and (2) earned surplus distributions of \$65,574.

NEW SOUTH LIFE INSURANCE COMPANY
RECONCILIATION OF EXAMINATION ADJUSTMENTS TO UNASSIGNED FUNDS
DECEMBER 31, 2006

As a result of this examination, there have been no adjustments affecting Unassigned funds reported by the Company in the December 31, 2006 Annual Statement. The unassigned funds as reported by the Company of \$4,502,393 is accepted as reasonably stated for purposes of the balance sheet per the examination.

MARKET CONDUCT ACTIVITIES

A full market conduct examination was not conducted; however, particular areas of the Company's market conduct were examined in connection with the financial examination. The particular areas reviewed included the following:

Claims

Approximately 9 claims were reviewed related to the direct business in runoff at year end. Review of these claims revealed no areas of concern. Additionally, 31 claims were reviewed relating to assumed business. Of these, 2 exceptions were noted. One related to the bank charging interest and late charges after the date of death. The second related to the bank calculating the refund of A&H premium under a life policy at a date other than the date of death. Pursuant to Mississippi Regulation 94-103, it is recommended that refund amounts be calculated as of the date of death.

Complaint Handling

The Company had no reported complaints during the exam period.

Marketing and Sales

The Company utilized no marketing or advertising material during the exam period.

Privacy

The Company had a privacy policy in place for the protection of its policyholders and this policy appeared to be in compliance with applicable laws and standards.

Producer Licensing

The Company was no longer a direct writer of credit life and credit accident and health insurance. As such, there were no active agents during the exam period.

Territory and Plan of Operation

At December 31, 2006, the Company was authorized to write credit life and credit accident and health insurance in the state of Mississippi. Prior to January 1, 2003, the Company wrote credit insurance directly through its owner banks. Effective January 1, 2003, the Company entered into a Reinsurance Treaty with AGAC; whereby, all credit business written by the Company's owner-banks through AGAC was 100% assumed by NSLIC, within the limitations established by the Reinsurance Treaty.

Underwriting and Rating

A sample of premium charges was recalculated during the examination, with no areas of concern being noted. Of a sample of 60 certificates, 2 exceptions were noted in which the policy issued did not conform to the underwriting guidelines established by the policy form. Discussions with representatives from the owner-banks revealed that software enhancements had since been implemented to "catch" these policies prior to them being issued in the future.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

Following are comments made in the previous examination report, as of December 31, 2003 that were not adequately addressed subsequent to the previous examination. As such, the same recommendations or related recommendations are again recorded in the Comments and Recommendations section of this report. It is recommended that management aggressively pursue addressing these issues to fully comply with the directives of the MID. The recommendations below are included exactly as originally reported in the exam report as of December 31, 2003.

Previous Exam Report Recommendation No. 8:

- It is recommended that the Company report all acquisitions and disposals on the trade date in compliance with SSAP No. 26, paragraph 4.

Current Status:

- This issue was not appropriately addressed during the time period from the previous examination to the current examination and is again included as recommendation number one (1) in the Comments and Recommendations section of this report.

Previous Exam Report Recommendation No. 10:

- It is recommended that the Company report amounts on Schedule E at the reconciled balance in accordance with NAIC *Annual Statement Instructions*.

Current Status:

- This issue was not appropriately addressed during the time period from the previous examination to the current examination and is again included as recommendation number two (2) in the Comments and Recommendations section of this report.

Previous Exam Report Recommendation No. 12:

- Pursuant to Mississippi Regulation 94-103, it is recommended that refund amounts be calculated as of the date of death.

Current Status:

- This issue was not appropriately addressed during the time period from the previous examination to the current examination and is again included as recommendation number three (3) in the Comments and Recommendations section of this report.

COMMENTS AND RECOMMENDATIONS

1. It is recommended that the Company report all acquisitions and disposals on the trade date in compliance with SSAP No. 26, paragraph 4. (Page 7)
2. It is recommended that the Company report amounts on Schedule E at the reconciled balance in accordance with NAIC *Annual Statement Instructions*. (Page 7)
3. Pursuant to Mississippi Regulation 94-103, it is recommended that refund amounts be calculated as of the date of death. (Page 13)

SUBSEQUENT EVENTS

In January, 2007, American International Group, Inc. (AIG) sold AGAC to Aegon Corporation (Aegon). The premium collection and claim payment functions related to business written by the owner-banks and reinsured by NSLIC continued to be performed by AGAC personnel until December 31, 2007. At this date, all servicing functions and books and records were transferred to Aegon.

At the report date, NSLIC was considering selling its run-off business and no longer reinsuring policies written by the owner-banks. The situation was being reviewed by the Board of Directors and a consulting actuary had been hired to determine the value of the existing book of business. No decisions had been reached regarding the future of the Company.

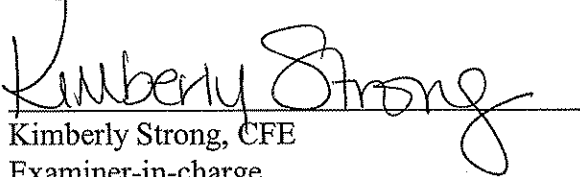
ACKNOWLEDGMENT

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

Examiner-in-charge:	Kimberly Strong, CFE
Examiner (Automation):	J. Scott Joyner, CISA, CGAP, AES
Manager:	Joseph R. May, CPA, CMA, CFE, CIE, FAHM
Actuary:	Taylor-Walker & Associates, Inc.

The courteous cooperation of the officers and employees of the Company is hereby acknowledged and appreciated.

Respectfully submitted,



Kimberly Strong, CFE
Examiner-in-charge