



MISSISSIPPI INSURANCE DEPARTMENT

501 N. WEST STREET, SUITE 1001
WOOLFOLK BUILDING
JACKSON, MISSISSIPPI 39201
www.doi.state.ms.us
March 18, 2010

MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MAILING ADDRESS
Post Office Box 79
Jackson, Mississippi 39205-0079
TELEPHONE: (601) 359-3569
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CERTIFIED MAIL RETURN RECEIPT REQUESTED

Mr. James Hilbun Robertson, President
Gulf Guaranty Life Insurance Company
Post Office Box 12409
Jackson, MS 39236-2409

RE: Report of Examination as of December 31, 2008

Dear Mr. Robertson:

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,

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
 GULF GUARANTY LIFE INSURANCE COMPANY**

CAUSE NO. 10-6039

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 Gulf Guaranty Life Insurance Company is a Mississippi-domiciled company licensed to write industrial life; industrial accident and health; life (burial); fire and allied lines; casualty/liability; fidelity; surety; plate glass; inland marine; auto physical damage/auto liability; guaranty; life; accident and health; and 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 Gulf Guaranty Life Insurance Company and appointed James Russo, Examiner-In-Charge, to conduct said examination.

IV.

That on or about January 20, 2010, the draft Report of Examination concerning Gulf Guaranty Life Insurance Company for the period of January 1, 2006 through December 31, 2008 was submitted to the Department by the Examiner-In-Charge, James Russo.

V.

That on or about February 3, 2010, 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 Department received the Company's response on or about March 5, 2010, and in response thereto, no revisions were made to the report.

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, the Company's rebuttal, and all relevant examiner work papers, that the Report of Examination of Gulf 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. 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, Gulf 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 Gulf 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 12th day of March, 2010.


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 18th day of March, 2010, to:

**Mr. James Hilbun Robertson, President
Gulf Guaranty Life Insurance Company
Post Office Box 12409
Jackson, MS 39236-2409**



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 on Examination

of

**Gulf Guaranty Life Insurance Company
4785 I-55 North, Suite 200
Jackson, Mississippi 39206**

As of December 31, 2008

**NAIC Group Code 948
NAIC Company Code 77976
NAIC ETS No. MS029-C63**

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

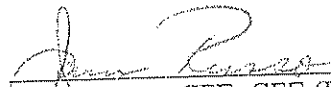
State of Mississippi,

County of Hinds,

James Russo, CFE, CFE (Fraud), CPCU, FLMI, CIE, CFSA, being duly sworn, states as follows:

1. I have authority to represent the State of Mississippi in the examination of Gulf Guaranty Life Insurance Company as of December 31, 2008.
2. The Mississippi Insurance Department is accredited under the National Association of Insurance Commissioners' Financial Regulation Accreditation Standards.
3. I have prepared the examination report and working papers, and the examination of Gulf Guaranty Life Insurance Company, as of December 31, 2008, 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.



James Russo, CFE, CFE (Fraud), CPCU, FLMI, CIE, CFSA
Examiner-In-Charge

Subscribed and sworn before me by James Russo on February 1, 2010.

(SEAL)



Notary Public

My commission expires _____



ANI HALLAJIAN
My Commission DD 531031
Expires Mar. 21, 2010

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January 19, 2010

Honorable Alfred Gross
Financial Condition (E) Subcommittee
State Corporation Commission
Bureau of Insurance
P.O. Box 1157
Richmond, Virginia 23218

Honorable James J. Donelson
Secretary, Southeastern Zone (II), NAIC
Louisiana Department of Insurance
1702 North Third Street
Baton Rouge, Louisiana 70802

Mike Chaney
Commissioner of Insurance
State of Mississippi
501 N. West Street, Suite 1001
Woolfolk Building
Jackson, Mississippi 39201

Dear Sir:

Pursuant to your instructions and authorization and in compliance with statutory provisions, an examination has been conducted, as of December 31, 2008, of the affairs and financial condition of:

**GULF GUARANTY LIFE INSURANCE COMPANY
(NAIC COMPANY CODE 77976)**

4785 I-55 North, Suite 200 .
Jackson, Mississippi 39206

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

INTRODUCTION

This examination was performed by examiners representing the Mississippi Insurance Department (MID) and covered Gulf Guaranty Life Insurance Company's (GGLIC) operations and financial condition from January 1, 2006 through December 31, 2008, 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, 2006 through December 31, 2008, and the examination date is defined as December 31, 2008.

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2006 through December 31, 2008. The Company was last examined by representatives of the MID as of December 31, 2005. This examination commenced with a planning meeting at the MID on August 4, 2009. The fieldwork commenced on August 5, 2009 and concluded January 18, 2010.

This financial examination was a statutory financial examination conducted in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook, Accounting Practices and Procedures Manual* and *Annual Statement Instructions* promulgated by the NAIC as adopted by Miss. Code Ann. § 83-5-207, with due regard to the statutory requirements of the insurance laws and rules of the State of Mississippi.

The NAIC Handbook requires that the examination be planned and performed to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing current and prospective inherent risks to which the Company is exposed, and evaluating its system controls and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and Annual Statement Instructions, when applicable to domestic state regulations.

The general procedures of the examination followed rules established by the NAIC Financial Condition (E) Committee as set forth in the Financial Condition Examiners Handbook and included such other examination procedures as were considered necessary. All accounts and activities of the Company were considered in accordance with the risk surveillance examination process.

In this examination, emphasis was directed to the quality, value and integrity of the statement of assets and the determination of liabilities, as those balances affect the financial solvency of the Company as of December 31, 2008. Transactions subsequent to year-end 2008 were reviewed where relevant and deemed significant to the Company's financial condition.

The examination included a review of the corporate records and other selected records deemed pertinent to the Company's operations and practices. In addition, the NAIC IRIS ratio reports, the

Company's independent audit reports and certain work papers prepared by the Company's independent certified public accountant (CPA) and other reports as considered necessary were reviewed and utilized where applicable within the scope of this examination.

This Report on Examination is confined to financial statements and comments on matters that involve departures from laws, regulations or rules, or which are deemed to require special explanation or description.

Status of Adverse Findings from Prior Examination

The prior Report on Examination as of December 31, 2005 noted adverse findings for which recommendations were made for the Company to take corrective action. The Company took corrective measures to address those findings with the following exceptions:

It was recommended that the Company increase its Fidelity Bond coverage to at least the amount recommended by the NAIC. As of December 31, 2008, the Fidelity Bond coverage did not meet the minimum amount recommended by the NAIC.

It was recommended that the Company have custodial agreements with the custodians of its securities that contain the provisions recommended by the NAIC. As of December 31, 2008, the Company had not fully complied with this recommendation.

HISTORY OF THE COMPANY

The Company was incorporated as Greener Life Insurance Company on February 20, 1970, under the laws of the State of Mississippi as a stock life insurance company. On July 23, 1970, the Company's name was changed to Gulf Guaranty Life Insurance Company.

Effective July 1, 1970, the Company was licensed to write credit life and credit accident and health lines of business. On June 1, 1978, the Company's license was amended to include the additional lines of life and accident and health. On July 8, 1980, the Articles of Incorporation were amended to expand the Company's purpose to include property and casualty lines of business.

At December 31, 2008, the Company was authorized as a multi-line insurer to write Life; Life (burial); Accident and Health; Credit Life, Credit Accident and Health; Industrial Life, Industrial Accident and Health; Fire/Allied Lines; Automobile Physical Damage/Liability; Casualty/Liability; Fidelity; Guaranty; Inland Marine; Plate Glass and Surety.

MANAGEMENT AND CONTROL

Management

The Articles of Incorporation and the By-laws vest the management and control of the Company's business affairs with the Board of Directors. The members of the duly elected Board of Directors, along with their place of residence and principal occupation serving as of December 31, 2008, were:

<u>Name and Place of Residence</u>	<u>Principal Occupation</u>
Jack Westbrook Robertson, Jr. Jackson, Mississippi	Chairman of the Board Gulf Guaranty Life Insurance Company
James Hilbun Robertson Madison, Mississippi	President Gulf Guaranty Life Insurance Company
John Westbrook Robertson, III Jackson, Mississippi	Executive Vice President Gulf Guaranty Insurance Company
Arthur William Pigott Columbia, Mississippi	Arbitrator National Association of Securities Dealers and New York Stock Exchange
McWillie M. Robertson, Jr., M.D. Jackson, Mississippi	Retired Physician

The officers duly elected by the Board of Directors and serving as of December 31, 2008, were:

Jack Westbrook Robertson, Jr.	Chairman of the Board and Chief Executive Officer
James Hilbun Robertson	President
Robert Morris Berry	Secretary/Treasurer
William Boyce Lee	Senior Vice President
Dennis Wayne Brooks	Senior Vice President
Ernest Peery Ward	Senior Vice President
Tammra Cascio	General Counsel
Sarah Ellen Methvin	Vice President
Roby David Toney	Vice President

The Company was authorized to issue 1,000,000 shares of Class 1 common stock with a par value of \$2 per share and 50,000 shares of Class 2 common stock with a par value of \$1. As of December 31, 2008, the Company had issued and outstanding 906,856 shares of the Class 1 common stock (of which the Company holds 531,700 shares as Treasury Stock) and 98 shares of Class 2 common stock. Various other classes of common stock and nonvoting preferred stock are allowed for by the Company's Articles of Incorporation, none of which had been issued by the Company as of the examination date.

As provided for in the Articles of Incorporation, the Board of Directors may declare a dividend to its shareholders. The Company paid dividends during the period under examination, with the approval of the MID. Additionally, the Articles of Incorporation state that, at the discretion of the Board of Directors, shares of common or preferred stock may be called for redemption. No shares of stock were redeemed during the period under examination.

CORPORATE RECORDS

The minutes of meetings of the Company's stockholders and Board of Directors (Board) were reviewed for the period under examination. The Board addressed the matters presented for its consideration and included approval of the Company's investment transactions and ratification of the actions of its officers and directors. Based on a review of the minutes, it appears that the Board does not provide adequate oversight related to the operational aspects of the Company as noted below:

- The minutes did not indicate that a qualified actuary had been appointed or that the Actuarial Opinion had been presented to the Board annually in compliance with NAIC *Annual Statement Instructions*.
- The minutes did reflect the activity of an Investment Committee, but did not reflect the establishment of an Investment Committee, or identify its members.
- The minutes did not address the change in external auditors in 2007 or the appointment of Carr, Riggs & Ingram as its external auditor for the years 2007 through 2009.
- The minutes did not mention the Board reviewing and accepting the Report on Examination as of December 31, 2005.
- The minutes did not consistently reflect the Board reviewing and accepting the annual CPA Audit Reports.

Refer to the "Summary of Findings" section of this Report on Examination for related recommendations.

FIDELITY BOND AND OTHER INSURANCE

The Company had a comprehensive corporate insurance program in place, which included commercial general liability and commercial property as well as other policies deemed appropriate by management. At December 31, 2008, the Company and its subsidiary, Gulf Guaranty Insurance Company, were covered by a financial institutions bond with a \$75,000 single loss limit. The amount recommended by the NAIC for just the Company was \$200,000.

Refer to the "Summary of Findings" section of this Report on Examination for related recommendations.

STATUTORY DEPOSITS

The Company's statutory deposits with the State of Mississippi complied with Miss.Code.Ann. § 83-19-31 (2). As of December 31, 2008, the Company had the following on deposit:

<u>State Deposited</u>	<u>Type of Security</u>	<u>Book Value</u>	<u>Fair Value</u>
Arkansas	Bond	\$ 154,292	\$ 170,500
Mississippi	Bond	\$1,038,354	\$1,094,062
Tennessee	Bond	\$ 224,880	\$ 221,400

DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS WELFARE

The Company maintained a 401(k) plan for the benefit of its employees. For the year ending December, 31, 2008, eligible employees were allowed to contribute up to \$15,500 of their annual compensation to the plan. Each year, since the inception of the plan, the Board of Directors has authorized the Company to contribute 10% of the annual compensation paid to its employees. The 401 (k) plan has been approved by the Internal Revenue Service. A comprehensive health care plan was offered by the Company through a self-insured plan administrated by Gulf Guaranty Employee Benefit Services (GGEBS).

CONFLICT OF INTEREST

The Company has formal procedures for the disclosure of any material interest or affiliation on the part of any director or officer to the Board of Directors. Signed Conflict of Interest Statements were provided for members of the Board of Directors, President and Secretary/Treasurer.

TERRITORY AND PLAN OF OPERATION

The Company marketed individual and group credit life and credit accident and health coverages through commercial banking institutions, federal saving banks, finance companies and other similar entities that are located in the states in which it is licensed: Alabama, Arkansas, Florida, Louisiana, Mississippi, and Tennessee.

GROWTH OF COMPANY

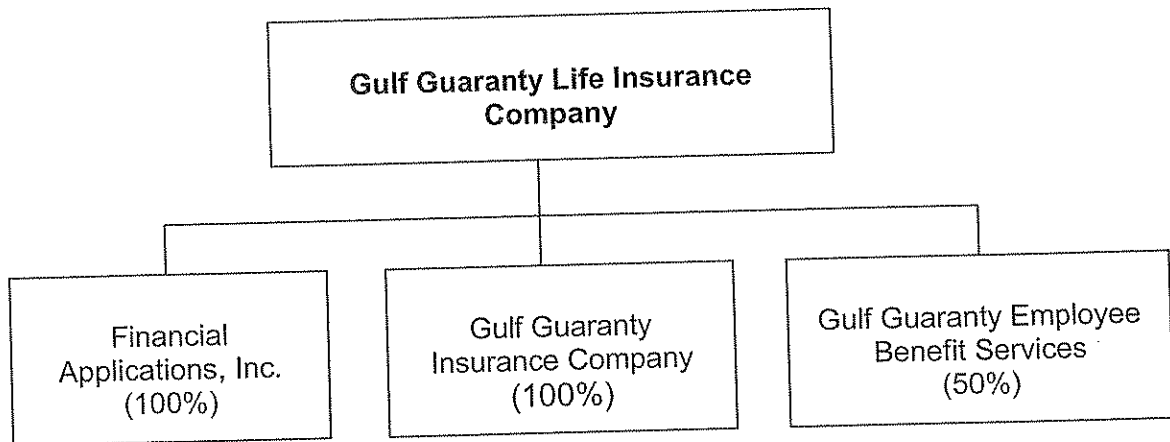
The following table shows the profitability trend (in dollars) of the Company for the period of operations, as reported in the filed Annual Statements.

	2008	2007	2006
Premiums and Annuity Considerations	6,919,288	6,399,617	6,350,252
Net Gain from Operations after Federal Income Taxes	(517,377)	(486,645)	(827,555)
Total Assets	17,799,120	16,244,629	15,939,531
Total Liabilities	9,361,255	8,720,698	7,913,795
Capital and Surplus	8,437,866	7,523,931	8,025,736

HOLDING COMPANY/RELATED PARTY TRANSACTIONS

The Company is a member of an insurance holding company system as defined in Miss. Code. Ann. § 86-6-1. The Company completed and filed with the MID the required documentation to comply with Miss. Code. Ann. § 86-6-5 and § 83-6-9 for the period under examination. Statements and applicable amendments filed during the period of examination were reviewed. The latest holding company registration statement was filed with the State of Mississippi on April 14, 2009, as required by Miss. Code. Ann. § 86-6-5 and § 83-6-9.

The following abbreviated organizational chart depicts the ownership and affiliated companies at December 31, 2008:



The outstanding common stock of the Company is owned by numerous individuals; however the Robertson family controls 53% of the shares, exclusive of the Treasury Stock. Jack W. Robertson, Jr. owned approximately 31% (116,498), Gwenette Robertson as owner or custodian owned 11% (41,000) and other family members owned a combined 11% as of December 31, 2008. The Company's directly owned subsidiary, Gulf Guaranty Insurance Company owns 7,365 shares of the Company.

Gulf Guaranty Insurance Company (GGIC): This company, a wholly-owned subsidiary of GGLIC, was organized on January 15, 1981, under the laws of the State of Mississippi. GGIC,

a property and casualty insurer primarily underwrites vendor's single interest (VSI) programs for various financial institutions. The investment in GGIC was reflected within the financial statement (common stock) at approximately \$3.8 million, which represents the statutory capital and surplus of GGIC at December 31, 2008.

Financial Applications, Inc. (FAI): This company was acquired on January 1, 1994 and is a wholly-owned subsidiary of GGLIC. Its principal activities included the development and marketing of loan origination system software that services the needs of certain financial institutions. GGLIC placed a \$0 value for this subsidiary in its filed 2008 Annual Statement.

Gulf Guaranty Employee Benefit Services (GGEBS): This company was formed on July 8, 1992 under the laws of Mississippi, with GGLIC having a 50% ownership. GGEBS' principal activities included providing administrative services for employee benefit plans for both life/health and property/casualty agents throughout Louisiana, Mississippi and Tennessee. GGLIC placed a \$0 value for this subsidiary in its filed 2008 Annual Statement.

The following agreements were in effect between the Company and its affiliates:

Cost Sharing Agreement

The Company provides administrative services to its subsidiary, GGIC, under the terms of an Expense Allocation Agreement. The agreement, which was originally effective November 3, 1994, was amended and replaced on July 14, 2008. The purpose for the amendment was to update the agreement and to bring it into compliance with SSAP 96. SSAP 96 requires that intercompany transactions be settled in a timely manner. Pursuant to the terms of the amended Agreement:

1. Each month GGIC shall make a payment to GGLIC for expenses expected to be allocated during that month;
2. At the end of each quarter, a calculation will be made of the actual expenses that were allocable during that quarter;
3. Any overpayment or underpayment of allocable expenses for the prior quarter will be settled between the parties within two months following the end of the prior quarter.

Tax Sharing Agreement

The Company and its subsidiaries, GGIC and GGEBS, entered into an Intercompany Tax Sharing Agreement effective on January 9, 2004. Pursuant to terms of the Agreement, the Company will file a consolidated tax return and pay any taxes due on or before the due date. The Company will be reimbursed by GGIC and GGEBS for their individual share of the affiliated group's consolidated tax liability. Annually, amounts due to or from a member of the group will be settled no later than the extended due date for the return.

REINSURANCE

Effective February 1, 1997, the Company entered into an excess risk agreement with Munich America Reassurance Company (MARC). Under the terms of the contract, the Company cedes credit life and credit A&H business written on policies issued through age 70 in excess of \$30,000. For the Company's credit life products, MARC accepts policies with a maximum

binding limit of \$150,000 on business written through Trustmark National Bank, and \$100,000 on all other business. For the credit A&H business, MARC accepts policies on a 50% quota share basis from first dollar when the maximum benefit exceeds \$30,000. The agreement is subject to an experience refund provision, which provides for a determination of profit or loss on the business on an annual basis. If the business was profitable a portion of the profit calculated is allocated back to the Company whereas a loss on the business will be carried forward into the next year's calculation. Risk transfer was verified in the agreement. The agreement is cancellable by either party with 90 days notice.

Effective October 1, 2004, the Company entered into a medical specific and aggregate quota share reinsurance agreement with Gerber Life Insurance Company (Gerber) through Innovative Reinsurance Group, providing coverage on Excess Loss policies issued to Eligible Employers, with each Excess Loss policy specifying the Employer's Specific Self Funded Retention amount. Pursuant to the terms of this reinsurance agreement, specific reinsurance is provided through two layers. Under the first layer, Gerber will reimburse the Company for 90% of all losses in excess of the Employer's Specific Self Funded Retention up to a maximum of \$500,000 on a per covered person, per policy year basis. Under the second layer, Gerber will reimburse the Company for 100% of losses in excess of \$500,000, up to a maximum reimbursement of \$1,490,000. The agreement also contains an aggregate excess of loss on a per Eligible Employer per Policy Year basis, whereby under the first layer Gerber shall pay 90% of claims per Employer in excess of the Aggregate Self funded Retention up to a maximum of \$500,000, and under a second layer Gerber pays 100% in excess of \$500,000 up to a maximum of \$950,000. Gerber's liability with respect to claims incurred under the Aggregate Excess of Loss shall not exceed \$1,000,000 per Eligible Employer per policy year. This agreement also contains a profit loss commission whereby if the business was profitable a portion of the profit calculated is allocated back to the Company and a loss on the business will be carried forward indefinitely. Risk transfer was verified in the agreement. The agreement is cancellable by either party with 90 days' notice.

ACCOUNTS AND RECORDS

The Company's general ledger trial balance was reconciled to the balance sheet of the filed 2008 Annual Statement without exception. The Company is audited annually by an independent CPA firm.

The Company maintained its principal operational offices in Jackson, Mississippi, where this examination was conducted.

The Company's accounting records were maintained on a computerized system. The balance sheet accounts were verified with the line items of the filed Annual Statement.

The Company has the following third party agreements in effect at December 31, 2008:

Custodial Agreement

The Company's securities were held by Trustmark National Bank (Trustmark) and UBS Financial Services, Inc. (UBS). The Company had a custodial agreement with Trustmark. However, it did not conform to NAIC guidelines.

The Company did not have a custodial agreement with UBS.

Refer to the "Summary of Findings" section of this Report on Examination for related recommendations.

Independent Auditor Agreement

The Company had an agreement with Carr, Riggs and Ingram, LLP to audit the Company's statutory financial statements for the years 2007 through 2009.

MARKET CONDUCT ACTIVITIES

A full scope market conduct examination was not performed; however, limited procedures were performed in these specific areas: claims, complaints, policy forms and premiums. No significant exceptions were noted.

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2008, and the results of its operations for the year then ended as determined by this examination. Adjustments made as a result of the examination are noted in the section of this report captioned, "Reconciliation of Examination Changes to Surplus."

STATEMENT OF ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS
Assets
December 31, 2008

	Per Company	Examination Adjustments	Per Examination
Bonds	\$3,933,166		\$3,933,166
Stocks:			
Common stocks	7,121,716		7,121,716
Mortgage loans on real estate:			
First liens	375,060		375,060
Real estate:			
Property occupied by the company	438,465		438,465
Properties held for production of income	1,472,086		1,472,086
Cash	3,539,865		3,539,865
Other invested assets	390,000		390,000
Investment income due and accrued	72,926		72,926
Premiums and considerations:			
Uncollected premiums	220,308		220,308
Reinsurance:			
Amounts recoverable from reinsurer	14,880		14,880
Other amounts receivable under reinsurance contracts	77,099		77,099
Electronic data processing equipment	26,443		26,443
Receivable from parent, subsidiaries and affiliates	117,107		117,107
	<hr/>		
Totals	\$17,799,121	\$0	\$17,799,121
	<hr/> <hr/>		

Liabilities, Surplus and Other Funds

December 31, 2008

Aggregate reserve for life contracts	\$4,476,343	\$4,476,343
Aggregate reserve for accident and life contracts	2,127,131	2,127,131
Contract claims:		
Life	247,044	247,044
Accident and health	193,089	193,089
Premiums and annuity considerations for life and accident and health contracts received in advance	15,463	15,463
Commissions to agents due or accrued	51,522	51,522
General expenses due or accrued	779,975	779,975
Taxes, licenses and fees due or accrued	59,481	59,481
Amounts withheld or retained by company as agent or trustee	4,316	4,316
Remittances and items not allocated	17,053	17,053
Miscellaneous liabilities:		
Asset valuation reserve	1,389,839	1,389,839
Total liabilities	\$9,361,256	\$9,361,256
Common capital stock	1,813,810	1,813,810
Gross paid in and contributed surplus	1,921,566	1,921,566
Unassigned funds (surplus)	13,287,193	13,287,193
Less treasury stock at cost	8,584,704	8,584,704
Capital and surplus	<u>\$8,437,865</u>	<u>\$8,437,865</u>
Total liabilities, surplus and other funds	<u>\$17,799,121</u>	<u>\$0</u> <u>\$17,799,121</u>

SUMMARY OF OPERATIONS

For the year ended December 31, 2008

Premiums and annuity considerations for life and accident and health	\$6,919,288
Net investment income	386,525
Amortization of Interest maintenance reserve	16,088
Commissions and expense allowances on reinsurance ceded	473,284
Miscellaneous income:	
Aggregate write-ins for miscellaneous income	\$378,403
Totals	8,173,588
Death benefits	\$1,034,147
Annuity benefits	\$92,157
Disability benefits and benefits under accident and health contracts	527,045
Increase in aggregate reserves for life and accident and health contracts	667,186
Totals	2,320,535
Commissions on premiums, annuity considerations and deposit-type contract funds	\$3,499,143
Commissions and expense allowances on reinsurance assumed	(30)
General insurance expenses	2,579,501
Insurance taxes, licenses and fees	291,649
Increase in loading on deferred and uncollected premiums	168
Total	8,690,966
Net gain from operations before dividends to policyholders and federal income taxes	(517,378)
Dividends to policyholders	0
Net gain from operations after dividends to policyholders and before federal income taxes	(517,378)
Federal & foreign income taxes incurred	0
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	(517,378)
Net realized capital gains (losses)	1,074,298
Net income	\$556,920

Capital and Surplus Account

Capital and surplus, December 31 prior year	\$7,523,928
Net income	556,920
Change in net unrealized capital gains or (losses)	(2,825,549)
Change in nonadmitted assets	3,342,538
Change in asset valuation reserve	(58,017)
Surplus adjustment:	
Paid in	232
Dividends to stockholders	(102,187)
Net change in capital and surplus for the year	\$913,937
Capital and surplus, December 31 current year	\$8,437,865

RECONCILIATION OF CAPITAL AND SURPLUS
FOR THE EXAMINATION PERIOD ENDED DECEMBER 31, 2008

	2006	2007	2008
Capital and surplus, beginning of year	\$9,398,958	\$8,025,734	\$7,523,928
Net income	(236,074)	(175,043)	556,920
Change in net unrealized capital gains (losses)	1,654,624	(1,846,347)	(2,825,549)
Change in nonadmitted assets	(2,014,861)	1,793,521	3,342,538
Change in asset valuation reserve	(673,618)	(152,283)	(58,017)
Surplus adjustment: Paid in			232
Dividends to stockholders	(103,295)	(121,654)	(102,187)
Examination adjustments	0	0	0
Capital and surplus, end of year	<u>\$8,025,734</u>	<u>\$7,523,928</u>	<u>\$8,437,865</u>

RECONCILIATION OF EXAMINATION CHANGES TO SURPLUS

No changes have been made to the capital and surplus total of \$8,437,866 as reported by the Company in its filed 2008 Annual Statement.

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Aggregate reserve for life contracts	\$4,476,343
Aggregate reserve for accident and health contracts	2,127,131
Contract claims – Life	247,044
Contract claims – Accident and health	193,089

An outside actuarial firm, appointed by the Company, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2008, made a reasonable provision for the above liabilities of the Company under the terms of its policies and agreements.

INS Consultants, Inc. (INS) was retained by the MID to conduct a review of the Company's reserves for the above liabilities as of December 31, 2008, in conjunction with the financial condition examination. INS found the Company's reserves at December 31, 2008 to be reasonably stated.

SUMMARY OF FINDINGS

Corporate Records

Based on a review of the minutes, it appears that the Board does not provide adequate oversight related to the operational aspects of the Company:

- The minutes did not indicate that a qualified actuary had been appointed or that the Actuarial Opinion had been presented to the Board annually in compliance with the NAIC Annual Statement Instructions.
- The minutes did reflect the activity of an Investment Committee. However, the minutes did not indicate the establishment of an Investment Committee or the identity of its members.
- The minutes did not address the change in external auditors in 2007 or the appointment of Carr, Riggs & Ingram as the external auditors for the years 2007 through 2009.
- The minutes did not mention the Board reviewing and accepting the Report on Examination as of December 31, 2005.
- The minutes did not consistently reflect the Board of Directors reviewing and accepting the annual CPA Audit Reports.

We recommend that the Board of Directors provide greater oversight over the operations of the Company and that the meeting minutes reflect all activity and pertinent decisions including all of the activities noted above.

Fidelity Bond and Other Insurance

At December 31, 2008, the Company and its subsidiary, Gulf Guaranty Insurance Company, were covered by a financial institutions bond with a \$75,000 single loss limit. The amount recommended by the NAIC for just the Company was \$200,000.

It is noted that a recommendation to increase the fidelity insurance was made in each of the last two Reports on Examination of the Company.

We again recommend that the fidelity coverage be increased to provide adequate protection for both companies.

Custodial Agreements

The Company's securities were held by Trustmark National Bank (Trustmark) and UBS Financial Services, Inc, (UBS). The Company had a custodial agreement with Trustmark. However, it did not conform to NAIC guidelines.

The Company did not have a custodial agreement with UBS.

The prior Report on Examination noted the same findings.

We again recommend that the Company have custodial agreements with all custodians of its investments and that those agreements comply with NAIC guidelines.


CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Gulf Guaranty Life Insurance Company** as of December 31, 2008, consistent with the insurance laws of the State of Mississippi.

In addition to the undersigned, the following participated in the examination:

Robert Rodack CPA, Supervising Insurance Examiner, INS Regulatory Insurance Services, Inc.; Beverly Dale, CFE, CPA, FLMI, CIE, Insurance Examiner, INS Regulatory Insurance Services, Inc.; Joseph C. Higgins, FSA, MAAA, Actuary, INS Consultants, Inc.; and Lawrence R. Lentini, CPA, President, INS Services, Inc.

Respectfully submitted,



James Russo
CFE, CFE (Fraud), CPCU, FLMI, CIE, CFSA
Examiner-in-Charge