



MISSISSIPPI INSURANCE DEPARTMENT

Report of Examination

of

PINE BELT LIFE INSURANCE COMPANY

as of

December 31, 2015

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

State of Mississippi,
County of Madison,

Kimberly Strong, being duly sworn, states as follows:

1. I have authority to represent the Mississippi Insurance Department in the examination of Pine Belt Life Insurance Company as of December 31, 2015.
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 Pine Belt 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.

Kimberly Strong
Kimberly Strong, CPA, CFE
Examiner-in-Charge

Subscribed and sworn before me by 26 on this May day of 2017.

(SEAL)
Demetrius A. Carr
Notary Public

My commission expires March 11 2019 [date].





MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MARK HAIRE
Deputy Commissioner of
Insurance

MISSISSIPPI INSURANCE DEPARTMENT

501 N. WEST STREET, SUITE 1001
WOOLFOLK BUILDING
JACKSON, MISSISSIPPI 39201
www.mid.ms.gov

MAILING ADDRESS
Post Office Box 79
Jackson, MS 39205-0079
TELEPHONE: (601) 359-3569
FAX: (601) 576-2568

May 1, 2017

Honorable Mike Chaney
Commissioner of Insurance
Mississippi Insurance Department
1001 Woolfolk Building
501 North West Street
Jackson, Mississippi 39201

Dear Commissioner Chaney:

Pursuant to your instructions and authorization and in compliance with statutory provisions, an examination has been conducted, as of December 31, 2015, of the affairs and financial condition of:

PINE BELT LIFE INSURANCE COMPANY

851 County Road 1519
P. O. Box 750
Bay Springs, Mississippi 39422

License #	NAIC Group #	NAIC #	FEETS #	MATS #
0700040	N/A	13158	13158-MS-2015-10	MS-MS099-7

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

SCOPE OF EXAMINATION

We have performed our single-state examination of Pine Belt Life Insurance Company (“Company” or “PBLIC”). The last examination covered the period of May 1, 2008 through December 31, 2010. This examination covers the period January 1, 2011 through December 31, 2015.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook*. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This examination report includes significant findings of fact 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

Previous Exam Comment and Recommendation #1: It was noted that the Company does not have a policy in place whereby disclosures are made to the Board of Directors of any material interest or affiliation on the part of any officer or director that was a conflict, or would likely be a conflict, with the official duties of such persons. It is recommended that the Company adopt a Conflict of Interest policy and require Board members to sign written statements annually regarding any current or potential conflicts.

It was noted during the current exam period that the Company was unable to locate Board executed conflict of interest statements for the years 2013 and 2016. See Conflict of Interest section of this report for additional information.

HISTORY OF THE COMPANY

The Company was incorporated on March 27, 2008, under the laws of the State of Mississippi for the purpose of writing industrial life insurance policies. The Company commenced operations on May 1, 2008, with its principal office located in Bay Springs, Mississippi.

The Company is a stock life insurance company. The Articles of Association authorized the Company to issue 100,000 shares of common stock, each reflecting a par value of \$1.00 per share. As of December 31, 2015, all of the authorized common capital stock was issued and owned by Colonial Telephone Company.

Effective January 1, 2013 the Company entered into a reinsurance assumption agreement with Unity Financial Life Insurance Company (“UFLIC or Reinsurer”) and ceased issuing new policies for insurance. As of the examination date the Company was collecting premiums and paying claims on premium paying policies and paid up policies with a value of \$500 or less issued prior to September 30, 2012.

CORPORATE RECORDS

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

Based on the review of the Board meeting minutes, it is recommended that the minutes of the meetings of the Board reflect the following:

- The minutes of the Board of Directors did not indicate review and approval of the engagement of the Consulting Actuary as required by NAIC *Annual Statement Instructions*. It is recommended that the Board of Directors implement policies and procedures to ensure that the engagement of the Consulting Actuary is approved by the Board of Directors in accordance with NAIC *Annual Statement Instructions*.
- The minutes of the Board of Directors did not include that the actuarial opinion had been presented to the Board on an annual basis in compliance with NAIC *Annual Statement Instructions*. It is recommended that the Board of Directors implement policies and procedures to ensure that the actuarial opinion is presented to and reviewed by the Board on an annual basis, in accordance with NAIC *Annual Statement Instructions*.

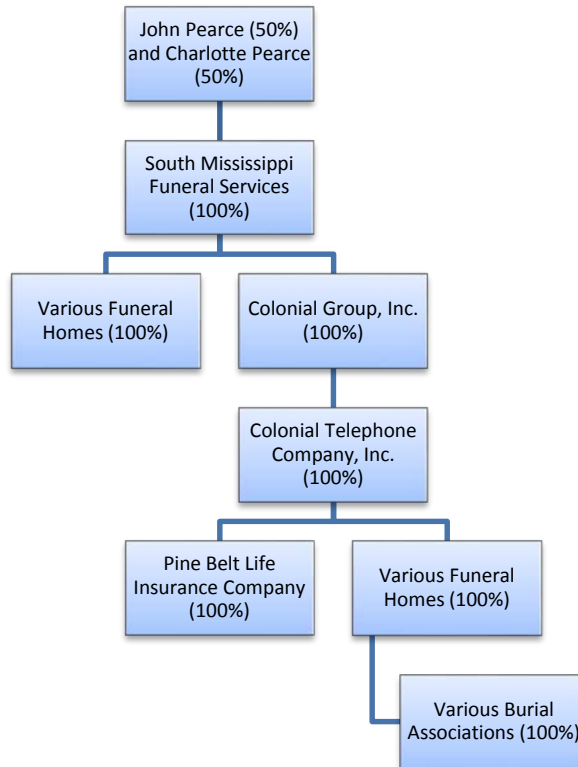
HOLDING COMPANY STRUCTURE

The Company is a member of an insurance holding company system as defined in Miss. Code Ann. §83-6-1. Holding Company Registration Statements were filed with the MID in accordance with Miss. Code Ann. §83-6-5 and §83-6-9. These statements and applicable amendments were

reviewed and it appeared that any changes and material transactions by and between the Company and its affiliates, as defined in the filed statements, were appropriately disclosed.

The following chart depicts the Company's ownership as of December 31, 2015:

Organizational Chart



Affiliated Companies

The ultimate controlling persons of the Company are John and Charlotte Pearce through their joint ownership of South Mississippi Funeral Services.

South Mississippi Funeral Services, LLC (“SMFS”): SMFS’s principal business activity is to serve as a holding company owning controlling stock interests in various funeral homes, an insurance company and a telephone company in Mississippi. SMFS owns 100% of the outstanding stock of Colonial Group, Inc.

Colonial Group (“CG”): CG, Inc. owns 20,416 shares of the Class A capital stock and 7,500 shares of the Class B voting shares in Colonial Telephone Company.

Colonial Telephone Company (“CTC”): CTC owns 100% of the outstanding stock of Pine Belt Insurance Company. CTC provides management, accounting and computer services as well as common office space to PBLIC.

Listed below are the various funeral homes, burial associations and other companies not illustrated above that were owned by John and Charlotte Pearce as December 31, 2015:

Funeral Homes, Burial Associations and Other Organizations		
Affiliate	Type of Entity	Direct Ownership
Wright & Ferguson Funeral Services, LLC	Funeral Home	John & Charlotte Pearce
Ellisville Funeral Home	Funeral Home	South Mississippi Funeral Services
Brookhaven Funeral Home Natchez Drive	Funeral Home	South Mississippi Funeral Services
Hathorn Funeral Home	Funeral Home	South Mississippi Funeral Services
Jones Funeral Home	Funeral Home	South Mississippi Funeral Services
Catchings Funeral Home	Funeral Home	South Mississippi Funeral Services
Frank J. Fisher Funeral Home	Funeral Home	South Mississippi Funeral Services
Frank J. Fisher Funeral Insurance Company	Burial Association	Frank J. Fisher Funeral Home
John’s Funeral Home	Funeral Home	Colonial Group
Hillcrest Memorial Gardens	Other	Colonial Telephone Company
Newton County Memorial Gardens	Other	Colonial Telephone Company
PLP, Inc.	Other	Colonial Telephone Company
Hartman Hughes Funeral Home	Funeral Home	Colonial Telephone Company
Colonial Chapel Inc.	Other	Colonial Telephone Company
Colonial Chapel of Jones & Covington County	Funeral Home	Colonial Telephone Company
Colonial Chapel of Bay Springs, Raleigh & Forest	Funeral Home	Colonial Telephone Company
Upton Mims Mitchell Funeral Home	Funeral Home	Colonial Telephone Company
Colonial Land & Mineral	Other	Colonial Telephone Company
BPM, Inc.	Other	Colonial Telephone Company
Noxapatertel, Inc.	Other	Colonial Telephone Company
Parker Burial Association	Burial Association	PLP, Inc.
Brookhaven Funeral Home	Funeral Home	PLP, Inc.

Brookhaven Funeral Insurance Company	Other	PLP, Inc.
Wilson Funeral Home	Funeral Home	Brookhaven Funeral Home
Capps Funeral Home	Funeral Home	Wilson Funeral Home
WRC Burial Association	Burial Association	Capps Funeral Home
Tylertown Burial Association	Burial Association	Capps Funeral Home
Capps Funeral Home, Inc.	Burial Association	Capps Funeral Home
Walthall Burial Association	Burial Association	Capps Funeral Home
CWT Burial Association	Burial Association	Capps Funeral Home
CCI Benefit Association, Inc.	Burial Association	Colonial Chapel, Inc.
CCS Burial Association, Inc.	Burial Association	Colonial Chapel, Inc.
CC Burial Association, Inc.	Burial Association	Colonial Chapel, Inc.
Magnolia Central Funeral Association	Burial Association	Colonial Chapel of Jones & Covington County
Magnolia Memorial Funeral Association	Burial Association	Colonial Chapel of Jones & Covington County
Magnolia Memorial Service Association	Other	Colonial Chapel of Jones & Covington County
Gold Key Burial Association, Inc.	Burial Association	Colonial Chapel of Bay Springs, Raleigh, & Forest
ForestLawn Burial Association, Inc.	Burial Association	Colonial Chapel of Bay Springs, Raleigh, & Forest
Magnolia Central Burial Association	Burial Association	Colonial Chapel of Bay Springs, Raleigh, & Forest
U & M Financial Insurance Corporation	Burial Association	Upton Mims Mitchell Benefit Corporation
H & M Benefit Corporation	Burial Association	Upton Mims Mitchell Benefit Corporation
Upton Mims Mitchell Benefit Corporation	Burial Association	Upton Mims Mitchell Benefit Corporation

Related Party Agreement

Service Agreement

Effective July 15, 2008, the Company entered into a service agreement with Colonial Telephone Company. Pursuant to this agreement, the Company received various services which included but were not limited to maintaining records and copies of life insurance policies, accounting services, and office space. Per the terms of the agreement, the Company paid CTC an amount equal to 2% of the monthly premium collections for the services rendered.

Effective July 1, 2012, the service agreement was amended to reflect compensation to be paid quarterly to CTC on or before thirty days of the last day of the end of the calendar quarter for all collections subsequent to the effective date of the amendment. The Second Amended Service Agreement was terminated effective January 1, 2013.

MANAGEMENT AND CONTROL

Stockholders

The Company is a Mississippi domestic stock insurance company whose common stock at December 31, 2015, was wholly owned by CTC. The ultimate controlling persons were John and Charlotte Pearce. The Company paid no dividends during the examination period.

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 a Director, and principal occupation, at December 31, 2015, were as follows:

Name and Place of Residence	Year Elected/Appointed	Principal Occupation
Charlotte Pearce Bay Springs, Mississippi	2008	President Pine Belt Life Insurance Company
John E. Pearce, Jr. Clinton, Mississippi	2008	Associate Commissioner of Finance & Administration
Christopher D. Stockman Laurel, Mississippi	2008	Insurance Agent, Farm Bureau Insurance Company

Committees

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

Officers

Name and Residence	Year Elected/Appointed	Title
Charlotte Pearce	2008	President
Christopher Stockman	2008	Vice-President
John E. Pearce, Jr.	2008	Secretary/Treasurer

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. The statements were reviewed, and no conflicts or exceptions to the Company's policies were noted. It was noted that the Company was unable to provide conflict of interest statements for the years 2013 and 2016. It is recommended that the Board execute conflict of interest statements annually and that the executed statements be

maintained with the Board minutes. See Subsequent Events section for additional information.

FIDELITY BOND AND OTHER INSURANCE

The Company maintained a business owner's policy that included coverage for employee theft with a limit of \$150,000. This amount meets the NAIC suggested minimum fidelity coverage for a company of its size. The Company also maintained an insurance program that appeared to provide adequate coverage to protect it from hazards that it may encounter.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

As of December 31, 2015, the Company did not provide any retirement or insurance plans for its employees.

TERRITORY AND PLAN OF OPERATION

The Company was licensed to issue industrial life and industrial accident and health insurance in the State of Mississippi. Industrial life companies can only issue policies with a maximum face value of \$10,000. During the examination period, the Company issued insurance contracts through affiliated funeral homes.

REINSURANCE

Effective January 1, 2013 the Company entered into a reinsurance assumption contract with Unity Financial Life Insurance Company ("UFLIC or Reinsurer") and ceased issuing new policies for insurance. Pursuant to this agreement, the Company ceded all contractual obligations and liabilities with respect to policies with a value greater than \$500 as of September 30, 2012. For each month after the effective date of the assumption reinsurance agreement, the Company is required to cede and the Reinsurer assumes all policies that have reached a paid up status and which have a death benefit of at least \$500.

GROWTH OF COMPANY

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

	2015	2014	2013	2012	2011
Capital and Surplus	\$ 569,887	\$ 571,534	\$ 506,770	\$ 416,355	\$ 334,472
Ratio of premiums to capital and surplus	0.79 to 1	1.17 to 1	1.67 to 1	2.84 to 1	3.77 to 1
Ratio of assets to liabilities	1.47 to 1	1.37 to 1	1.34 to 1	1.08 to 1	1.07 to 1
Ratio of premiums to expenses	0.99 to 1	1.11 to 1	1.12 to 1	1.06 to 1	1.07 to 1
Cash flows from operations	\$ 253,654	\$ 483,075	\$ 601,095	\$ 396,710	\$ 437,950
Net income (loss)	\$ (1,647)	\$ 64,764	\$ 90,415	\$ 81,883	\$ 85,092

ACCOUNTS AND RECORDS

The Company's 2015 trial balance was tied to the financial statements within the statutory annual statement filed with the MID, with no material exceptions noted. The Company was exempted from the annual audit requirement for the examination years 2013 - 2015 by the MID pursuant to Miss. Code Ann. § 83-5-104. An annual audit was performed for the years 2011 and 2012. The Company's aggregate reserve liability was calculated by a consulting actuarial firm.

The Company is licensed as an industrial life insurance company pursuant to Miss. Code Ann. § 83-19-31(1)(c), which requires the Company to maintain a minimum capital of \$100,000 and surplus of \$50,000. Pursuant to Miss. Code Ann. § 83-5-55, the Company is required to file an NAIC Life Annual Statement. The Company is also required to file a risk-based capital (RBC) report pursuant to Miss. Code Ann. § 83-5-401 through § 83-5-427.

The Company was unable to provide documentation to support the existence of an anti-money laundering program. It is recommended that the Company implement an anti-money laundering program that adheres to the requirements of the NAIC *Financial Condition Examiners Handbook*.

STATUTORY DEPOSITS

The Company's statutory deposits with the State of Mississippi complied with Miss. Code Ann. §83-19-31(2) and §83-7-21. The following chart displays the Company's deposits at December 31, 2014:

Description of Security	Book Value	Fair Value
Certificate of deposit	\$ 150,000	\$ 150,000
Total	<u>\$ 150,000</u>	<u>\$ 150,000</u>

FINANCIAL STATEMENTS

Introduction

The financial statements consist of a Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2015, a Summary of Operations for year ended December 31, 2015, a Reconciliation of Capital and Surplus for the examination period ended December 31, 2015.

The following financial statements are based on the statutory financial statements filed by the Company with the Mississippi Insurance Department and present the financial condition of the Company for the period ending December 31, 2015. The accompanying comments on financial statements reflect any examination 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, 2015**

Assets

Cash and short-term investments	\$	1,789,442
Uncollected premiums		2,073
Current federal income tax recoverable and interest thereon		3,606

Total assets		1,795,121
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Liabilities, surplus and other Funds

Aggregate reserve for life contracts	\$	1,206,958
Contract claims: life		10,000
Premiums received in advance		6,555
Interest Maintenance Reserve (IMR)		(3,154)
Commissions to agents due or accrued		938
General expenses due or accrued		99
Taxes, licenses and fees due or accrued		2,216
Payable to parent, subsidiaries and affiliates		1,622

Total liabilities		1,225,234
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Common capital stock, \$1 par value; 100,000 shares authorized; 100,000 shares issued and outstanding		100,000
Gross paid in and contributed surplus		200,000
Unassigned funds (surplus)		269,887

Total surplus and other funds		569,887
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Total liabilities, surplus and other funds		\$1,795,121
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Summary of Operations
For the examination period ended December 31, 2015

Revenue	
Premiums	\$ 450,594
Net investment income	80
Amortization of Interest Maintenance Reserve (IMR)	3,410
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Total income	454,084
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Expenses	
Death benefits	\$ 121,564
Increase in aggregate reserves for life policies	273,262
Commissions on premiums and annuity considerations	17,813
General insurance expenses	26,320
Insurance taxes, licenses and fees	14,995
Increase in loading on deferred and uncollected premiums	1,777
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Total expenses	455,731
<hr/>	
Net gain/(loss) from operations before dividends to policyholders and federal income tax	(1,647)
<hr/>	
Net income/(loss)	\$ (1,647)

**Reconciliation of Capital and Surplus
For the examination period ended December 31, 2015**

	2015	2014	2013	2012	2011
Capital and surplus, beginning of the year	\$ 571,534	\$ 506,770	\$ 416,355	\$ 334,472	\$ 249,380
Net income (loss)	(1,647)	64,764	90,415	81,883	85,092
Change in net unrealized capital gains	-	-	-	-	-
Change in net deferred asset	-	-	-	-	-
Change in non-admitted assets	-	-	-	-	-
Change in asset valuation reserve	-	-	-	-	-
Capital and surplus, end of the year	\$ 569,887	\$ 571,534	\$ 506,770	\$ 416,355	\$ 334,472

SUBSEQUENT EVENTS

Subsequent to the examination date, the officers of the Company executed conflict of interest statements for the years 2013 and 2016.

MARKET CONDUCT ACTIVITIES

A full market conduct examination was not conducted; however, specific areas of the market conduct activities were reviewed. The specific areas reviewed included those items as indicated below.

Policyholder Service

The Company maintained a complaint log during the period under examination. No complaints were noted in the examination period.

Underwriting and Rating

The Company appeared to be appropriately applying premium rates for insured policies based on contract data.

It appeared that all applicable policy forms had been appropriately approved by the MID.

Claims Handling

Claim files were reviewed for general indicators of policyholder treatment concerns without material exception.

Producer Licensing

As of the examination date, the Company was no longer actively issuing policies for insurance.

Privacy

Privacy notices were sent to the Company's policyholders annually which appeared to be in compliance with applicable laws and standards.

COMMITMENTS AND CONTINGENT LIABILITIES

During the examination period of January 1, 2011 through December 31, 2015, there was no litigation, commitments or other contingent liabilities to which the Company was a party.

COMMENTS AND RECOMMENDATIONS

The following comments and recommendations reflect findings as of the examination date. Updates or changes to the status of these items noted during the period subsequent to the examination date but prior to the issuance of the report are included in the “Subsequent Events” section of the report.

1. It is recommended that the Board of Directors review and approve the engagement of the Consulting Actuary and maintain documentation of this review within the meeting minutes in accordance with NAIC Annual Statement Instructions. (Page 4)
2. It is recommended that the Board of Directors implement policies and procedures to ensure that the actuarial opinion is presented to and reviewed by the Board on an annual basis, in accordance with NAIC Annual Statement Instructions. (Page 4)
3. It is recommended that the Board execute conflict of interest statements annually and that the executed statements be maintained with the Board minutes. (Page 8)
4. It is recommended that the Company implement an anti-money laundering program that adheres to the requirements of the NAIC *Financial Condition Examiners Handbook*. (Page 10)

ACKNOWLEDGMENT

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

Examiner-in-charge	Kimberly D. Strong, CPA, CFE
Administrative Examiner	Jimmy D. Blissett, CFE
Actuary	Mike Presley, FSA, MAAA
Actuary	John Humphries, ASA, MAAA, CFE, AES
Examiner	Ryan Dunbar

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

Respectfully submitted,



Kimberly Strong, CPA, CFE
Examiner-in-charge