

Report on
Market Conduct Examination

of the

Southern Farm Bureau Life Insurance Company
Jackson, Mississippi

by Representatives of the
North Carolina Department of Insurance

as of

May 21, 2014

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Raleigh, North Carolina
May 21, 2014

Honorable Wayne Goodwin
Commissioner of Insurance
Department of Insurance
State of North Carolina
Dobbs Building
430 N. Salisbury Street
Raleigh, North Carolina 27603

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

Honorable Commissioners:

Pursuant to your instructions and in accordance with the provisions of North Carolina General Statute (NCGS) 58-2-131 through 58-2-134, a compliance examination has been made of the market conduct activities of

Southern Farm Bureau Life Insurance Company (NAIC #68896)
NAIC Exam Tracking System Exam Number: NC299-M45
Jackson, Mississippi

hereinafter generally referred to as the Company, at the North Carolina Department of Insurance (Department) office located at 11 S. Boylan Avenue, Raleigh, North Carolina. A report thereon is respectfully submitted.

FOREWORD

This examination reflects the North Carolina insurance activities of Southern Farm Bureau Life Insurance Company. The examination is, in general, a report by exception. Therefore, much of the material reviewed will not be contained in this written report, as reference to any practices, procedures, or files that revealed no concerns were omitted.

SCOPE OF EXAMINATION

This compliance examination commenced on March 21, 2014, and covered the period of January 1, 2012, through December 31, 2012, with analyses of certain operations of the Company being conducted through May 14, 2014. This action was taken due to previous examination findings referenced in the Market Conduct Report of June 20, 2011.

The examination was arranged and conducted by the Department. It was made in accordance with Market Regulation standards established by the Department and procedures established by the National Association of Insurance Commissioners (NAIC) and accordingly included tests of underwriting and claims practices.

It is the Department's practice to cite companies in violation of a statute or rule when the results of a sample show errors/noncompliance at or above the following levels: 7 percent for claims and 10 percent for all other areas reviewed.

Previous Examination Findings

A general examination covering the period January 1, 2007, through December 31, 2009, was performed on the Company and a report dated June 20, 2011, was issued. The general examination report identified concerns in the areas of underwriting and claims practices. Specific previous violations relating to these areas are listed within the appropriate sections of the report.

EXECUTIVE SUMMARY

This market conduct examination revealed no concerns with Company procedures and practices in the following areas: underwriting and claims practices.

All North Carolina General Statutes and rules of the North Carolina Administrative Code cited in this report may be viewed on the North Carolina Department of Insurance Web Site www.ncdoi.com, by clicking “INSURANCE DIVISIONS” then “Legislative Services”.

All statutory violations may not have been discovered or noted in this report. Failure to identify statutory violations in North Carolina or in other jurisdictions does not constitute acceptance of such violations.

UNDERWRITING PRACTICES

Individual Non-Variable Life Issued Substandard

The Company’s underwriting practices were reviewed to determine adherence to Company guidelines and compliance with North Carolina statutes and rules.

The previous examination revealed the following:

- The Company was deemed to be in violation of the provisions of 11 NCAC 4.0507 as:
 - 1) 28.0 percent of the policy files did not contain a revised illustration that was sent to the insured at the time of policy delivery.
 - 2) 10.0 percent of the policy files contained an illustration that was sent to the insured at policy delivery that was not labeled “REVISED”.

Fifty policy files from a population of 823 were reviewed. **The current examination revealed the following:**

No adverse trends or unfair trade practices were observed in this section of the examination.

The average service time to underwrite and issue a policy was 32 calendar days. A chart of the service time follows:

Service Days	Number of Files	Percentage of Total
1 - 7	5	10.0
8 - 14	6	12.0
15 - 21	8	16.0
22 - 30	9	18.0
31 - 60	19	38.0
Over 60	3	6.0
Total	50	100.0

CLAIMS PRACTICES

Group Disability Claims Paid

The Company's claims practices were reviewed to determine adherence to Company guidelines and compliance with North Carolina statutes and rules.

The previous examination revealed the following:

- The Company was deemed to be in violation of the provisions of NCGS 58-3-100 as 30.4 percent of the claim files were not processed within 30 days and the files did not contain evidence that the Company acknowledged receipt of the claim.
- The Company was deemed to be in violation of the provisions of 11 NCAC 4.0319(5) as 39.1 percent of the claim files were not processed within 45 days and the files did not contain documentation that a status report was sent to the claimant.

The entire population of nine claim files was reviewed. **The current examination revealed the following:**

No adverse trends or unfair trade practices were observed in this section of the examination.

The average service time to process a claim payment was 67 calendar days. A chart of the service time follows:

Service Days	Number of Files	Percentage of Total
31 - 60	6	66.7
Over 60	3	33.3
Total	9	100.0

All claims that were paid in excess of 30 days contained acknowledgement letters and status reports.

CONCLUSION

A compliance examination has been conducted on the market conduct affairs of Southern Farm Bureau Life Insurance Company for the period of January 1, 2012, through December 31, 2012, with analyses of certain operations of the Company being conducted through May 14, 2014.

This examination was conducted in accordance with the North Carolina Department of Insurance and the National Association of Insurance Commissioners Market Regulation Handbook procedures, including analyses of Company operations in the areas of underwriting and claims practices.

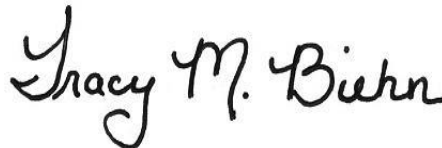
In addition to the undersigned, Marion Flemmings, HIA, HIPAAP, HCSA and Brian Dearden, CLU, ChFC, FLMI, ALHC, ACS, AIRC, AIAA, RHU, REBC, North Carolina Market Conduct Examiners, participated in this examination and in the preparation of this report.

Respectfully submitted,



Kim D. King, HIA, MHP, PAHM
Examiner-In-Charge
Market Regulation Division
State of North Carolina

I have reviewed this examination report and it meets the provisions for such reports prescribed by this Division and the North Carolina Department of Insurance.



Tracy Miller Biehn, LPCS, MBA
Deputy Commissioner
Market Regulation Division
State of North Carolina