O NEIL FRANK B
Form 5
February 14, 2007

# FORM 5

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

OMB APPROVAL
OMB Number: 3235-0362
Expires: January 31, 2005
Estimated average burden hours per response... 1.0

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).
Form 3 Holdings Reported
Form 4 Transactions Reported

## ANNUAL STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

1. Name and Address of Reporting Person *
O NEIL FRANK B

(Last) (First) (Middle)

(Street)

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(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
NATIONAL SECURITY GROUP INC [NSEC]

3. Statement for Issuer's Fiscal Year Ended (Month/Day/Year)
12/31/2006

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
__X__ Director
_____ 10% Owner
_____ Officer (give title below)
_____ Other (specify below)

6. Individual or Joint/Group Reporting
(check applicable line)
_X_ Form Filed by One Reporting Person
___ Form Filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1.Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | | | 5. Amount of Securities Beneficially Owned at end of Issuer's Fiscal Year (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Amount | (A) or (D) | Price | | | |
| Common Stock | Â | Â | Â | Â | Â | Â | 1,000 | D | Â |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

SEC 2270 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**
**(*e.g.*, puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative | 2. Conversion | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if | 4. Transaction | 5. Number | 6. Date Exercisable and Expiration Date | 7. Title and Amount of Underlying | 8. Price Deriva |
|---|---|---|---|---|---|---|---|---|

| Security (Instr. 3) | or Exercise Price of Derivative Security | | any (Month/Day/Year) | Code (Instr. 8) | of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | | (Month/Day/Year) | | Securities (Instr. 3 and 4) | | Securit (Instr. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | (A) | (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares | |
| Phantom Stock Units | $ 17.25 | 02/13/2007 | Â | J | 15 | Â | Â (1) | Â (2) | Phantom Stock Units | 15 | $ 17. |

# Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---|---|---|---|
| | Director | 10% Owner | Officer | Other |
| O NEIL FRANK B | Â X | Â | Â | Â |

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# Signatures

| | |
|---|---|
| Brian R. McLeod, Attorney-in-fact | 02/14/2007 |
| **Signature of Reporting Person | Date |

# Explanation of Responses:

***** If the form is filed by more than one reporting person, see Instruction 4(b)(v).

****** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

**(1)** The phantom stock units were awarded under the nonqualified deferred compensation plan in which directors could elect to defer their directors' fees by receiving phantom stock units payable in cash upon separation from service from the board. The plan was frozen on 12/31/2004. These shares were acquired during the fiscal year pursuant to the dividend reinvestment component of the nonqualified deferred compensation plan which was frozen on 12/31/2004.

**(2)** Upon separation from service from the Board, phantom stock units will be settled in cash at the then current market price of common stock.

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**Remarks:**

PertainsÂ toÂ phantomÂ stockÂ planÂ inÂ whichÂ electionÂ toÂ deferÂ feesÂ isÂ notÂ aÂ reportableÂ eventÂ underÂ Se
Â acquisitionsÂ ofÂ phantomÂ stockÂ pursuantÂ toÂ theÂ electionÂ areÂ reportable.Â Â TheseÂ deferralsÂ areÂ exemptÂ
Â ofÂ SectionÂ 16b-3(d).

Note: File three copies of this Form, one of which must be manually signed. If space provided is insufficient, *see* Instruction 6 for procedure.
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