

O NEIL FRANK B
Form 4
March 21, 2011

FORM 4

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

OMB APPROVAL

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

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

(Print or Type Responses)

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

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

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)

(Last) (First) (Middle)
2704 STONEHAVEN PLACE
(Street)

3. Date of Earliest Transaction (Month/Day/Year)
02/28/2011

Director 10% Owner
 Officer (give title below) Other (specify below)

BIRMINGHAM, AL 35242
(City) (State) (Zip)

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

6. Individual or Joint/Group Filing(Check Applicable Line)
 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 Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Ownership (Instr. 4) | |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|-------|
| | | | | (A) or (D) | Price | | | |
| | | | | Code | V | Amount | (D) | Price |

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

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

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

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| (Instr. 3) | Price of Derivative Security | (Month/Day/Year) | (Instr. 8) | Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | (Instr. 3 and 4) | (Instr. 5) | | | | | |
|---------------------------|------------------------------------|------------------|------------|---|------------------|------------|---------------------|--------------------|---------------------------|--|----------|
| | | | Code | V | (A) | (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares | |
| Phantom Stock Units | \$ 12.25 | 02/28/2011 | J | V | 4 | | <u>(1)</u> | <u>(3)</u> | Phantom Stock Units | 4 | \$ 12.25 |
| Phantom Stock Units | \$ 12.25 | 03/17/2011 | J | | | 137 | <u>(2)</u> | <u>(3)</u> | Phantom Stock Units | 137 | \$ 12.25 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---------------|-----------|---------|-------|
| | Director | 10% Owner | Officer | Other |
| O NEIL FRANK B 2704 STONEHAVEN PLACE BIRMINGHAM, AL 35242 | | | | X |

Signatures

Brian R. McLeod,
Attorney-in-fact

03/21/2011

__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. These shares were acquired during the fiscal year pursuant to the dividend reinvestment component of the nonqualified deferred compensation plan which was frozen 12/31/2004.

(2) 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 disposed of and distributed in cash.

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

Remarks:

Pertains to phantom stock plan in which election to defer fees is not a reportable event under Section 16, however acquisitions

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

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