

MURDOCK MICHEY L
 Form 5
 February 17, 2009

FORM 5

**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).
 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 *
 MURDOCK MICHEY L

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

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

(Last) (First) (Middle)

3. Statement for Issuer's Fiscal Year Ended (Month/Day/Year)
 12/31/2008

661 EAST DAVIS
 (Street)

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

6. Individual or Joint/Group Reporting
 (check applicable line)

ELBA, AL 36323

Form Filed by One Reporting Person
 Form Filed by More than One Reporting Person

(City) (State) (Zip)

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 Ownership (Instr. 4)
				(A) or (D) Price			
Common Stock	Â	Â	Â	Â Â Â	1,442	D	Â
Common Stock	Â	Â	Â	Â Â Â	21,796	I	By 401-K Plan

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 (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. F. Der. Sec. (Instr. 3 and 4)									
Phantom Stock Units	\$ 5.95	02/14/2009	02/14/2009	J	1,519	<table border="0"> <tr> <td>(A)</td> <td>(D)</td> <td>Date Exercisable</td> <td>Expiration Date</td> </tr> <tr> <td></td> <td>Â</td> <td>Â (1)</td> <td>Â (2)</td> </tr> </table>	(A)	(D)	Date Exercisable	Expiration Date		Â	Â (1)	Â (2)	Phantom Stock Units	1,519	\$
(A)	(D)	Date Exercisable	Expiration Date														
	Â	Â (1)	Â (2)														

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MURDOCK MICHEY L 661 EAST DAVIS ELBA, AL 36323	Â	Â	Â Officer	Â

Signatures

Brian R. McLeod,
Attorney-in-fact

02/17/2009

__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:

Pertains to phantom stock plan in which election to defer fees is not a reportable event under Section 16b-3(d) of phantom stock pursuant to the election are reportable. These deferrals are exempt of Section 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. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.