



MISSISSIPPI INSURANCE DEPARTMENT

501 N. WEST STREET, SUITE 1001
WOOLFOLK BUILDING
JACKSON, MISSISSIPPI 39201
www.doi.state.ms.us

MAILING ADDRESS
Post Office Box 79
Jackson, Mississippi 39205-0079
TELEPHONE: (601) 359-3569
FAX: (601) 359-2474
WATS: 1-800-562-2957 (Incoming - USA)

MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

February 2, 2009

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Mr. Dick Stephen Taylor, President
Versant Casualty Insurance Company
9016 Bluebonnet Boulevard
Baton Rouge, LA 70810

RE: Report of Examination as of December 31, 2007

Dear Mr. Taylor:

In accordance with Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999), an examination of your Company has been completed. Enclosed herewith is the Order adopting the report and a copy of the final report as adopted.

Pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 1999), the Mississippi Department of Insurance shall continue to hold the content of said report as private and confidential for a period of ten (10) days from the date of the Order. After the expiration of the aforementioned 10-day period, the Department will open the report for public inspection.

If you have any questions or comments, please feel free to contact me.

Sincerely,

GEORGE DALE
COMMISSIONER OF INSURANCE

BY J. Mark Haire  (CK)
J. Mark Haire
Special Assistant Attorney General

GD/JMH/bs
Encls. Order w/exhibit

**BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF MISSISSIPPI**

**IN RE: REPORT OF EXAMINATION OF VERSANT
 CASUALTY INSURANCE COMPANY**

CAUSE NO. 09-5859

ORDER

THIS CAUSE came on for consideration before the Commissioner of Insurance of the State of Mississippi ("Commissioner"), or his designated appointee, in the Offices of the Commissioner, 1001 Woolfolk Building, 501 North West Street, 10th Floor, Jackson, Hinds County, Mississippi, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999). The Commissioner, having fully considered and reviewed the Report of Examination together with any submissions or rebuttals and any relevant portions of the examiner's work papers, makes the following findings of fact and conclusions of law, to-wit:

JURISDICTION

I.

That the Commissioner has jurisdiction over this matter pursuant to the provisions of Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999).

II.

That Versant Casualty Insurance Company is a Mississippi-domiciled Company licensed to write Casualty/Liability coverages.

FINDINGS OF FACT

III.

That the Commissioner, or his appointee, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999), called for an examination of Versant Casualty Insurance Company and appointed Brian Spong, Examiner-In-Charge, to conduct said examination.

IV.

That on or about November 7, 2008, the draft Report of Examination concerning Versant Casualty Insurance Company for the period of January 1, 2005 through December 31, 2007, was submitted to the Department by the Examiner-In-Charge, Brian Spong.

V.

That on or about December 23, 2008, pursuant to Miss. Code Ann. § 83-5-209(2) (Rev. 1999), the Department forwarded to the Company a copy of the draft report and allowed the Company a 30-day period to submit any rebuttal to the draft report. On or about January 20, 2009, the Department received the Company's rebuttal and in response thereto, minor revisions were made to draft report.

CONCLUSIONS OF LAW

VI.

The Commissioner, pursuant to Miss. Code Ann. § 83-5-209(3) (Rev. 1999), must consider and review the report along with any submissions or rebuttals and all relevant portions of examiner work papers and enter an Order: (1) adopting the Report of Examination as final or with modifications or corrections; (2) rejecting the Report of Examination with directions to reopen; or (3) calling for an investigatory hearing.

IT IS, THEREFORE, ORDERED, after reviewing the Report of Examination, all relevant examiner work papers and the Company's rebuttal, that the revised Report of Examination of Versant Casualty Insurance Company attached hereto as Exhibit "A", should be and same is hereby adopted as final.

IT IS FURTHER ORDERED that a copy of the adopted Report of Examination, accompanied with this Order, shall be served upon the Company by certified mail, postage pre-paid, return receipt requested.

IT IS FURTHER ORDERED that the Mississippi Department of Insurance shall continue to hold the content of this report as private and confidential for a period of ten (10) days from the date of this Order, pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 1999).

IT IS FURTHER ORDERED, pursuant to Miss. Code Ann. § 83-5-209(4) (Rev. 1999), that within thirty (30) days of the issuance of the adopted report, Versant Casualty Insurance Company shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related orders.

IT IS FURTHER ORDERED that Versant Casualty Insurance Company take the necessary actions and implement the necessary procedures to ensure that all recommendations contained in the Report of Examination are properly and promptly complied with.

SO ORDERED, this the 2nd day of February, 2009.

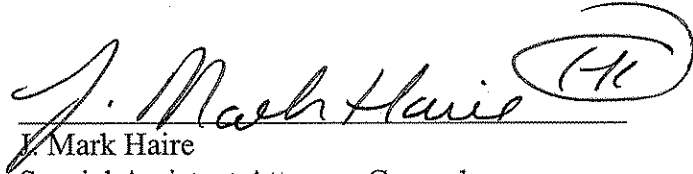

MIKE CHANEY
COMMISSIONER OF INSURANCE

CERTIFICATE OF MAILING

I hereby certify that a true and correct copy of the above and foregoing Order and a copy of the final Report of Examination, as adopted by the Mississippi Department of Insurance, was sent by certified mail, postage pre-paid, return receipt requested, on this the 2nd day of February, 2009,

to:

**Mr. Dick Stephen Taylor, President
Versant Casualty Insurance Company
9016 Bluebonnet Boulevard
Baton Rouge, LA 70810**


J. Mark Haire
Special Assistant Attorney General

J. Mark Haire
Special Assistant Attorney General
Counsel for the Mississippi Department of Insurance
Post Office Box 79
Jackson, MS 39205-0079
(601) 359-3577
Miss. Bar No. 2065



Mississippi Insurance Department

Report of Examination

of

Versant Casualty Insurance Company

**633 North State Street
Jackson, Mississippi 39202**

As of December 31, 2007

NAIC Company Group Code 0905

NAIC Company Code 11124

NAIC ETS No. MS029-C51

**VERSANT CASUALTY INSURANCE COMPANY
EXAMINATION REPORT TABLE OF CONTENTS
DECEMBER 31, 2007**

Examiner Affidavit	1
Salutation	2
Introduction.....	2
Scope of Examination	3
History of the Company	3
Holding Company Structure	3
Management and Control.....	5
Corporate Records	7
Fidelity Bonds.....	7
Directors', Officers', Employees', and Agents' Welfare	7
Accounts and Records.....	7
Statutory Deposits.....	7
Financial Statements:	
Introduction.....	8
Statement of Admitted Assets, Liabilities, Surplus and Other Funds	9
Statement of Income	10
Reconciliation of Capital and Surplus.....	11
Reconciliation of Examination Changes to Surplus and Other Funds	12
Market Conduct Activities	13
Acknowledgement	14

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


State of Mississippi,

County of Hinds,

Brian E. Spong, CFE, CPA, CFF, being duly sworn, states as follows:

1. I have authority to represent the State of Mississippi in the examination of Versant Casualty Insurance Company as of December 31, 2007.
2. The Mississippi Insurance Department is accredited under the National Association of Insurance Commissioners' Financial Regulation Accreditation Standards.
3. I have prepared the examination report and working papers, and the examination of Versant Casualty Insurance Company, as of December 31, 2007, was performed in a manner consistent with the standards and procedures required by the National Association of Insurance Commissioners and the Mississippi Insurance Department.

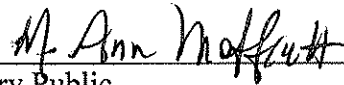
The affiant says nothing further.



Brian E. Spong, CFE, CPA, CFF
Examiner-In-Charge

Subscribed and sworn before me by Brian E. Spong on January 26, 2009.

(SEAL)



Notary Public

My commission expires _____
MY COMMISSION EXPIRES JULY 25, 2010



MISSISSIPPI INSURANCE DEPARTMENT

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

MAILING ADDRESS
Post Office Box 79
Jackson, Mississippi 39205-0079
TELEPHONE: (601) 359-3569
FAX: (601) 359-2474
WATS: 1-800-562-2957 (Incoming - USA)

MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

October 24, 2008

Honorable Mike Chaney
Commissioner of Insurance
State Fire Marshal
Mississippi Insurance Department
501 N. West Street
1001 Woolfolk Building (39201)
Post Office Box 79
Jackson, Mississippi 39205-0079

Dear Commissioner Chaney:

Pursuant to your instructions and authorization, and in compliance with statutory provisions, an examination as of December 31, 2007 has been conducted of the affairs and financial condition of:

VERSANT CASUALTY INSURANCE COMPANY

(NAIC COMPANY CODE: 11124; GROUP CODE 0905)

Statutory Home Office:

633 North State Street
Jackson, Mississippi 39202

The examination was performed at Versant Casualty Insurance Company's (VCIC or Company) Main Administrative Office located at 9016 Bluebonnet Boulevard, Baton Rouge, Louisiana 70810. The examination was conducted in accordance with Miss. Code Ann. §83-5-201 et seq., and the report of examination is herewith submitted for your review.

INTRODUCTION

The examination period, for purposes of this report, is defined as January 1, 2005 through December 31, 2007, and the examination date is December 31, 2007. The examination was performed by examiners representing the MID and covered VCIC's operations and financial condition through the examination period, including material transactions and/or events that occurred subsequent to the examination date and were noted

during the course of the examination. The Company's previous examination was as of December 31, 2004, and the previous report of examination was dated March 24, 2006.

SCOPE OF EXAMINATION

The examination of the Company was a full scope financial examination conducted in a manner consistent with the standards and procedures required by the National Association of Insurance Commissioners' (NAIC) Financial Condition Examiners Handbook, as well as the MID, and included an assessment of the Company's financial condition, its ability to fulfill and manner of fulfillment of its obligations, the nature of its operations, and compliance with applicable laws. A full scope market conduct examination was not performed, however, limited procedures were performed on certain areas of the Company's market conduct. The financial statements for the Company's related entities were not examined. The transactions between the Company and its related entities were examined.

HISTORY OF THE COMPANY

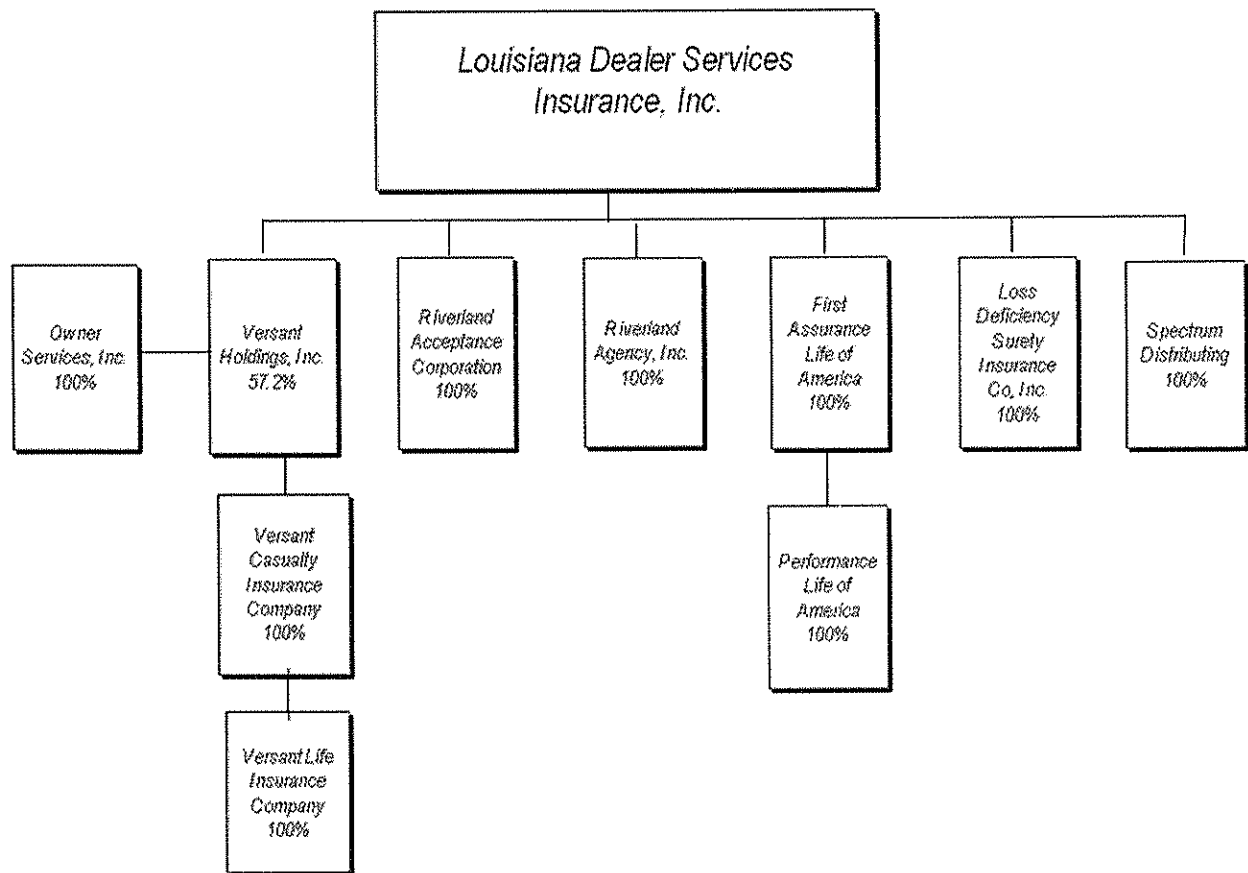
The Company, incorporated in December of 2000, was initially licensed by the MID in April of 2001. The Company was organized with the specific intent to carry on the business commonly known as vehicle service contract reimbursement insurance, as provided for by Miss. Code Ann. §83-65-101. The authorized stock of the Company at the time of incorporation was 1,000,000 shares of common stock; par value \$1 per share. At December 31, 2007, the Company had 400,000 shares issued and outstanding to Versant Holdings, Inc., which was controlled by Louisiana Dealer Services Insurance, Inc.

HOLDING COMPANY STRUCTURE

Organizational Structure

The Company, as defined within Miss. Code Ann. §83-6-1, is a member of a insurance holding company system. For each year under examination, in accordance with Miss. Code Ann. §§ 83-6-5 and 83-6-9, the Company appropriately filed Holding Company Registration Statements with the MID.

Louisiana Dealer Services Insurance, Inc. (LDS), a vehicle mechanical breakdown insurer incorporated in May of 1977, had, according to its December 31, 2007 independent audit report, assets in excess of \$144 million and capital and surplus of approximately \$58 million. Further, as of December 31, 2007, LDS had 21,080 common shares issued (22,000 shares authorized; \$50 stated value per share), with 10,094 of these shares being outstanding and 10,986 being held in treasury. The majority of the outstanding stock was owned by individuals associated with automobile dealerships, with no one person controlling more than 4%. The organizational chart for LDS, followed by a brief description of its subsidiaries and transactions with the Company, as of December 31, 2007, follows:



Versant Holdings, Inc. (VHI): This company was a 57.2% owned subsidiary of LDS. Through its directly and indirectly owned subsidiaries, VHI provided vehicle service contracts, guaranteed automotive protection coverage (GAP), and credit life and credit disability insurance to consumers. VHI, during the examination period, did not have any significant operating activities independent of its subsidiaries.

Owner Services, Inc. (OSI): This company, a wholly owned subsidiary of VHI, issued vehicle service contracts that provided protection against the risk of economic loss resulting from mechanical failure of specified automobiles and truck part components, and also issued GAP contracts.

Versant Casualty Insurance Company (VCIC): The Company, a Mississippi-domiciled casualty insurance company, and wholly owned by VHI, provided reimbursement coverage to OSI for vehicle service and GAP contracts.

Versant Life Insurance Company: This company, a Mississippi-domiciled life insurance company, whose voting stock was wholly owned by VCIC, issued credit life and credit disability policies, sold mostly through automobile dealerships.

Riverland Acceptance Corporation: This company, a wholly owned subsidiary of LDS, financed premiums for vehicle mechanical breakdown contracts written by LDS.

Riverland Agency, Inc.: This company, a wholly owned subsidiary of LDS, provided administrative services for vehicle mechanical breakdown insurers.

First Assurance Life of America (FAL): This company, a wholly owned subsidiary of LDS, issued credit life and credit accident and health insurance in the State of Louisiana.

Performance Life of America: This company, whose voting stock was wholly owned by First Assurance Life of America, reinsured credit life and credit accident and health insurance written by First American Life of America.

Loss Deficiency Surety Insurance Co., Inc.: This company, a wholly owned subsidiary of LDS, issued guaranteed automotive protection insurance policies.

Spectrum Distributing: This company, a wholly owned subsidiary of LDS, was inactive during the examination period.

Related Party Agreements and Transactions

The Company paid OSI a commission based on earned premiums less claims incurred. For service contracts the commission rate was 42% of earned premiums less paid claims. For GAP waiver addendum contracts, the commission was 25% of earned premiums less incurred claims, or \$2,000 monthly (increased to \$4,000 monthly, starting March 2008), whichever was greater. In 2005, the Company paid OSI a 30% commission of earned premiums less incurred claims. The amounts paid, under these agreements, was \$721,900 in 2007, \$654,000 in 2006, and \$335,000 in 2005. The administrative services and retroactive compensation agreement between OSI and the Company were filed with the MID.

MANAGEMENT AND CONTROL

Stockholders

The Company is a Mississippi domestic stock casualty/liability insurance company that, at the examination date, had 400,000 shares of common capital stock issued and outstanding to Versant Holdings, Inc., which was controlled by Louisiana Dealer Services Insurance, Inc.

Board of Directors

The Articles and Bylaws vest the management and control of the Company's business affairs with the Board of Directors (Board). The members of the duly elected Board, along with their place of residence and principal occupation, as of the examination date, follows:

<u>Name and Place of Residence</u>	<u>Principal Occupation</u>
Mr. Richard Hobbs Barker, III Houma, Louisiana	President Terrebonne Motor Company
Mr. Ross Early Downing Hammond, Louisiana	President Ross Downing Chevrolet

<u>Name and Place of Residence</u>	<u>Principal Occupation</u>
Mr. James Bailey Estabrook, Jr. Pascagoula, Mississippi	President Estabrook Motor Company, Inc.
Mr. James Allan Jones Greenwood, Mississippi	President Buddy Jones Ford-Lincoln-Mercury, Inc.
Mr. Dick Stephen Taylor Baton Rouge, Louisiana	President Louisiana Dealer Services Ins., Inc.
Mr. Daniel Wayne Hammett Natchez, Mississippi	President Southland Mazda
Mr. Larry Dean Hart Biloxi, Mississippi	President Bayside Chrysler-Plymouth-Dodge
Mr. Arthur James Oustalet, III Pass Christian, Mississippi	President Butch Oustalet, Inc.
Mr. Michael Evans Ryan Hattiesburg, Mississippi	President Ryan Motors, Inc.
Mr. Robert Tucker Weinmann Metairie, Louisiana	President Champion Chrysler Dodge
Mr. William Bruce Herring, Jr. Picayune, Mississippi	President Dub Herring Ford
Mr. Matthew George McKay Baton Rouge, Louisiana	President All Star Automotive Group

Officers

The following officers were duly elected by the Board and held the following offices as of December 31, 2007:

<u>Name</u>	<u>Title</u>
Mr. Dick Stephen Taylor	President
Mr. James Bailey Estabrook, Jr.	Secretary
Mr. Arthur James Oustalet, III	Treasurer
Mr. Michael Evans Ryan	Vice President
Mr. Mark Jeffrey Paxton	Operations Officer
Mr. James Allan Jones	Assistant Treasurer
Mr. Joseph Raymond Beatty	Assistant Treasurer & Asst. Secretary

Conflict of Interest

The Company's officers and directors prepared conflict of interest statements that covered the examination period, and no material interest or affiliation on the part of any officer or director that was, or would likely be, a conflict with their duties was noted.

CORPORATE RECORDS

The minutes of the meetings of the Stockholders and Board, prepared during the period under examination, were reviewed and appeared to be complete with regard to the recording of actions on the matters brought up at the meetings for deliberation and/or approval.

FIDELITY BONDS

The Company had fidelity coverage that also covered its affiliated companies and, with its \$1 million single loss limit of liability, this policy exceeded the coverage amount recommended by the NAIC.

DIRECTORS', OFFICERS', EMPLOYEES', AND AGENTS' WELFARE

The Company, during the examination period, did not have direct personnel nor did it provide any benefits or welfare programs for its directors or officers.

ACCOUNTS AND RECORDS

The Company utilized an IBM AS400 operating system for the processing of its records and was annually audited by Ernst & Young, Certified Public Accountants.

STATUTORY DEPOSITS

At the examination date, the Company's statutory deposits with the State of Mississippi, as displayed individually below, complied with applicable laws and the values of these deposits were examined without significant exception.

Description of Security	Book Value	Fair Value
Certificate of deposit	\$100,000	\$100,000
Certificate of deposit	<u>100,000</u>	<u>100,000</u>
Total	\$200,000	\$200,000

FINANCIAL STATEMENTS

The following financial statements consist of a Statement of Admitted Assets, Liabilities, Surplus and Other Funds at December 31, 2007, a Statement of Income for year ended December 31, 2007, a Reconciliation of Capital and Surplus for examination period ended December 31, 2007, and a Reconciliation of Examination Changes to Surplus and Other Funds for Year Ended December 31, 2007.

VERSANT CASUALTY INSURANCE COMPANY
STATEMENT OF ADMITTED ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS
DECEMBER 31, 2007

Admitted Assets

Bond	\$9,434,404
Common stocks	2,785,460
Cash and short term investments	2,182,903
Investment income due and accrued	159,605
Uncollected premiums	207,883
Other receivable	59,536
Net deferred tax asset	<u>146,627</u>
Total Admitted Assets	<u>\$14,976,418</u>

Liabilities, Surplus and Other Funds

Losses	\$363,451
Other expenses	52,648
Taxes, licenses and fees	20,520
Current federal income taxes	336,185
Unearned premiums	9,565,319
Payable to parent, subsidiaries and affiliates	<u>68,822</u>
Total Liabilities	<u>10,406,945</u>
Common capital stock	400,000
Gross paid in and contributed surplus	2,464,191
Unassigned funds	<u>1,705,282</u>
Total Capital and Surplus	<u>4,569,473</u>
Total Liabilities, Surplus and Other Funds	<u>\$14,976,418</u>

VERSANT CASUALTY INSURANCE COMPANY
STATEMENT OF INCOME
FOR YEAR ENDED DECEMBER 31, 2007

Revenue:	
Net premiums written	\$4,739,489
Less increase in unearned premium reserve	<u>1,219,372</u>
Premiums earned	3,520,117
Benefits and expenses:	
Policy claims incurred	1,949,568
Other underwriting expenses incurred	<u>876,336</u>
	<u>2,825,904</u>
Net underwriting gain	694,213
Net investment income	513,964
Realized capital losses	<u>(11,195)</u>
Income before income taxes	1,196,982
Income tax expense	<u>493,586</u>
Net income	<u>\$ 703,396</u>

**VERSANT CASUALTY INSURANCE COMPANY
RECONCILIATION OF CAPITAL AND SURPLUS
FOR EXAMINATION PERIOD ENDED DECEMBER 31, 2007**

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Surplus as regards policyholders, beginning of year	\$2,261,922	\$2,416,147	\$3,430,587
Net income	(653,906)	779,567	703,396
Change in net unrealized capital gains	(76,912)	252,749	416,514
Change in net deferred income tax	195,926	89,163	85,310
Change in non-admitted assets	(110,883)	(107,039)	(66,334)
Paid in surplus	800,000	0	0
Examination adjustments	<u>0</u>	<u>0</u>	<u>0</u>
Surplus as regards policyholders, end of year	<u>\$2,416,147</u>	<u>\$3,430,587</u>	<u>\$4,569,473*</u>

*The Company's surplus, as determined by the examination, was in compliance with Miss. Code Ann. §83-19-31, which requires the Company to maintain \$400,000 in capital and \$600,000 in surplus.

**VERSANT CASUALTY INSURANCE COMPANY
RECONCILIATION OF EXAMINATION CHANGES TO SURPLUS AND OTHER FUNDS
FOR YEAR ENDED DECEMBER 31, 2007**

<u>ASSETS</u>	<u>BALANCE PER ANNUAL STATEMENT</u>	<u>BALANCE PER EXAMINATION</u>	<u>INCREASE (DECREASE) IN SURPLUS</u>
---------------	---	--	---

The examination did not produce any material adjustments to the asset amounts reported by the Company within their filed annual statement.

LIABILITIES

The examination did not produce any material adjustments to the liability amounts reported by the Company within their filed annual statement.

MARKET CONDUCT ACTIVITIES

A market conduct examination, in accordance with the NAIC's Market Conduct Handbook, was not performed, however, particular areas of the Company's market conduct were examined in connection with the financial examination. The particular areas reviewed, and any noted exceptions, follows:

Complaint Handling

The Company did not have any complaints for the period under examination.

Marketing and Sales and Producer Licensing

The Company, during the examination period, issued reimbursement coverage to OSI, an affiliated company, for vehicle service and GAP contracts, thus no marketing or licensed agents were necessary.

Underwriting and Rating

The Company had appropriate licensure, and the policy forms and rate filings were approved by the MID.

Claims

A review of the Company's claims did not produce any significant exceptions.

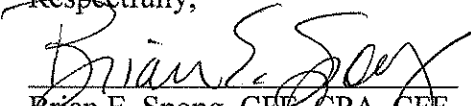
Territory and Plan of Operation

The Company was licensed in the State of Mississippi to issue casualty/liability coverage and, during the period under examination, the Company issued reimbursement coverage to OSI, an affiliated company, for vehicle service and GAP contracts.

ACKNOWLEDGEMENT

In addition to the undersigned, Mr. Joseph R. May, CFE, CPA, CMA, CIE, who represented the MID as Manager of Field Examinations, also participated in this examination. Together, we hereby acknowledge the courteous cooperation extended by the Company during this examination.

Respectfully,



Brian E. Spong

Brian E. Spong, CFE, CPA, CFF
Examiner-In-Charge