



## MISSISSIPPI INSURANCE DEPARTMENT

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

MIKE CHANEY  
Commissioner of Insurance  
State Fire Marshal

MARK HAIRE  
Deputy Commissioner of Insurance

MAILING ADDRESS  
Post Office Box 79  
Jackson, Mississippi 39205-0079  
TELEPHONE: (601) 359-3569  
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March 7, 2012

### CERTIFIED MAIL RETURN RECEIPT REQUESTED

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

**RE: Report of Examination as of December 31, 2010**

Dear Mr. Taylor:

In accordance with Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011), 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. 2011), 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,

MIKE CHANEY  
COMMISSIONER OF INSURANCE

BY

A handwritten signature in black ink, appearing to read "Christina J. Kelsey", written over a horizontal line.

Christina J. Kelsey  
Senior Attorney

MC/CJK/bs  
Encls. Order w/exhibit

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

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

**CAUSE NO. 12-6477**

**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. 2011). 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. 2011).

**II.**

That Versant Life Insurance Company is a Mississippi-domiciled Company licensed to write Life; Credit Life; Credit Accident and Health; and Accident and Health coverages.

## **FINDINGS OF FACT**

### **III.**

That the Commissioner, or his appointee, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011), called for an examination of Versant Life Insurance Company and appointed Sarah Lucibello, Examiner-In-Charge, to conduct said examination.

### **IV.**

That on or about January 31, 2012, the draft Report of Examination concerning Versant Life Insurance Company for the period of January 1, 2008 through December 31, 2010, was submitted to the Department by the Examiner-In-Charge, Sarah Lucibello.

### **V.**

That on or about February 23, 2012, pursuant to Miss. Code Ann. § 83-5-209(2) (Rev. 2011), the Department forwarded to the Company a copy of the draft report and allowed the Company a 15-day period to submit any rebuttal to the draft report. On or about February 28, 2012, the Company responded via email 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. 2011), 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 Life 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. 2011).

**IT IS FURTHER ORDERED**, pursuant to Miss. Code Ann. § 83-5-209(4) (Rev. 2011), that within thirty (30) days of the issuance of the adopted report, Versant Life 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 Life 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.

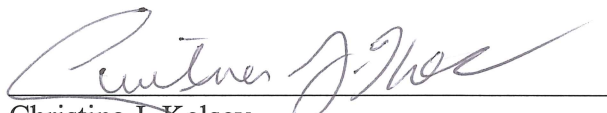
**SO ORDERED**, this the 2<sup>nd</sup> day of March 2012.

  
\_\_\_\_\_  
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 7<sup>th</sup> day of March 2012, to:

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

  
\_\_\_\_\_  
Christina J. Kelsey  
Senior Attorney

Christina J. Kelsey  
Senior Attorney  
Counsel for the Mississippi Department of Insurance  
Post Office Box 79  
Jackson, MS 39205-0079  
(601) 359-3577  
Miss. Bar No. 9853



# **Mississippi Insurance Department**

**Report of Examination**

**of**

**VERSANT LIFE INSURANCE COMPANY**

**as of**

**December 31, 2010**

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

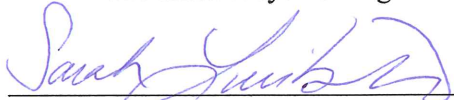
State of Illinois,

County of DuPage,

Sarah Lucibello, being duly sworn, states as follows:

1. I have authority to represent the Mississippi Insurance Department in the examination of Versant Life Insurance Company.
2. The Mississippi Insurance Department is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Versant Life Insurance Company was performed in a manner consistent with the standards and procedures required by the Commissioner of Insurance of the State of Mississippi.

The affiant says nothing further.

  
\_\_\_\_\_  
Sarah Lucibello, CPA, CFE, CIA  
Examiner-in-charge

Subscribed and sworn before me by Kelly A. Rogers on this 29 day of February 2012.

(SEAL)

  
\_\_\_\_\_  
Notary Public



My commission expires August 26, 2012 [date].



**MIKE CHANEY**  
Commissioner of Insurance  
State Fire Marshal

**MARK HAIRE**  
Deputy Commissioner of  
Insurance

## MISSISSIPPI INSURANCE DEPARTMENT

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January 20, 2012

Honorable Mike Chaney  
Commissioner of Insurance  
Mississippi Insurance Department  
1001 Woolfolk Building  
501 North West Street  
Jackson, Mississippi 39201

Dear Commissioner Chaney:

Pursuant to your instructions and authorization and in compliance with statutory provisions, an examination has been conducted, as of December 31, 2010, of the affairs and financial condition of:

**VERSANT LIFE INSURANCE COMPANY**  
**COMPANY LICENSE # 0000009**  
**NAIC COMPANY CODE 93650**  
633 North State Street  
Jackson, MS 39202

License #	NAIC Group #	NAIC #	FEETS#	ETS#
0000009	905	93650	93650-MS-2010-2	MS120-M11

This examination was commenced in accordance with Miss. Code Ann. § 83-5-201 et seq. and the report of examination is herewith submitted.

## **INTRODUCTION**

This examination was performed by examiners representing the Mississippi Insurance Department (“MID”) and covered Versant Life Insurance Company (“Company”) operations and financial condition from January 1, 2008 through December 31, 2010, including material transactions and/or events occurring subsequent to the examination date through January 20, 2012.

## **SCOPE OF EXAMINATION**

We have performed our examination of Versant Life Insurance Company. The last exam was completed as of December 31, 2007. This examination covered the period of January 1, 2008 through December 31, 2010.

Concurrent with this examination, we conducted an examination of the Company’s parent, Versant Casualty Insurance Company (“Versant Casualty”) as of December 31, 2010. An examination report for Versant Casualty will be issued under separate cover.

We conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statutory Accounting Principles and annual statement instructions, when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

Reporting in the comments and recommendations section of this report was by exception; therefore, items that were tested and deemed acceptable by the examiners without material change receive little or no comment.

## **COMMENTS AND RECOMMENDATIONS OF PREVIOUS EXAMINATION**

There were no comments and/or recommendations deemed necessary for purposes of the previous examination report.

## **HISTORY OF THE COMPANY**

The Company, incorporated in December of 1999, was initially licensed by the MID in May of 2000. The purpose of the Company's organizing included carrying on the business commonly known as credit life, and credit accident and health insurance; providing insurance on the life of a debtor in connection with a specific loan or other credit transactions; providing insurance on a debtor to provide indemnity for payments becoming due on a specific loan or other credit transactions while the debtor is disabled as defined in the policy; and providing any and all other types of insurance contracts permitted by law, as well as entering into reinsurance agreements with other insurance companies.

The authorized stock of the Company at the time of incorporation was 1,000,000 shares of Class A Voting Common Stock, par value \$1 per share, and 100,000 shares of Class B Non-Voting Common Stock, par value \$1 per share, divided into and issued in 10,000 separate series designated by the number one (1) and ending with the series designated by the number ten-thousand (10,000), each series having ten (10) authorized shares. The Articles of Association were amended in March 2000, authorizing the aggregate number of stock that can be issued by the Company to be 200,000 shares, with 100,000 shares being Class A Voting Common Stock, par value \$20 per share, and 100,000 shares of Class B Non-Voting Common Stock, par value \$1 per share, divided into and issued in the same series previously described. At December 31, 2010, the Company's Class A Common Stock was wholly owned by Versant Casualty and the Class B Common Stock was owned by certain producers of the Company's credit insurance products.

## **CORPORATE RECORDS**

The minutes of the meetings of Stockholders and Board of Directors ("Board"), regarding the Company's business affairs as recorded during the period covered by the examination, were reviewed and appeared to be complete and in order with regard to recording action on matters brought up at the meetings for deliberation.

## **MANAGEMENT AND CONTROL**

### **Stockholders**

The Company is a Mississippi domestic stock life insurance company that, at the examination date, had 24,000 shares of Class A stock issued and outstanding to Versant Casualty, and 140 shares of Class B stock issued and outstanding to certain producers. Class B stock was sold in series of 10 shares, with each series valued annually based on the experience of the business applicable to the series. The Class B shareholders have the right to sell their stock, and the Company is obligated to purchase these shares based on the annual valuation, which at December 31, 2010 totaled \$884,861. However, these amounts, before any redemptions are paid,

are subject to the approval of the Board of Directors, and no amount is payable if any such payment would cause the Company's capital and surplus to fall below statutory requirements.

The Company paid the following ordinary dividends during the examination period:

2008	\$ 53,200
2009	\$ 83,650
2010	\$ 410,543

### **Board of Directors**

The Articles of Incorporation and Bylaws vest the management and control of the Company's business affairs with the Board. The members of the duly elected Board, along with their place of residence, year elected/appointed, and principal occupation, at December 31, 2010, were as follows:

<b>Name and Residence</b>	<b>Year Elected/Appointed</b>	<b>Principal Occupation</b>
Dick S. Taylor Baton Rouge, Louisiana	2000	President, Louisiana Dealer Services Insurance, Inc.
James Bailey Estabrook Jr. Pascagoula, Mississippi	2000	President, Estabrook Motor Company, Inc.
Arthur James Oustalet III Gulfport, Mississippi	2000	President, Butch Oustalet, Inc.
Michael Evans Ryan Hattiesburg, Mississippi	2000	President, Ryan Motors, Inc.
Michael Joe Cannon Greenwood, Mississippi	2010	Business Owner
Ross Early Downing Hammond, Louisiana	2000	President, Ross Downing Chevrolet
Richard T. Foley Gulfport, Mississippi	2010	Automobile Dealer
Daniel Wayne Hammett Natchez, Mississippi	2000	President, Southland Mazda
Larry Dean Hart D'Iberville, Mississippi	2000	President, Bayside Chrysler Dodge Jeep
Joseph Keith Decell Baton Rouge, Louisiana	2010	Director of Field Services, Louisiana Dealer Services Insurance, Inc.
Matthew George McKay Baton Rouge, Louisiana	2006	President/Owner of Automobile Dealerships
Robert Tucker Weinmann Gulfport, Mississippi	2003	Automobile Dealer

## **Committees**

The Company utilized an Investment Committee during the examination period. The Company Board of Directors acted as the Audit Committee in instances where such is required. The following directors/officers served on the Investment Committee at December 31, 2010:

Dick S. Taylor, Chair
James Bailey Estabrook, Jr.
Arthur James Oustalet, III
Joseph Raymond Beatty
Matthew George McKay

## **Officers**

The following are the officers that were duly elected by the Board and holding office at December 31, 2010.

<b>Name</b>	<b>Year Elected/Appointed</b>	<b>Title</b>
Dick S. Taylor	2000	President and Chief Executive Officer
James Bailey Estabrook, Jr.	2000	Secretary
Arthur James Oustalet, III	2000	Treasurer
Michael Evans Ryan	2000	Vice President
Joseph Raymond Beatty	2000	Chief Financial Officer, Assistant Treasurer, Assistant Secretary
Mark Jeffrey Paxton	2000	Operations Officer

## **Conflict of Interest**

The Company has formal procedures whereby disclosure is made to the Board of any material interest or affiliation on the part of any officer or director that is, or would likely be, a conflict with their official duties. These procedures were reviewed, and no conflicts or exceptions to the Company's policies were noted.

## **Corporate Governance**

Upon review of the corporate governance structure, the overall corporate structure was determined to be effective based upon the Company's size and structure. The Company is 100% owned by Versant Casualty, which is in turn 100% owned by Versant Holdings, Inc. and part of

the Louisiana Dealer Services Insurance, Inc. group. Management was stable and most has been with the Company since inception. There did not appear to be any compensation arrangements that caused unusual emphasis on earnings. Management records, such as Board minutes, were reviewed with no exceptions.

The Board's involvement and oversight along with its independence from management was considered during the course of our examination without material concern. Other key variables in our consideration of the Board's involvement included, but were not limited to factors such as: (1) the frequency of Board Meetings, (2) the type of information communicated to the Board prior to meetings and the topics discussed along with the depth and quality of discussions, (3) key communication channels to and from management with the Board, along with overall "tone at the top". Information regarding the Board members, committees and other related information can be found in the Management and Control section of this report.

The appropriateness of the Company's organizational structure and its ability to provide the necessary information flow to manage its activities were considerations in obtaining our understanding of its organizational structure. This includes consideration of the entity's centralized structure and its ability to communicate information upstream, downstream and across all business activities. Our consideration also encompassed understanding the assignment of authority and responsibility. There were no material concerns regarding the Company's organizational structure, its ability to provide for necessary information flow to manage its activities or assignment of authority and responsibility.

Our consideration of corporate governance encompassed the risk management function through discussions with senior management/Board members, as well as through gaining an understanding of the risk management function through inspection of relevant risk management documentation. Upon our review and consideration of these components and functions, there was no material concerns noted.

Management competence is a consideration in overall assessment of corporate governance. In our review of this area, we considered factors such as (1) experience level within the Company of key management, (2) management/employee turnover and (3) previous experience of key management. There was no material concerns noted upon our consideration of this area. As indicated in the Management and Control section of this report, officers have significant experience with the Company and no turnover was experienced. Due to the long tenure of officers with the Company, succession plans have been discussed with the Board.

During our consideration of corporate governance, it was noted that the Company did not have an internal audit department, which was taken into account in our assessment of corporate governance.

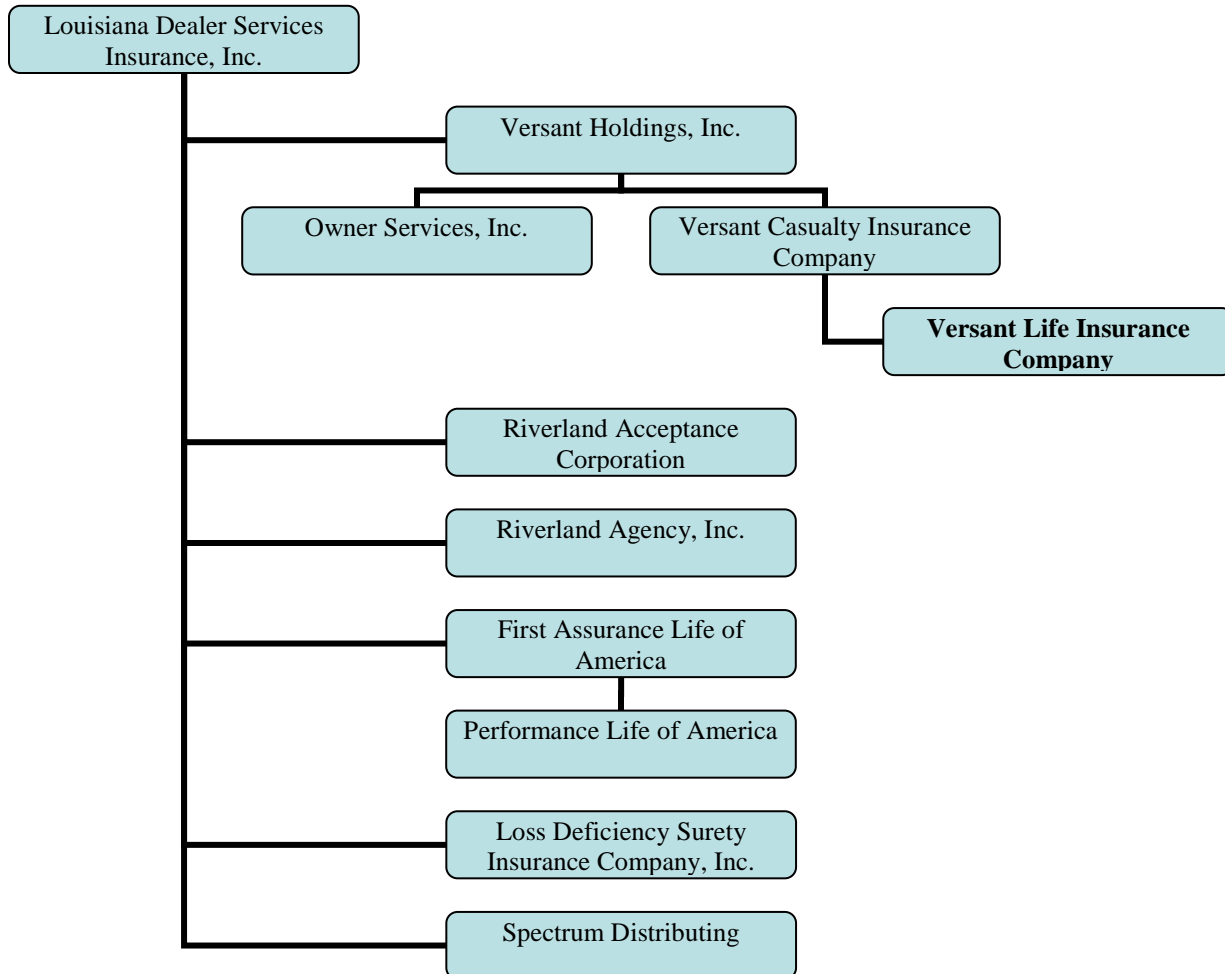
## **HOLDING COMPANY STRUCTURE**

The Company was a member of an insurance holding company system as defined in Miss. Code Ann. § 83-6-1. Holding Company Registration Statements were filed during the examination period with the MID in accordance with Miss. Code Ann. § 83-6-5 and § 83-6-9. The statements and applicable amendments that were filed with the MID during the examination period were reviewed and it appeared that any changes and material transactions by and between the Company and its affiliates were appropriately disclosed.



## Organizational Chart

An organizational chart as of December 31, 2010, reflecting the holding company system, is shown below. Schedule Y of the Company's 2010 annual statement provided a list of all related companies of the holding company group.



The following is information concerning the Company's affiliates and subsidiary:

**Louisiana Dealer Services Insurance, Inc. ("LDS"):** This Louisiana-domiciled insurer was formed in 1977 and provided mechanical breakdown insurance. This company is the controlling company of the holding company group.

**Versant Holdings, Inc. ("VHI"):** This company was a 64.4% 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:** This company, a Mississippi-domiciled casualty insurance company, wholly owned by VHI, provided reimbursement coverage to OSI for vehicle service and GAP contracts.

**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 Louisiana-domiciled 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 Louisiana-domiciled company, whose voting stock was wholly owned by FAL, reinsured credit life and credit accident and health insurance written by FAL.

**Loss Deficiency Surety Insurance Company, Inc.:** This Louisiana-domiciled company, a wholly owned subsidiary of LDS, provided property residual value insurance policies.

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

### **Affiliated and Related Party Transactions**

#### **Administrative Services Contract**

Effective November 6, 2001, the Company entered into an administrative services contract with FAL. Pursuant to this contract, FAL provides policy administration, agent appointment and licensing, claims administration, accounting, state insurance department filings, and sales support and training. The Company pays a fee equal to 6% of the net of the net written credit life premium and 6% of the net earned credit accident and health premium written by the Company. The Company paid \$35,283 to FAL in 2010 for services provided under this contract.

#### Administrative Services Agreement

Effective January 1, 2008, the Company entered into an administrative services agreement with Versant Casualty. Pursuant to this agreement, Versant Casualty provided review of monthly and annual financial statements, review of forms and reports as required by regulators, review of participation/retroactive commission program, and consultation and review in regard to the preparation of computer reports and listings as required by the Company. The Company paid a fee equal to 1.4% of net written life, plus 1.4% of net earned accident and health. In 2010, the Company paid \$11,385 to Versant Casualty for services provided under this agreement.

#### Tax Allocation Agreement

The Company is party to a tax allocation agreement between Versant Holdings, Inc. and each of its subsidiaries. Pursuant to this agreement, the Company is included in the consolidated tax return of Versant Holdings, Inc.

### **FIDELITY BOND AND OTHER INSURANCE**

The Company was a named insured under a fidelity bond issued to the LDS group in the amount of \$1,000,000. The coverage exceeded the minimum amount of fidelity bond coverage recommended by the NAIC for these companies.

### **PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS**

The Company did not have any direct employees, nor did it provide any benefits or welfare programs for its officers or directors.

### **TERRITORY AND PLAN OF OPERATION**

The Company is licensed to write life, accident and health, credit life and credit accident and health in the state of Mississippi. The Company specializes in writing credit life and credit accident and health coverage, which provide the policyholder with protection against the risk of economic loss resulting from death or temporary or permanent disability. The Company sells most of its insurance policies through automobile dealerships.

## **GROWTH OF COMPANY**

	2010	2009	2008
Total admitted assets	\$ 5,610,509	\$ 6,126,273	\$ 6,465,532
Total liabilities	\$ 1,207,118	\$ 1,528,320	\$ 2,209,538
Total capital and surplus	\$ 4,403,390	\$ 4,597,953	\$ 4,255,994
Net cash from operations	\$ 51,361	\$ (222,763)	\$ 138,467
Total adjusted risk-based capital	\$ 4,411,151	\$ 4,605,375	\$ 4,262,983
Authorized control level risk-based capital	\$ 44,746	\$ 54,058	\$ 78,061
Premiums earned	\$ 479,400	\$ 198,323	\$ 1,125,979
Net underwriting gain (loss)	\$ 329,778	\$ 468,899	\$ 690,249
Net investment income earned	\$ 169,627	\$ 201,739	\$ 260,892
Net realized capital gains (losses)	\$ -	\$ -	\$ -
Net Income	\$ 269,617	\$ 432,452	\$ 627,840
Net underwriting gain to PHS	7.5%	10.2%	16.2%
Return on equity	6.1%	9.4%	14.8%
Yield on invested assets	2.9%	3.3%	4.1%
Non-investment grade bonds to total bonds	0.0%	0.0%	0.0%

## **REINSURANCE**

In accordance with the Risk Surveillance Approach contained within the NAIC Examiners' Handbook, the reinsurance program of the Company was considered and no material concerns were noted. Further, no treaties were noted that contained unusual provisions, transfer of risk issues or other relevant concerns. A general description and listing of the reinsurance agreements are presented below.

### Assumed

The Company did not assume any business during the examination period.

### Ceded

The Company entered into a reinsurance agreement effective June 1, 2000 with Munich American Reassurance Company (MARC), where the Company retained risk of \$25,000 on its single premium credit life insurance business. Effective October 31, 2007, the Company amended this agreement and recaptured 25% of the single premium credit life insurance business issued since June 1, 2000. In addition, the Company began recapturing, on a monthly basis, 25% of the liability ceded to MARC on policies with issue dates after October 31, 2007.

## ACCOUNTS AND RECORDS

The 2010 trial balance of the Company's accounts was traced to the balance sheet of the Company's statutory annual statement filed with the MID, with no exceptions noted. The Company was audited annually by an independent CPA firm.

The Company utilized an IBM AS400 operating system for the processing of its records. The Company maintains supporting documentation that was reviewed during the examination as applicable.

## STATUTORY DEPOSITS

The Company's statutory deposits with the state of Mississippi complied with Miss. Code Ann. § 83-19-31(2). The following chart displays the Company's total statutory deposits as held at December 31, 2010 in Mississippi.

<b>Description</b>	<b>Par Value</b>	<b>Book/Adjusted Carrying Value</b>	<b>Fair Value</b>
FHLB	\$ 200,000	\$ 200,572	\$ 203,940
FHLB	200,000	212,686	218,180
	<u>\$ 400,000</u>	<u>\$ 413,258</u>	<u>\$ 422,120</u>

**Versant Life Insurance Company**  
**Financial Statements**  
**Examination as of December 31, 2010**

**Introduction**

The following financial statements reflect the same amounts reported by the Company and consist of a Statement of Assets, Liabilities, Surplus and Other Funds – Statutory at December 31, 2010, as Summary of Operations – Statutory for the year ended December 31, 2010, and a Reconciliation of Capital and Surplus – Statutory for the examination period ended December 31, 2010.

**Versant Life Insurance Company**  
**Statement of Assets, Liabilities, Surplus and Other Funds – Statutory**

<b>December 31,</b>	<b>2010</b>
<b>Assets</b>	
Bonds	\$ 4,499,967
Cash and short-term investments	1,004,261
Investment income due and accrued	65,030
Uncollected premiums and agents' balances in course of collection	7,275
Amounts recoverable from reinsurers	3,820
Net deferred tax asset	30,156
Total admitted assets	<b>\$ 5,610,509</b>
<b>Liabilities, Surplus and Other Funds</b>	
Aggregate reserve for life contracts	\$ 573,744
Aggregate reserve for accident and health contracts	476,012
Contract claims: Life	26,648
Contract claims: Accident and health	23,893
Commissions and expense allowances payable on reinsurance assumed	2,527
General expenses due or accrued	76,186
Taxes, licenses and fees due or accrued	(14,148)
Current federal and foreign income taxes	31,401
Miscellaneous liabilities: Asset valuation reserve	7,761
Miscellaneous liabilities: Payable to parent, subsidiaries and affiliates	3,094
Total liabilities	<b>1,207,118</b>
Common capital stock	480,140
Gross paid in and contributed surplus	1,593,449
Unassigned funds	2,329,801
Total surplus and other funds	<b>4,403,390</b>
Total liabilities, surplus and other funds	<b>\$ 5,610,508</b>

**Versant Life Insurance Company**  
**Summary of Operations – Statutory**

<b>For the Year Ended December 31,</b>	<b>2010</b>
<b>Underwriting Income</b>	
Premiums and annuity considerations for life and accident and health contracts	\$ 479,400
Net investment income	169,627
Commissions and expense allowances on reinsurance ceded	65,349
<b>Totals</b>	<b>714,376</b>
Death benefits	202,808
Disability benefits and benefits under accident and health contracts	124,698
Increase in aggregate reserves for life and accident and health contracts	(320,338)
<b>Totals</b>	<b>7,168</b>
Commissions on premiums, annuity considerations and deposit-type contract funds	242,377
General insurance expenses	126,986
Insurance taxes, licenses and fees, excluding federal income taxes	8,067
<b>Totals</b>	<b>384,598</b>
Net gain from operations before dividends to policyholders and federal income taxes	329,778
Dividends to policyholders	0
Federal and foreign income taxes incurred	60,161
<b>Net income</b>	<b>\$ 269,617</b>



**Versant Life Insurance Company**  
**Reconciliation of Capital and Surplus – Statutory**

For the examination period ended December 31, 2010

	<b>2008</b>	<b>2009</b>	<b>2010</b>
Surplus, beginning of the year	\$ 3,687,326	\$ 4,255,994	\$ 4,597,954
Net income	627,840	432,452	269,617
Change in net deferred income tax	13,306	4,627	75,879
Change in non-admitted assets	(18,232)	(3,263)	(54,281)
Change in asset valuation reserve	(1,046)	(433)	(339)
Capital changes paid in	0	(2)	(20)
Surplus adjustment paid in	0	(458)	(4,580)
Dividends to stockholders	(53,200)	(83,650)	(410,543)
Repurchase of Class B shares	0	(7,313)	(70,297)
Surplus, end of the year	\$ 4,255,994	\$ 4,597,954	\$ 4,403,390

**Versant Life Insurance Company**  
**Reconciliation of Examination Adjustments to Surplus and Other Funds – Statutory**

For the year ended December 31, 2010

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As a result of this examination, there have been no changes affecting surplus, as regards to policyholders, made to the admitted assets, liabilities, and surplus balance reported by the Company in the December 31, 2010 annual statement as filed with the MID. The capital and surplus reported by the Company of \$4,403,390 is accepted as reasonably stated for purposes of the balance sheet per the examination.

## **MARKET CONDUCT ACTIVITIES**

A full scope market conduct examination was not performed; however, limited procedures were performed on certain areas of the Company's market conduct. The areas in which limited procedures were performed included operations/management, policyholder services, underwriting and rating, and producer licensing.

### **Operations/Management**

The Company had a privacy policy in place for the protection of its policyholders. No material concerns were noted during the course of our testing regarding the Company's privacy policy.

### **Policyholder Services**

No exceptions were noted during the course of our testing regarding the Company's policyholder services pertaining to policyholder requested cancellations.

### **Underwriting and Rating**

Based upon procedures performed during the course of the examination, the Company appeared to have the appropriate licensure to issue its products. No exceptions were noted during the course of our testing regarding the Company's underwriting and rating.

### **Producer Licensing**

Agents writing business for the Company in the state of Mississippi were compared to agents records maintained by the MID. No exceptions were noted during the course of our testing regarding the Company's producer licensing.

## **COMMITMENTS AND CONTINGENT LIABILITIES**

At December 31, 2010, the Company was not a party to any legal proceedings.

## **COMMENTS AND RECOMMENDATIONS**

The examination did not identify any material comments and/or recommendations deemed appropriate for inclusion in the examination report.

## ACKNOWLEDGMENT

The examiners representing the Mississippi Insurance Department and participating in this examination were:

Examiner-in-charge	Sarah Lucibello, CPA, CFE, CIA Lewis & Ellis, Inc.
Examiner:	Amy Carter, CPA Lewis & Ellis, Inc.
Supervising Examiner:	David Palmer, CFE Lewis & Ellis, Inc.
Automation Examiner:	Scott Langstein, CISA Cerebres, LLC
Actuary:	Michael Mayberry, FSA, MAAA Lewis & Ellis, Inc.

The courteous cooperation of the officers and employees responsible for assisting in the examination is hereby acknowledged and appreciated.

Respectfully submitted,



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Examiner-in-charge