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
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.  

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 13th 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 7th 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].

Versant Life Insurance Company
MID Examination as of December 31, 2010
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

<table>
<thead>
<tr>
<th>License #</th>
<th>NAIC Group #</th>
<th>NAIC #</th>
<th>FEETS#</th>
<th>ETS#</th>
</tr>
</thead>
<tbody>
<tr>
<td>0000009</td>
<td>905</td>
<td>93650</td>
<td>93650-MS-2010-2</td>
<td>MS120-M11</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$53,200</td>
</tr>
<tr>
<td>2009</td>
<td>$83,650</td>
</tr>
<tr>
<td>2010</td>
<td>$410,543</td>
</tr>
</tbody>
</table>

**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:

<table>
<thead>
<tr>
<th>Name and Residence</th>
<th>Year Elected/Appointed</th>
<th>Principal Occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dick S. Taylor</td>
<td>2000</td>
<td>President, Louisiana Dealer Services Insurance, Inc.</td>
</tr>
<tr>
<td>Arthur James Oustalet III</td>
<td>2000</td>
<td>President, Butch Oustalet, Inc.</td>
</tr>
<tr>
<td>Michael Evans Ryan</td>
<td>2000</td>
<td>President, Ryan Motors, Inc.</td>
</tr>
<tr>
<td>Michael Joe Cannon</td>
<td>2010</td>
<td>Business Owner</td>
</tr>
<tr>
<td>Ross Early Downing</td>
<td>2000</td>
<td>President, Ross Downing Chevrolet</td>
</tr>
<tr>
<td>Richard T. Foley</td>
<td>2010</td>
<td>Automobile Dealer</td>
</tr>
<tr>
<td>Daniel Wayne Hammett</td>
<td>2000</td>
<td>President, Southland Mazda</td>
</tr>
<tr>
<td>Larry Dean Hart</td>
<td>2000</td>
<td>President, Bayside Chrysler Dodge Jeep</td>
</tr>
<tr>
<td>Joseph Keith Decell</td>
<td>2010</td>
<td>Director of Field Services, Louisiana Dealer Services Insurance, Inc.</td>
</tr>
<tr>
<td>Matthew George McKay</td>
<td>2006</td>
<td>President/Owner of Automobile Dealerships</td>
</tr>
<tr>
<td>Robert Tucker Weinmann</td>
<td>2003</td>
<td>Automobile Dealer</td>
</tr>
</tbody>
</table>
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.

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

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.
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

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

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.

<table>
<thead>
<tr>
<th>Description</th>
<th>Par Value</th>
<th>Book/Adjusted Carrying Value</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>FHLB</td>
<td>$200,000</td>
<td>$200,572</td>
<td>$203,940</td>
</tr>
<tr>
<td>FHLB</td>
<td>200,000</td>
<td>212,686</td>
<td>218,180</td>
</tr>
<tr>
<td>$400,000</td>
<td>$413,258</td>
<td>$422,120</td>
<td></td>
</tr>
</tbody>
</table>
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.
<table>
<thead>
<tr>
<th>Assets</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>$ 4,499,967</td>
</tr>
<tr>
<td>Cash and short-term investments</td>
<td>1,004,261</td>
</tr>
<tr>
<td>Investment income due and accrued</td>
<td>65,030</td>
</tr>
<tr>
<td>Uncollected premiums and agents’ balances</td>
<td>7,275</td>
</tr>
<tr>
<td>Amounts recoverable from reinsurers</td>
<td>3,820</td>
</tr>
<tr>
<td>Net deferred tax asset</td>
<td>30,156</td>
</tr>
<tr>
<td>Total admitted assets</td>
<td>$ 5,610,509</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities, Surplus and Other Funds</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate reserve for life contracts</td>
<td>$ 573,744</td>
</tr>
<tr>
<td>Aggregate reserve for accident and health contracts</td>
<td>476,012</td>
</tr>
<tr>
<td>Contract claims: Life</td>
<td>26,648</td>
</tr>
<tr>
<td>Contract claims: Accident and health</td>
<td>23,893</td>
</tr>
<tr>
<td>Commissions and expense allowances payable</td>
<td>2,527</td>
</tr>
<tr>
<td>General expenses due or accrued</td>
<td>76,186</td>
</tr>
<tr>
<td>Taxes, licenses and fees due or accrued</td>
<td>(14,148)</td>
</tr>
<tr>
<td>Current federal and foreign income taxes</td>
<td>31,401</td>
</tr>
<tr>
<td>Miscellaneous liabilities: Asset valuation</td>
<td>7,761</td>
</tr>
<tr>
<td>Miscellaneous liabilities: Payable to</td>
<td>3,094</td>
</tr>
<tr>
<td>parent, subsidiaries and affiliates</td>
<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$ 1,207,118</td>
</tr>
<tr>
<td>Common capital stock</td>
<td>480,140</td>
</tr>
<tr>
<td>Gross paid in and contributed surplus</td>
<td>1,593,449</td>
</tr>
<tr>
<td>Unassigned funds</td>
<td>2,329,801</td>
</tr>
<tr>
<td>Total surplus and other funds</td>
<td>$ 4,403,390</td>
</tr>
<tr>
<td>Total liabilities, surplus and other funds</td>
<td>$ 5,610,508</td>
</tr>
</tbody>
</table>
### Versant Life Insurance Company

**Summary of Operations – Statutory**

**For the Year Ended December 31, 2010**

<table>
<thead>
<tr>
<th>Description</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Underwriting Income</strong></td>
<td></td>
</tr>
<tr>
<td>Premiums and annuity considerations for life and accident and health contracts</td>
<td>$479,400</td>
</tr>
<tr>
<td>Net investment income</td>
<td>169,627</td>
</tr>
<tr>
<td>Commissions and expense allowances on reinsurance ceded</td>
<td>65,349</td>
</tr>
<tr>
<td>Totals</td>
<td>714,376</td>
</tr>
<tr>
<td>Death benefits</td>
<td>202,808</td>
</tr>
<tr>
<td>Disability benefits and benefits under accident and health contracts</td>
<td>124,698</td>
</tr>
<tr>
<td>Increase in aggregate reserves for life and accident and health contracts</td>
<td>(320,338)</td>
</tr>
<tr>
<td>Totals</td>
<td>7,168</td>
</tr>
<tr>
<td>Commissions on premiums, annuity considerations and deposit-type contract funds</td>
<td>242,377</td>
</tr>
<tr>
<td>General insurance expenses</td>
<td>126,986</td>
</tr>
<tr>
<td>Insurance taxes, licenses and fees, excluding federal income taxes</td>
<td>8,067</td>
</tr>
<tr>
<td>Totals</td>
<td>384,598</td>
</tr>
<tr>
<td>Net gain from operations before dividends to policyholders and federal income taxes</td>
<td>329,778</td>
</tr>
<tr>
<td>Dividends to policyholders</td>
<td>0</td>
</tr>
<tr>
<td>Federal and foreign income taxes incurred</td>
<td>60,161</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>$269,617</td>
</tr>
</tbody>
</table>
Versant Life Insurance Company
Reconciliation of Capital and Surplus – Statutory

For the examination period ended December 31, 2010

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

For the year ended December 31, 2010

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,

[Signature]
Examiner-in-charge