



**GEORGE DALE**  
Commissioner of Insurance  
State Fire Marshal

**LEE HARRELL**  
Deputy Commissioner

**STATE OF MISSISSIPPI**  
Mississippi Insurance Department

501 N. West Street  
1001 Woolfolk Building (39201)  
Post Office Box 79  
Jackson, Mississippi 39205-0079  
(601) 359-3569  
<http://www.doi.state.ms.us>

September 6, 2006

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

Adam David Lamnin, President  
MS Diversified Life Insurance Company  
1501 Lakeland Drive, Suite 350  
Jackson, MS 39216

**RE: Report of Examination as of December 31, 2005**

Dear Mr. Lamnin:

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.

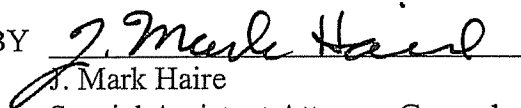
Pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 1999), the Mississippi Department of Insurance shall continue to hold the content of said report as private and confidential for a period of ten (10) days from the date of the Order. After the expiration of the aforementioned 10-day period, the Department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

**CAUSE NO. 06-5429**

**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 MS Diversified Life Insurance Company is a Mississippi domiciled company licensed to write Credit Life; Credit Health and Accident 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 MS Diversified Life Insurance Company and appointed Brian Spong, Examiner-In-Charge, to conduct said examination.

### IV.

That on or about June 20, 2006, the draft Report of Examination concerning MS Diversified Life Insurance Company for the period of January 1, 2003 through December 31, 2005 was submitted to the Department by the Examiner-In-Charge, Brian Spong.

### V.

That on or about August 4, 2006, 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 15-day period to submit any rebuttal to the draft report. The Company responded on August 16, 2006, with a Corrective Action Plan in response to the recommendations made in the report. No changes were made to the draft.

## 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, the Company's rebuttal, and all relevant examiner work papers, that the Report of Examination of MS Diversified Life Insurance Company, attached hereto as Exhibit "A", should be and same is hereby adopted as final.

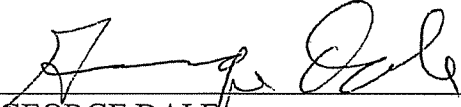
**IT IS FURTHER ORDERED** that a copy of the adopted Report of Examination, accompanied with this Order, shall be served upon the Company by certified mail, postage pre-paid, return receipt requested.

**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. 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, MS Diversified 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 MS Diversified 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.

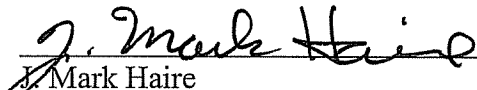
**SO ORDERED**, this the 6<sup>th</sup> day of September, 2006.

  
\_\_\_\_\_  
GEORGE DALE  
COMMISSIONER OF INSURANCE  
STATE OF MISSISSIPPI

**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 6<sup>th</sup> day of September, 2006, to:

**Adam David Lamnin, President  
MS Diversified Life Insurance Company  
1501 Lakeland Drive, Suite 350  
Jackson, MS 39216**

  
\_\_\_\_\_  
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**

## **MS Diversified Life Insurance Company**

**1501 Lakeland Drive, Suite 350  
Jackson, Mississippi 39216**

**As of December 31, 2005**

**NAIC Group Code 0019  
NAIC Company Code 78310  
NAIC ETS No. MS029-C15**

**MS DIVERSIFIED LIFE INSURANCE COMPANY  
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EXAMINER'S AFFIDAVIT AS TO STANDARDS AND  
PROCEDURES USED IN AN EXAMINATION

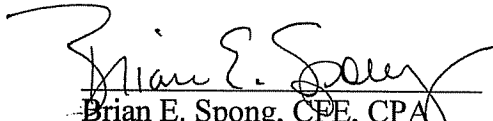
State of Mississippi,

County of Hinds,


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

1. I have authority to represent the State of Mississippi in the examination of MS Diversified Life Insurance Company as of December 31, 2005.
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 the examination of MS Diversified Life Insurance Company, as of December 31, 2005, was performed in a manner consistent with the standards and procedures required by the National Association of Insurance Commissioners and the Mississippi Insurance Department.

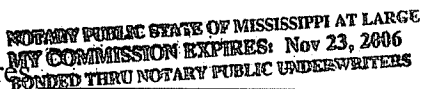
The affiant says nothing further.

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

Subscribed and sworn before me by Brian Spong on (Insert date)

  
Notary Public

(SEAL)

My commission expires   
NOTARY PUBLIC STATE OF MISSISSIPPI AT LARGE  
MY COMMISSION EXPIRES: Nov 23, 2006  
BONDED THRU NOTARY PUBLIC UNDERWRITERS





**GEORGE DALE**  
Commissioner of Insurance  
State Fire Marshal

**LEE HARRELL**  
Deputy Commissioner of Insurance

**STATE OF MISSISSIPPI**  
Mississippi Insurance Department

501 N. West Street  
1001 Woolfolk Building (39201)  
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June 5, 2006

Honorable George Dale  
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

Honorable Eleanor Kitzman  
Secretary, Southeastern Zone  
South Carolina Department of Insurance  
Director of Insurance  
300 Arbor Lake Drive, Suite 1200  
Columbia, South Carolina 29223

Honorable Alfred W. Gross  
Chair, Financial Condition (E) Committee  
Commissioner of Insurance  
State of Virginia  
State Corporation Commission  
Bureau of Insurance  
Commonwealth of Virginia  
Post Office Box 1157  
Richmond, Virginia 23218

Dear Sirs and Madam:

Pursuant to the instructions and authorization from the Commissioner of Insurance for the State of Mississippi, and in compliance with statutory provisions, an examination as of December 31, 2005 has been conducted of the affairs and financial condition of:

**MS DIVERSIFIED LIFE INSURANCE COMPANY**  
(NAIC COMPANY CODE 78310; NAIC-ETS No. MS029-C15)  
Statutory Home Office:  
1501 Lakeland Drive, Suite 350  
Jackson, Mississippi 39216

The examination was performed at the Mississippi Insurance Department (MID) and at MS Diversified Life Insurance Company's main administrative office located in Atlanta, Georgia. 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 January 1, 2003 through December 31, 2005, and the examination date is December 31, 2005. The examination was performed by examiners representing the MID and covered MS Diversified Life Insurance Company's (MSDLIC or Company) 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, 2002, and the previous report of examination was dated July 30, 2004.

## 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 amended, 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 examiners tested the underlying data for the Company's reserve provisions; however, the amounts reported within this report for policy reserves, including any related items and reinsurance, were based on the review and opinion of the examination actuary who was assigned to the examination by the MID. The reporting in the recommendations section of this report was by exception whereby items tested and deemed acceptable by the examiner received little or no comment.

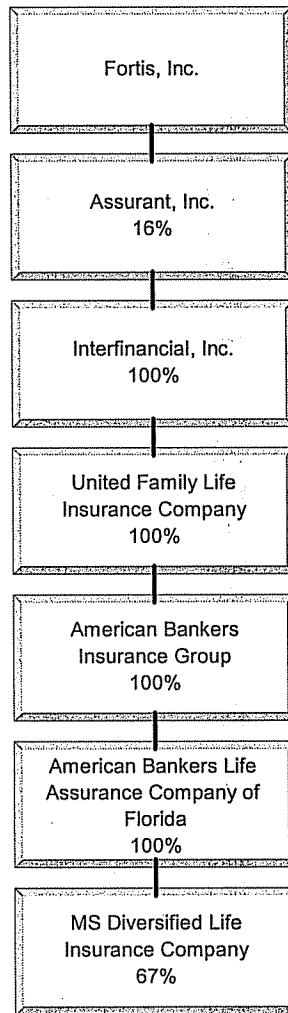
## HISTORY OF THE COMPANY

The Company was formed as Mid-South Re Insurance Company on January 15, 1987, and was granted a license on January 1, 1987 to write credit life and credit accident and health insurance. Effective August 26, 1987, the Company's name was changed to MS Diversified Life Insurance Company. The Company did not pay any dividends to its stockholders during the period under examination.

## HOLDING COMPANY STRUCTURE

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

The ultimate controlling entity of the Company was Fortis, Inc., who owned 16% of Assurant, Inc., which is a publicly traded company that, through its many subsidiaries, is a leading writer of credit insurance and related products, individual and small group major medical, group disability income, dental, group life, and pre-need insurance. American Bankers Life Assurance Company of Florida (“ABLAC”) owned all of the outstanding shares of the Company’s Class B preferred stock and owned 67% of the Company’s outstanding common stock, with the remaining outstanding shares of common and preferred stock being owned by outside shareholders. The direct line organizational chart, as included within the Company’s holding company structure, is displayed below:



## RELATED PARTY TRANSACTIONS / REINSURANCE

The Company assumed all of its business from its parent company and thus its significant related party transactions consisted of those in the normal course of its business, where the Company assumed premiums of approximately \$718,000 in 2005, \$1,214,000 in 2004, and \$1,725,000 in 2003. The reinsurance transactions and agreements were reviewed without significant exceptions, where the treaties did not contain any provisions that would be considered unusual, and the projected final accounting did show proper transfer of risk. In addition, the financial statements appeared to properly reflect, in all material aspects, the proper accounting for the intent of the reinsurance agreements.

## MANAGEMENT AND CONTROL

The Articles of Association 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 December 31, 2005, were as follows:

<u>NAME AND PLACE OF RESIDENCE</u>	<u>PRINCIPAL OCCUPATION</u>
Mr. Michael David Anderson Lithia, Florida	Senior Vice President, Assurant Solutions
Mr. Adam David Lamnin Miami, Florida	Executive Vice President, Assurant Solutions; and Chief Financial Officer, Assurant Specialty Property
Mr. Martin John Charles Jenns Lithia, Florida	Vice President and National Sales Manager, Assurant Solutions
Mr. James Russell Atkinson Kennesaw, Georgia	Vice President, Sale and Marketing, Assurant Solutions
Mr. Charles Henry Shamburger, III Brandon, Mississippi	Regional Director, Government Relations, Assurant Solutions
Mr. David Warren Jones Lithia, Florida	Vice President and National Sales Manager, Assurant Solutions

The officers duly elected by the Board and holding office as of December 31, 2005, were as follows:

Mr. Adam David Lamnin	President
Mr. Arthur William Heggen	Secretary
Mr. Kenneth Edward Lacy	Treasurer
Ms. Esther Sun Slazas	Actuary
Mr. Michael David Anderson	Senior Vice President

Ms. Amelia Toural	Senior Vice President
Mr. Arthur William Heggen	Vice President
Mr. Gary James Novak	Assistant Treasurer

The following officers and/or directors served on the Audit Committee as of December 31, 2005:

Mr. Kenneth Edward Lacy  
Mr. Adam David Lamnin

The following officers and/or directors served on the Executive Committee as of December 31, 2005:

Mr. Michael David Anderson  
Mr. Adam David Lamnin  
Mr. Charles Henry Shamburger, III

The following officers and/or directors served on the Investment Committee as of December 31, 2005:

Mr. Adam David Lamnin  
Mr. Charles Henry Shamburger, III

#### **CONFLICT OF INTEREST**

The Company had formal procedures whereby disclosures were made to the Board of any material interest or affiliation on the part of any officer or director that was, 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 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 matters brought up at the meetings for deliberation, which included the approval and support of the Company's transactions and events, as well as the review of its audit, actuarial and examination reports. It was noted, however, that Article V Section 1 of the Company's Bylaws allows any two or more offices to be held by the same person, and this appears to be in conflict with Miss. Code Ann. §83-19-15 which states that the offices of president and treasurer cannot be held by the same individual. It is recommended that the Bylaws be amended to correspond with the requirements of Miss. Code Ann. §83-19-15.

## **FIDELITY BONDS AND OTHER INSURANCE**

The Company was included in a comprehensive corporate insurance program that included commercial general liability, commercial umbrella coverage, computer crime coverage, business auto coverage, as well as a financial institution bond that with its \$10 million single loss limit of liability and \$40 million aggregate limit of liability exceeded the NAIC's suggested minimum amount for fidelity coverage.

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

The Company did not have any direct employees, but instead received management services from its parent company, ABLAC; fees paid by the Company under written contracts for management services approximated \$70,000 during the examination period.

## **TERRITORY AND PLAN OF OPERATION**

The Company was licensed to write life and accident and health insurance in the State of Louisiana and credit life and credit accident and health insurance in the State of Mississippi; however, since its formation, the Company's business consisted of the assumption of credit insurance written by its parent company.

## **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 deposits as of December 31, 2005:

<b>Description of Security</b>	<b>State Deposited</b>	<b>Fair Value</b>
Bond: Mississippi St GO	Mississippi	\$352,401
Certificate of deposit	Louisiana	\$ 20,000

## **MARKET CONDUCT REVIEW**

A full scope market conduct examination was not performed; however, limited procedures were performed on claims paid by the Company, and no significant exceptions with regard to the limited procedures performed were noted.

## **ACCOUNTS AND RECORDS**

The Company's records were maintained at various locations utilizing a client-server architecture as well as a mainframe processing center in Woodbury, Minnesota.

## COMMITMENTS AND CONTINGENCIES

The Company, as of December 31, 2005, was involved as a defendant in various litigation matters. Although the outcome of such legal actions cannot be predicted, in the opinion of management and its legal counsel, the resolution of any currently pending or threatened actions should not have a material adverse effect on the surplus position of the Company.

### FINANCIAL STATEMENTS

The following financial statements, as determined by the financial examination, consist of a Statement of Admitted Assets, Liabilities, Surplus and Other Funds as of December 31, 2005, a Summary of Operations for year ended December 31, 2005, a Reconciliation of Surplus and Other Funds for examination period ended December 31, 2005, and a Reconciliation of Examination Changes to Surplus and Other Funds.



**MS DIVERSIFIED LIFE INSURANCE COMPANY**  
**STATEMENT OF ADMITTED ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS**  
**DECEMBER 31, 2005**

**Admitted Assets**

Bonds	\$1,962,319
Cash and short-term investments	1,090,776
Investment income due and accrued	20,454
Amounts receivable from reinsurer	38,061
Federal income taxes recoverable	20,599
Net deferred tax asset	<u>9,939</u>
Total Admitted Assets	<u>\$3,142,148</u>

**Liabilities, Capital and Surplus**

Aggregate reserve for life contracts	\$428,628
Aggregate reserve for accident and health contracts	602,906
Contract claims unpaid	223,047
Amounts payable on reinsurance	90,449
Interest maintenance reserve	21,884
Asset valuation reserve	13,271
Payable to parent company	<u>6,235</u>
Total Liabilities	<u>1,386,420</u>
Capital common stock:	
(par value \$1 per share; 1,000,000 shares authorized; 1,490 shares issued and outstanding)	1,490
Class A preferred capital stock:	
(par value \$1 per share; 2,500,000 shares authorized; 19,806 shares issued and outstanding)	19,806
Class B preferred capital stock:	
(par value \$2.45 per share; 1,000,000 shares authorized; 187,100 shares issued and outstanding)	458,395
Gross paid in and contributed surplus	501,245
Unassigned funds	<u>774,792</u>
Total Capital and Surplus	<u>1,755,728</u>
Total Liabilities, Surplus and Other Funds	<u>\$3,142,148</u>

**MS DIVERSIFIED LIFE INSURANCE COMPANY  
SUMMARY OF OPERATIONS  
FOR YEAR ENDED DECEMBER 31, 2005**

REVENUE:

Premium considerations	\$717,716
Net investment income	146,916
Amortization of interest maintenance reserve	<u>15,390</u>
Total revenue	880,022

BENEFITS TO POLICYHOLDERS AND BENEFICIARIES:

Death benefits	135,734
Disability benefits	508,689
Increase in aggregate reserves for life and A&H reserves	(581,584)

OPERATING COSTS:

Commissions and expense allowances on reinsurance assumed	391,824
General insurance expenses	165,957
Insurance taxes, licenses and fees, excluding federal income taxes	1,757
Total benefits and operating expenses	<u>622,377</u>

INCOME BEFORE FEDERAL INCOME TAXES 257,645

FEDERAL INCOME TAXES INCURRED 11,685

NET INCOME \$245,960

**MS DIVERSIFIED LIFE INSURANCE COMPANY  
RECONCILIATION OF SURPLUS AND OTHER FUNDS  
FOR EXAMINATION PERIOD ENDED DECEMBER 31, 2005**

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Capital and surplus, beginning of year	\$2,578,268	\$1,936,215	\$1,507,519
Net income	121,780	71,252	245,960
Change in net deferred income tax	(30,455)	(55,999)	740
Change in non-admitted assets	59,472	222,250	2,395
Change in asset valuation reserve	1,970	12,039	(886)
Paid in capital	(2,025)	(511)	(500)
Paid in surplus	(9,395)	(1,994)	500
Amounts transferred to capital	<u>(783,400)</u>	<u>(675,733)</u>	<u>0</u>
Change in surplus for the year	<u>(642,053)</u>	<u>(428,696)</u>	<u>248,209</u>
Capital and surplus, end of year	<u>\$1,936,215</u>	<u>\$1,507,519</u>	<u>\$1,755,728</u>

**MS DIVERSIFIED LIFE INSURANCE COMPANY  
RECONCILIATION OF EXAMINATION CHANGES TO SURPLUS AND OTHER FUNDS  
FOR YEAR ENDED DECEMBER 31, 2005**

There were no changes made to the admitted assets, liabilities or surplus balances reported by the Company for the year ended December 31, 2005. The surplus and other funds, which totaled \$1,755,728 as of the examination date, was determined to be reasonably stated and in compliance with Miss. Code Ann. §83-19-31.

### **SUBSEQUENT EVENTS**

In March 2006, the Company redeemed 19,806 of its outstanding preferred stock for approximately \$1.3 million. This transaction was approved by the MID and was funded by the Company's parent company, ABLAC. In addition, in June of 2006, the Company informed the MID of its intent to merge its operations into its parent company.

### **RECOMMENDATIONS**

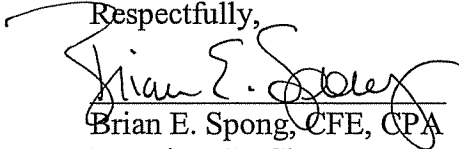
During the review of the Company's Bylaws it was noted that Article V Section 1 allows any two or more offices to be held by the same person, and this appears to be in conflict with Miss. Code Ann. §83-19-15 which states that the offices of president and treasurer cannot be held by the same individual. It is recommended that the Company amend its Bylaws to correspond with the requirements of Miss. Code Ann. §83-19-15. See page 6 of this report.

**ACKNOWLEDGEMENT**

The examiners representing the MID who participated in the examination are listed below.

Manager:	Mr. Joseph R. May, CFE, CPA, CMA, CIE
Examiner-In-Charge:	Mr. Brian E. Spong, CFE, CPA
Assisting Examiner:	Mrs. Kimberly Strong, CFE
Automation Examiner:	Mr. J. Scott Joyner, CISA, CGAP
Examination Actuary:	Mr. Thomas Burger, FSA, MAAA

Respectfully,

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