



**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>

October 31, 2006

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

Mr. Robert Oscar Rollins, President  
Unity Life Insurance Company  
415 North Farish Street  
Jackson MS 39207

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

Dear Mr. Rollins:

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  
          UNITY LIFE INSURANCE COMPANY**

**CAUSE NO. 06-5465**

**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 Unity Life Insurance Company is a Mississippi-domiciled Company licensed to write Industrial Life and Industrial 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. 1999), called for an examination of Unity Life Insurance Company and appointed Dale Miller, Examiner-In-Charge, to conduct said examination.

### IV.

That on or about July 11, 2006, the draft Report of Examination concerning Unity Life Insurance Company for the period of January 1, 2002 through December 31, 2005, was submitted to the Department by the Examiner-In-Charge, Dale Miller.

### V.

That on or about September 27, 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 did not submit a written response or rebuttal to the Department.

## 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 and all relevant examiner work papers, that the Report of Examination of Unity 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** that Unity 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 31<sup>st</sup> day of October, 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 31<sup>st</sup> day of October, 2006, to:

**Mr. Robert Oscar Rollins, President  
Unity Life Insurance Company  
415 North Farish Street  
Jackson MS 39207**

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

**Unity Life Insurance Company**

**415 North Farish Street  
Jackson, Mississippi 39202**

**As of December 31, 2005**

**NAIC Company Code 75620  
NAIC ETS No. MS029-C16**

**UNITY LIFE INSURANCE COMPANY  
EXAMINATION REPORT TABLE OF CONTENTS  
DECEMBER 31, 2005**

Examiner Affidavit.....	1
Salutation .....	2
Introduction.....	3
Scope of Examination .....	3
History of the Company .....	3
Management and Control.....	4
Corporate Records.....	5
Holding Company Structure.....	5
Conflict of Interest .....	6
Fidelity Bonds and Other Insurance.....	6
Directors', Officers', Employees', and Agents' Welfare .....	6
Territory and Plan of Operation .....	6
Statutory Deposits .....	6
Market Conduct .....	6
Accounts and Records.....	7
Financial Statements:	
Introduction .....	8
Statement of Admitted Assets, Liabilities, Surplus and Other Funds.....	9
Summary of Operations.....	10
Reconciliation of Surplus and Other Funds.....	11
Reconciliation of Examination Adjustments to Surplus.....	12
Comments on Financial Statements .....	13
Comments and Recommendations .....	14
Subsequent Events .....	14
Acknowledgement.....	15

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

State of Mississippi,

County of Hinds,

R. Dale Miller, CFE, CPA, being duly sworn, states as follows:

1. I have authority to represent the State of Mississippi in the examination of Unity 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 Unity 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.

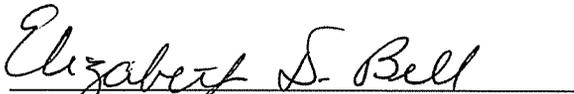
The affiant says nothing further.



R. Dale Miller, CFE, CPA  
Examiner-In-Charge

Subscribed and sworn before me by Dale Miller on *October 18, 2006*

(SEAL)

  
Notary Public

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 16, 2006

Honorable George Dale  
Commissioner of Insurance  
State of Mississippi  
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 115  
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:

**UNITY LIFE INSURANCE COMPANY**  
(NAIC COMPANY CODE 75620; NAIC-ETS No. MS029-C16)  
**Statutory Home Office**  
415 North Farish Street  
Jackson, Mississippi 39202

This examination was performed at Unity Life Insurance Company's statutory home office in Jackson, Mississippi, and 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, 2002 through December 31, 2005, and the examination date is December 31, 2005. The examination was performed by examiners representing the Mississippi Insurance Department (MID) and covered Unity Life Insurance Company's (ULIC 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, 2001, and the previous report of examination was dated May 16, 2003.

## 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 the 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 that supported the Company's aggregate reserves and related premium accounting. The amounts included within the financial statements contained in this report for the aggregate reserves and related premium accounting were based on the review and opinion of the Examination Actuary assigned to the examination by the MID.

## HISTORY OF THE COMPANY

On May 25, 1979, the Company was incorporated under the laws of the State of Mississippi as Unity Life Insurance Company with authorized capital of \$600,000 (300,000 shares of common capital stock with a par value of \$2), and commenced operations on July 1, 1979, with its principal office located in Jackson, Mississippi.

On December 31, 1988, the Company's Board of Directors (Board) approved the sale of 10,000 additional shares of its authorized common capital stock for \$3 per share. This resulted in an allocation of \$20,000 to capital and \$10,000 to paid-in surplus.

On April 30, 1989, the Board approved the sale of 24,864 additional shares of its authorized common capital stock for \$3 per share. This resulted in an allocation of \$49,728 to capital and \$24,864 to paid-in surplus.

On September 13, 1989, in order to comply with amended capital and surplus requirements, the Board adopted an amendment to the articles of association to transfer

\$29,000 from the capital account to the surplus account. This amendment was approved by the Mississippi Insurance Department and subsequently filed with the Secretary of State.

On May 1, 1996, the Board adopted an amendment to the articles of association that reduced the par value of the common capital stock from \$2 to \$1.75 per share.

On May 9, 1996, in order to meet minimum requirements, the Board adopted an amendment to the articles of association that reduced the par value of the common capital stock from \$1.75 to \$1 per share, and subsequently, Annette and Rita Rollins purchased 45,000 shares of the Company's capital stock at par.

As of December 31, 2005 the Company had 300,000 shares of \$1 par value common stock authorized with 102,364 shares issued and outstanding.

### **MANAGEMENT AND CONTROL**

The Articles of Association and Bylaws vest the management and control of the Company's business affairs with the Board. As of December 31, 2005, the members of the duly elected Board along with their place of residence and principal occupation were as follows:

<b><u>Name and Place of Residence</u></b>	<b><u>Principal Occupation</u></b>
Mr. Robert O. Rollins Jackson, Mississippi	Realtor and Funeral Director Collins Funeral Home
Mrs. Annette C. Rollins Jackson, Mississippi	Funeral Director Collins Funeral Home
Mr. Ralph E. Collins Jackson, Mississippi	Business Manager Collins Funeral Home
Ms. Effie M. Collins Jackson, Mississippi	Agent Unity Life Insurance Company
Ms. Sandra F. Richardson Jackson, Mississippi	Office Manager Unity Life Insurance Company

The following officers were duly elected by the Board and held the following offices as of December 31, 2005:

<b><u>Name</u></b>	<b><u>Title</u></b>
Mr. Robert O. Rollins	President
Mr. Ralph E. Collins	Secretary
Mrs. Annette C. Rollins	Treasurer

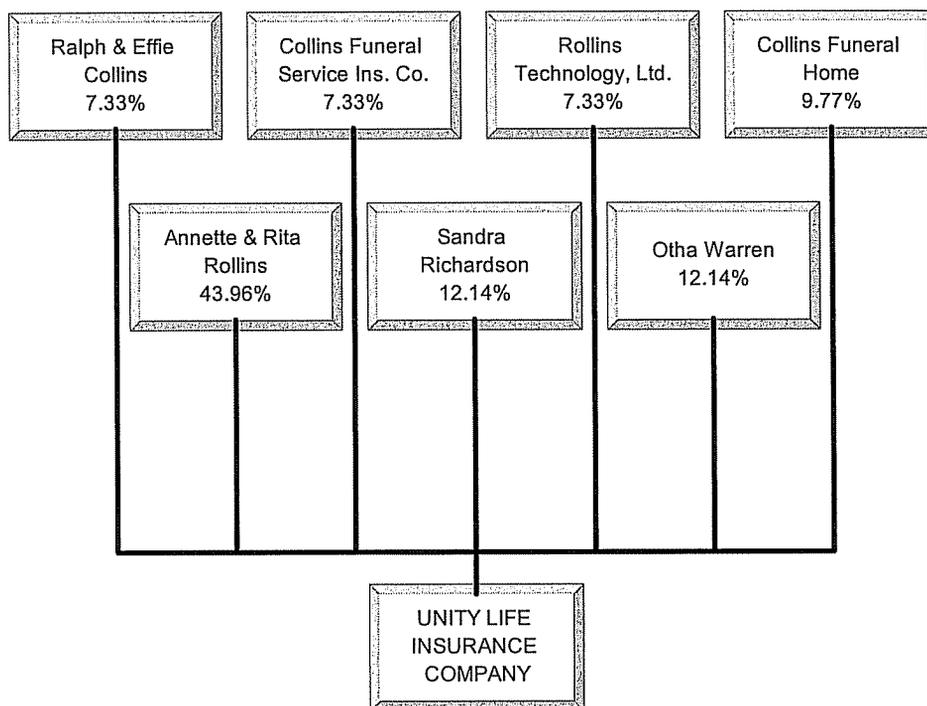
## CORPORATE RECORDS

The minutes of the meetings of the Board, taken during the period covered by the examination, were reviewed and appeared to be complete and in order with regard to recording the actions/deliberations of the Board. It was noted that the Company's Bylaws mandated a fixed number of four directors; however, at the examination date, the Company's Board consisted of five directors. It is recommended that the Company amend its Bylaws to comply with the Company's current number of directors or reduce the number of directors to comply with the Company's Bylaws.

## HOLDING COMPANY STRUCTURE

During this examination period the Company was a member of an insurance holding company system as defined in Miss. Code Ann. §83-6-1.

The following chart depicts the Company's ownership as of December 31, 2005:



The transactions between the Company and its associated companies appear to be limited to exchanges made in the normal course of business. These transactions were reviewed with no significant exceptions being noted.

### **CONFLICT OF INTEREST**

The directors and officers of the Company prepared conflict of interest statements for the period under examination. These statements were reviewed, and no conflicts of interest were disclosed.

### **FIDELITY BONDS AND OTHER INSURANCE**

The MID uses the NAIC's suggested minimum fidelity coverage amount as a basis for its recommendation regarding fidelity coverage, which, for this company, is in the range of \$25,000 to \$50,000. During the examination period, the Company did not maintain any fidelity coverage for its officers and directors. It is recommended that the Company obtain fidelity coverage that meets the NAIC's suggested minimum coverage amount.

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

During the examination period, the Company paid salaries to employees. However, any additional employee benefits were provided by Collins Funeral Home.

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

As of December 31, 2005, the Company was licensed to transact business in the State of Mississippi. During the examination period, the Company issued industrial life insurance coverage through funeral homes and independent agents.

### **STATUTORY DEPOSITS**

As of the examination date, the Company had a Certificate of Deposit with a value of \$170,705 on deposit with the State of Mississippi which complied with Miss. Code Ann. §83-5-201.

### **MARKET CONDUCT**

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: policy forms, agents' licensing, advertising, and handling of claims. No significant exceptions were noted in regard to the limited procedures performed.

## ACCOUNTS AND RECORDS

The Company's records and accounting processes were maintained through the use of a desktop computer. Policy administration was maintained in Microsoft Access. Daily activities were performed manually and then submitted to the Company's accountant for general ledger maintenance. The Company's reserves were calculated and opined on by a consulting actuary.

## 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 the year ended December 31, 2005, a Reconciliation of Surplus and Other Funds for the examination period ended December 31, 2005, and a Reconciliation of Examination Adjustments to Surplus as of December 31, 2005.

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

**Admitted Assets**

Real estate	\$ 78,783
Cash and short-term investments	698,780
Investment income due and accrued	8,005
Life premiums deferred and uncollected	6,790
State income tax recoverable	<u>3,328</u>
Total Assets	<u>\$ 795,686</u>

**Liabilities, Surplus and Other Funds**

Aggregate reserve for life policies and contracts	\$ 729,683
Life policy and contract claims	4,000
Premium and annuity considerations received in advance	381
General expenses due or accrued	1,500
Taxes, licenses and fees due or accrued	541
Amounts withheld by company as agent or trustee	1,880
Asset valuation reserve	<u>5,909</u>
Total Liabilities	<u>743,894</u>
Common capital stock	102,364
Gross paid in and contributed surplus	122,228
Unassigned funds	<u>(172,800)</u>
Total Surplus and Other Funds	<u>51,792</u>
Total Liabilities, Surplus and Other Funds	<u>\$ 795,686</u>

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

**INCOME:**

Premium and annuity considerations	\$ 146,465
Net investment income	<u>24,980</u>
Total income	<u>171,445</u>

**BENEFITS AND OPERATING EXPENSES:**

Death benefits	51,036
Surrender benefits and other withdrawals	9,214
Increase in aggregate reserves for life policies	66,285
Commissions on premiums	30,665
General insurance expenses	75,261
Insurance taxes, licenses and fees, excluding federal income taxes	<u>10,202</u>
Total benefits and operating expenses	<u>242,663</u>
Net loss	<u>\$ (71,218)</u>

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Surplus and other funds, beginning of year	\$ 183,288	\$ 200,688	\$ 218,645	\$ 203,875
Net income	17,122	17,678	(15,120)	(71,218)
Change in net deferred income tax				
Change in nonadmitted assets	278	279	350	288
Exam adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>(81,153)</u>
Surplus and other funds, end of year	<u>\$ 200,688</u>	<u>\$ 218,645</u>	<u>\$ 203,875</u>	<u>\$ 51,792</u>

**UNITY LIFE INSURANCE COMPANY  
RECONCILIATION OF EXAMINATION ADJUSTMENTS TO SURPLUS  
DECEMBER 31, 2005**

	<u>BALANCE PER ANNUAL STATEMENT</u>	<u>BALANCE PER EXAMINATION</u>	<u>INCREASE (DECREASE) IN SURPLUS</u>
<b>LIABILITIES</b>			
Life Reserves	\$ 648,530	\$ 729,683	(\$ 81,153)
Surplus per annual statement			<u>30,581</u>
Surplus per examination report			<u><u>(\$50,572)</u></u>

The Company's total Surplus and Other Funds per the December 31, 2005 examination was \$51,792 and consisted of \$102,364 in capital stock and (\$50,572) in surplus. This created a surplus impairment of \$100,572 per Miss. Code Ann. §83-19-31(1)(c) which requires a minimum of \$100,000 in capital and \$50,000 in surplus.

## COMMENTS ON FINANCIAL STATEMENTS

Aggregate Reserve for Life Policies:

\$ 729,683

The above captioned amount is \$81,153 more than the amount reported by the Company on the 2005 annual statement filed with the MID. This increase is the result of a significant number of premium paying and paid-up life insurance policies being omitted from the Company's policy detail that was the basis for the Life Reserves reported in the annual statement. The inclusion of these omitted policies resulted in the increase in this caption. The Examination Actuary's review of the Company's Life Reserve and related premium items resulted in the following recommendations:

1. The Company should adopt procedures to verify that all active policies are appropriately included in the Company's automated policy records in order to ensure that the inforce file provided to its actuary for the calculation of the aggregate reserves for life policies is complete and accurate.
2. On future annual statement filings the Company should report net due premiums on Page 2, Line 13.1, Uncollected Premiums, instead of on Page 2, Line 13.2, Deferred Premiums.

## **COMMENTS AND RECOMMENDATIONS**

1. It was noted that the Company's Bylaws mandated a fixed number of four directors; however, as of the examination date, the Board consisted of five members. It is recommended that the Company amend its Bylaws to comply with the Company's current number of directors or reduce the number of directors to comply with the Company's Bylaws. (Page 5)
2. During the examination period, the Company did not maintain any fidelity coverage for its officers and directors. It is recommended that the Company obtain fidelity coverage that meets the NAIC suggested minimum coverage. (Page 6)
3. The Company should adopt procedures to verify that all active policies are appropriately included in the Company's automated policy records in order to ensure that the inforce file provided to its actuary for the calculation of the aggregate reserves for life policies is complete and accurate. (Page 13)
4. On future annual statement filings the Company should report net due premiums on Page 2, Line 13.1, Uncollected Premiums, instead of on Page 2, Line 13.1, Deferred Premiums. (Page 13)

## **SUBSEQUENT EVENTS**

The Company's 1<sup>st</sup> quarter 2006 financial statements filed with the MID reported a surplus impairment of \$11,554. The owners provided an infusion of \$12,000 on May 20, 2006 to address the impairment.

**ACKNOWLEDGEMENT**

The examiners representing the Mississippi Insurance Department who participated in the examination are listed below:

Manager:	Mr. Joseph R. May, CFE, CPA, CMA, CIE
Examiner-In-Charge:	Mr. R. Dale Miller, CFE, CPA
Examination Actuary:	Mr. Thomas L. Burger, FSA, MAAA

The courteous cooperation extended by the officers and employees of the Company is hereby acknowledged and appreciated.

Respectfully,



R. Dale Miller, CPA, CFE  
Examiner-in-Charge