



MISSISSIPPI INSURANCE DEPARTMENT

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

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

MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

February 2, 2009

CERTIFIED MAIL RETURN RECEIPT REQUESTED

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

RE: Report of Examination as of December 31, 2007

Dear Mr. Taylor:

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

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

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

Sincerely,

MIKE CHANEY
COMMISSIONER OF INSURANCE

BY

 J. Mark Haire CYK

J. Mark Haire
Special Assistant Attorney General

MC/JMH/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. 09-5858

ORDER

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

JURISDICTION

I.

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

II.

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

FINDINGS OF FACT

III.

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

IV.

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

V.

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

CONCLUSIONS OF LAW

VI.

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

IT IS, THEREFORE, ORDERED, after reviewing the Report of Examination, all relevant examiner work papers and the Company's rebuttal, that the revised Report of Examination of Versant 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, 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 2nd day of February, 2009.

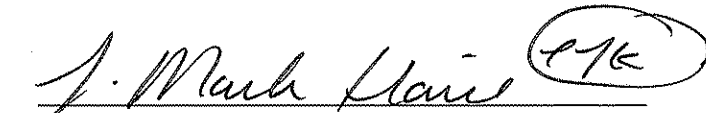

MIKE CHANEY
COMMISSIONER OF INSURANCE

CERTIFICATE OF MAILING

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

to:

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



J. Mark Haire
Special Assistant Attorney General

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



Mississippi Insurance Department

Report of Examination

of

Versant Life Insurance Company

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

As of December 31, 2007

NAIC Company Group Code 0905

NAIC Company Code 93650

NAIC ETS No. MS029-C50

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

Examiner Affidavit	1
Salutation	2
Introduction.....	2
Scope of Examination	3
History of the Company	3
Holding Company Structure	3
Management and Control.....	5
Corporate Records	7
Fidelity Bonds.....	7
Directors', Officers', Employees', and Agents' Welfare.....	8
Reinsurance.....	8
Accounts and Records.....	8
Statutory Deposits	8
Financial Statements:	
Introduction	9
Statement of Admitted Assets, Liabilities, Surplus and Other Funds	10
Statement of Income	11
Reconciliation of Capital and Surplus.....	12
Reconciliation of Examination Changes to Surplus and Other Funds	13
Market Conduct Activities	14
Acknowledgement	15

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

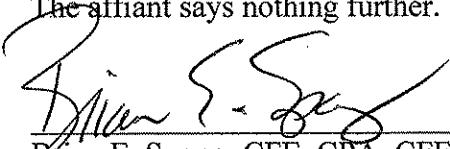
State of Mississippi,

County of Hinds,

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

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

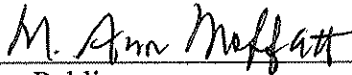
The affiant says nothing further.



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

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

(SEAL)



Notary Public

MY COMMISSION EXPIRES JULY 25, 2010

My commission expires _____



MISSISSIPPI INSURANCE DEPARTMENT

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

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

MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

October 24, 2008

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

Dear Commissioner Chaney:

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

VERSANT LIFE INSURANCE COMPANY
(NAIC COMPANY CODE: 93650; GROUP CODE: 0905)
Statutory Home Office:
633 North State Street
Jackson, Mississippi 39202

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

INTRODUCTION

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

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

SCOPE OF EXAMINATION

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

HISTORY OF THE COMPANY

The Company, incorporated in December of 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), with the authorized number of shares in each series being ten (10). 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, 2007, the Company's Class A Common Stock was wholly owned by Versant Casualty Insurance Company and the Class B Common Stock was owned by certain producers of the Company's credit insurance products.

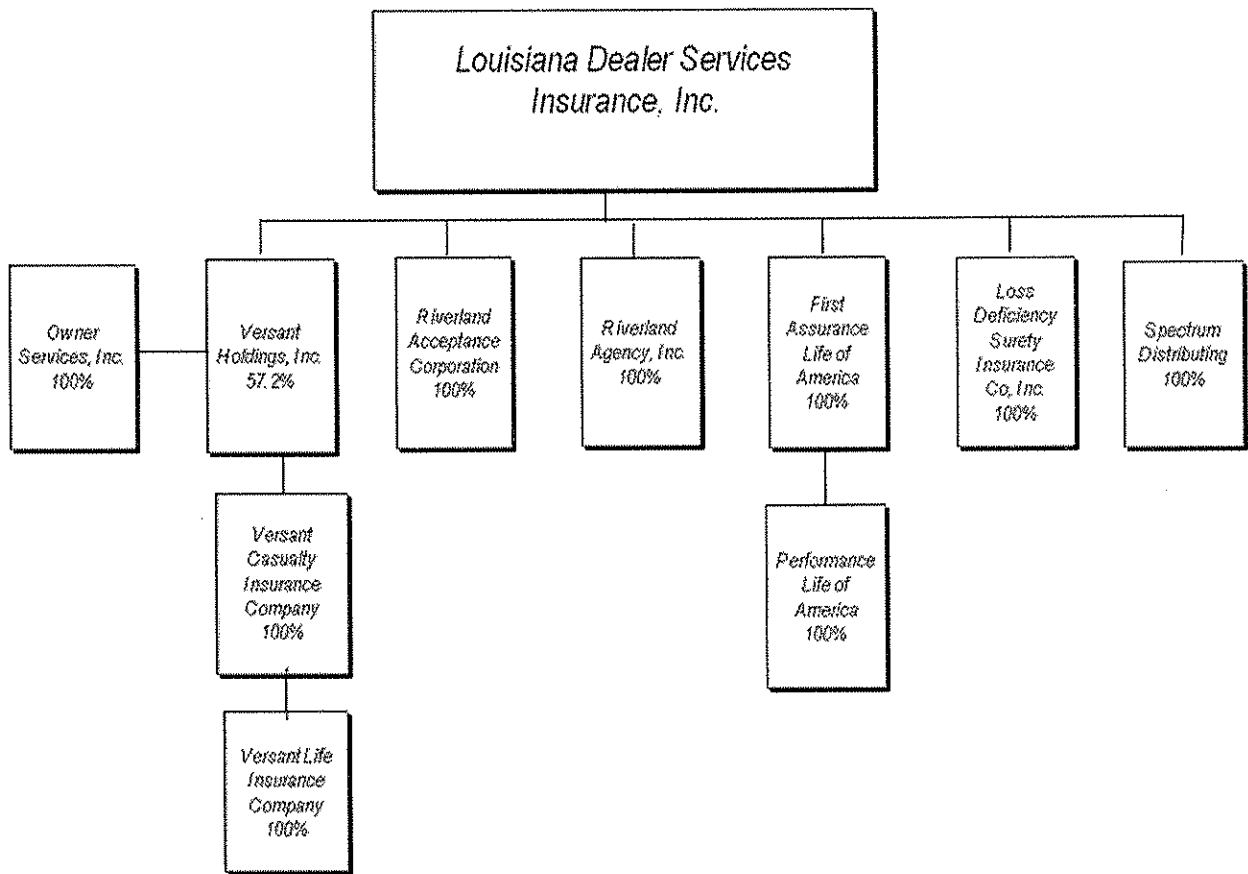
HOLDING COMPANY STRUCTURE

Organizational Structure

The Company, as defined within Miss. Code Ann. §83-6-1, was a member of a insurance holding company system. For each year under examination, in accordance with

Miss. Code Ann. §§ 83-6-5 and 83-6-9, the Company appropriately filed Holding Company Registration Statements with the MID.

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



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

Owner Services, Inc. (OSI): This company, a wholly owned subsidiary of VHI, issued vehicle service contracts that provided protection against the risk of economic loss resulting

from mechanical failure of specified automobiles and truck part components, and also issued GAP contracts.

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

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

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

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

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

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

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

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

Related Party Agreements and Transactions

In 2001, the Company entered into an administrative services contract with FAL, which required FAL to perform policy administration, accounting maintenance, claims administration, sales support and training, as well as the preparation of various management reports. This agreement was approved by the MID and, during the period under examination, the Company paid \$81,784 in 2007, \$94,077 in 2006, and \$114,881 in 2005 in management fees to FAL. In 2008, an administrative agreement with Versant Casualty Insurance Company was entered into, where, for review and consultation services, the Company agreed to pay a monthly fee equal to 1.4% of newly written life premiums and 1.4% of net earned accident and health premiums.

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 Insurance Company, and 162 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, 2007 totaled \$872,431. In addition, the Company accumulated the participation for 50 shares of Class B stock that the Company was in the process of selling, and the annual valuation at December 31, 2007 for these shares was \$28,881. 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.

Board of Directors

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

<u>Name and Place of Residence</u>	<u>Principal Occupation</u>
Mr. Richard Hobbs Barker, III Houma, Louisiana	President Terrebonne Motor Company
Mr. Ross Early Downing Hammond, Louisiana	President Ross Downing Chevrolet
Mr. James Bailey Estabrook, Jr. Pascagoula, Mississippi	President Estabrook Motor Company, Inc.
Mr. James Allan Jones Greenwood, Mississippi	President Buddy Jones Ford-Lincoln-Mercury, Inc.
Mr. Dick Stephen Taylor Baton Rouge, Louisiana	President Louisiana Dealer Services Ins., Inc.
Mr. Daniel Wayne Hammett Natchez, Mississippi	President Southland Mazda
Mr. Larry Dean Hart Biloxi, Mississippi	President Bayside Chrysler-Plymouth-Dodge
Mr. Arthur James Oustalet, III Pass Christian, Mississippi	President Butch Oustalet, Inc.
Mr. Michael Evans Ryan Hattiesburg, Mississippi	President Ryan Motors, Inc.

<u>Name and Place of Residence</u>	<u>Principal Occupation</u>
Mr. Robert Tucker Weinmann Metairie, Louisiana	President Champion Chrysler Dodge
Mr. William Bruce Herring, Jr. Picayune, Mississippi	President Dub Herring Ford
Mr. Matthew George McKay Baton Rouge, Louisiana	President All Star Automotive Group

Officers

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

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

Conflict of Interest

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

CORPORATE RECORDS

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

FIDELITY BONDS

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

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

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

REINSURANCE

The Company entered into a reinsurance agreement that was 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, and through this recapture, the Company recognized premium revenue of \$224,000, commissions expense of \$152,200, and reserves of \$118,000. These arrangements, as amended, were reviewed in detail by the examination actuary and no significant concerns were noted. At December 31, 2007, the reinsurance credit with MARC, an authorized reinsurer with assets in excess of \$5 billion and surplus in excess of \$600 million, was \$473,564, and the premiums ceded were \$205,309.

ACCOUNTS AND RECORDS

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

STATUTORY DEPOSITS

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

Description of Security	Par Value	Fair Value
FNMA Debenture	\$150,000	\$161,532
FNMA Debenture	<u>200,000</u>	<u>215,376</u>
Totals	\$350,000	\$376,908

FINANCIAL STATEMENTS

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

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

Admitted Assets

Bonds	\$4,492,678
Cash and short term investments	1,833,293
Investment income due and accrued	72,716
Uncollected premiums	6,240
Amount recoverable from reinsurers	5,030
Net deferred tax asset	<u>17,145</u>
Total Admitted Assets	<u>\$6,427,102</u>

Liabilities, Surplus and Other Funds

Aggregate reserve for life contracts	\$1,262,493
Aggregate reserve for accident and health contracts	1,188,474
Life claims payable	36,181
Accident and health claims payable	32,804
Commissions and expense allowances payable on reinsurance	7,170
General expenses due or accrued	56,630
Taxes, licenses and fees due or accrued	(12,822)
Current federal income taxes	158,137
Asset valuation reserve	5,943
Payable to parent, subsidiaries and affiliates	<u>4,766</u>
Total Liabilities	<u>2,739,776</u>
Common capital stock	480,162
Gross paid in and contributed surplus	1,598,487
Unassigned funds	<u>1,608,677</u>
Total Capital and Surplus	<u>3,687,326</u>
Total Liabilities, Surplus and Other Funds	<u>\$6,427,102</u>

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

INCOME:

Insurance premiums	\$1,894,663
Amortization of interest maintenance reserve	272,278
Commissions and expense allowances on reinsurance ceded	<u>139,610</u>
Total Income	2,306,551

DEDUCTIONS:

Death benefits	167,837
Disability benefits	82,209
Increase in reserves for insurance contracts	90,330
Commissions on reinsurance	913,643
General insurance expenses	168,357
Insurance taxes, licenses and fees	<u>46,507</u>
Total Deductions	<u>1,468,883</u>

Net gain before federal income taxes	837,668
Federal income taxes	<u>107,592</u>
Net income	<u>\$ 730,076</u>

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Surplus as regards policyholders, beginning of year	\$2,333,102	\$2,476,349	\$3,012,207
Net income	165,314	552,205	730,076
Change in net deferred income tax	(13,543)	16,319	1,356
Change in non-admitted assets	(1,252)	(5,310)	2,530
Change in asset valuation reserve	(1,074)	(944)	(1,303)
Change in treasury stock	(6,198)	6,198	0
Paid in capital	0	(18)	0
Paid in surplus	0	(4,122)	0
Repurchase of Class B shares	0	(28,470)	0
Dividends	0	0	(57,540)
Examination adjustments	<u>0</u>	<u>0</u>	<u>0</u>
Surplus as regards policyholders, end of year	<u>\$2,476,349</u>	<u>\$3,012,207</u>	<u>\$3,687,326*</u>

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

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

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

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

LIABILITIES

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

MARKET CONDUCT ACTIVITIES

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

Complaint Handling

The Company's complaints during the examination period were reviewed and it appeared that the Company resolved all complaints timely and amicably.

Marketing and Sales and Producer Licensing

The Company had approximately eighty agents at December 31, 2007. The licenses issued by the MID were compared against the agents writing business for the Company, and it appeared that all agents were appropriately licensed.

Underwriting and Rating

The Company had appropriate licensure to issue its business, and the issued policy forms/certificates were approved by the MID. The Company's underwriting included the review of medical questionnaires before policy issuance.

Claims

A review of the Company's claims, refund cancellations, and denied claims were reviewed and no significant exceptions were noted.

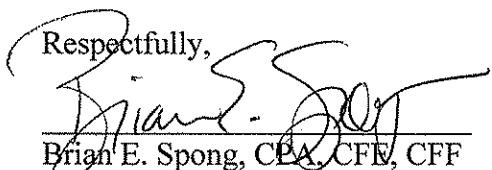
Territory and Plan of Operation

The Company was licensed to issue credit life and credit accident and health insurance in the State of Mississippi and, during the period under examination, the Company issued credit life and accident and health insurance policies for terms not exceeding 120 months and 72 months, respectively. The Company sold most of its insurance through automobile dealerships that were owned or controlled by certain officers, directors, and shareholders of the Company and/or its affiliates.

ACKNOWLEDGEMENT

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

Respectfully,



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