



Mississippi Insurance Department

Report of Examination

of

VERSANT LIFE INSURANCE COMPANY

as of

December 31, 2015

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

State of Maryland,

County of Baltimore,

David A. Palmer, being duly sworn, states as follows:

1. I have authority to represent the Mississippi Insurance Department in the examination of Versant Life Insurance Company as of December 31, 2015.
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 National Association of Insurance Commissioners and the Mississippi Insurance Department.

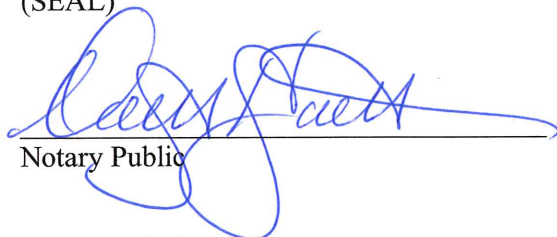
The affiant says nothing further.

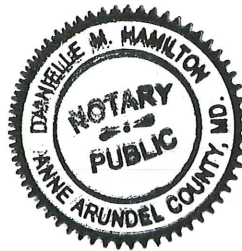


Examiner's Signature

Subscribed and sworn before me by Danielle Hamilton on this 23 day of May, 2017.

(SEAL)


Notary Public



My commission expires _____ [date].

MY COMMISSION EXPIRES AUGUST 19, 2019



MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MISSISSIPPI INSURANCE DEPARTMENT

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May 25, 2017

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, 2015, of the affairs and financial condition of:

VERSANT LIFE INSURANCE COMPANY

190 East Capital, Suite 800
Jackson, MS 39201

License #	NAIC Group #	NAIC #	FEETS#	MATS#
0000009	905	93650	93650-MS-2015-7	MS-MS099-4

This examination was commenced in accordance with Miss. Code Ann. § 83-5-201 *et seq.* and was performed in Baton Rouge, Louisiana, at the main administrative home office of the Company. The report of examination is herewith submitted.

SCOPE OF EXAMINATION

We have performed a full scope, risk-focused financial examination of Versant Life Insurance Company (“Company”). The last examination covered the period of January 1, 2008, through December 31, 2010. This examination covers the period January 1, 2011, through December 31, 2015.

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, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This examination report includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

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 Mississippi Insurance Department (“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, 2015, 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 160 shares of Class B stock issued and outstanding to certain producers. Class B stock is 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, 2015 totaled

\$987,363. 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:

2011 – \$48,934
 2012 – \$343,628
 2013 – \$30,452
 2014 – \$130,400
 2015 – \$32,410

Board of Directors

The Articles of Incorporation 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, number of years as Director, and principal occupation, at December 31, 2015, were as follows:

Name and Residence	Year Elected/Appointed	Principal Occupation
Dick Steven Taylor Baton Rouge, Louisiana	2000	Executive Vice President, Versant Casualty Insurance Company
James Bailey Estabrook Jr. Pascagoula, Mississippi	2000	President, Estabrook Motor Company, Inc.
Arthur James Oustalet III Gulfport, Mississippi	2000	President, Butch Oustalet, Inc.
Michael Evans Ryan Hattiesburg, Mississippi	2000	President, Ryan Motors, Inc.
Ross Early Downing Hammond, Louisiana	2000	President, Ross Downing Chevrolet
Larry Dean Hart D'Iberville, Mississippi	2000	President, Bayside Chrysler Dodge Jeep
Robert Tucker Weinmann Gulfport, Mississippi	2003	Automobile Dealer
Matthew George McKay Baton Rouge, Louisiana	2006	President/Owner of Automobile Dealerships
Richard T. Foley Gulfport, Mississippi	2010	Automobile Dealer
Joseph Keith Decell Baton Rouge, Louisiana	2010	President, Versant Casualty Insurance Company

Bradley Yarbrough Natchez, Mississippi	2015	President, Natchez Ford Lincoln
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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 was required. The following directors/officers served on the Investment Committee at December 31, 2015:

Committee Structure

Investment Committee
Joseph Keith Decell
James Bailey Estabrook, Jr.
Arthur James Oustalet III
Dick Stephen Taylor
Ross Early Downing
Joseph Raymond Beatty
Matthew George McKay

Officers

Name	Year Elected/Appointed	Title
Joseph Keith Decell	2014	President and Chief Executive Officer
James Bailey Estabrook, Jr.	2000	Secretary
Arthur James Oustalet III	2000	Treasurer
Dick Stephen Taylor	2014	Executive Vice President
Michael Evans Ryan	2000	Vice President
Joseph Raymond Beatty	2000	Chief Financial Officer, Assistant Secretary, Assistant Treasurer
Mark Jeffrey Paxton	2000	Operations Officer

Conflict of Interest

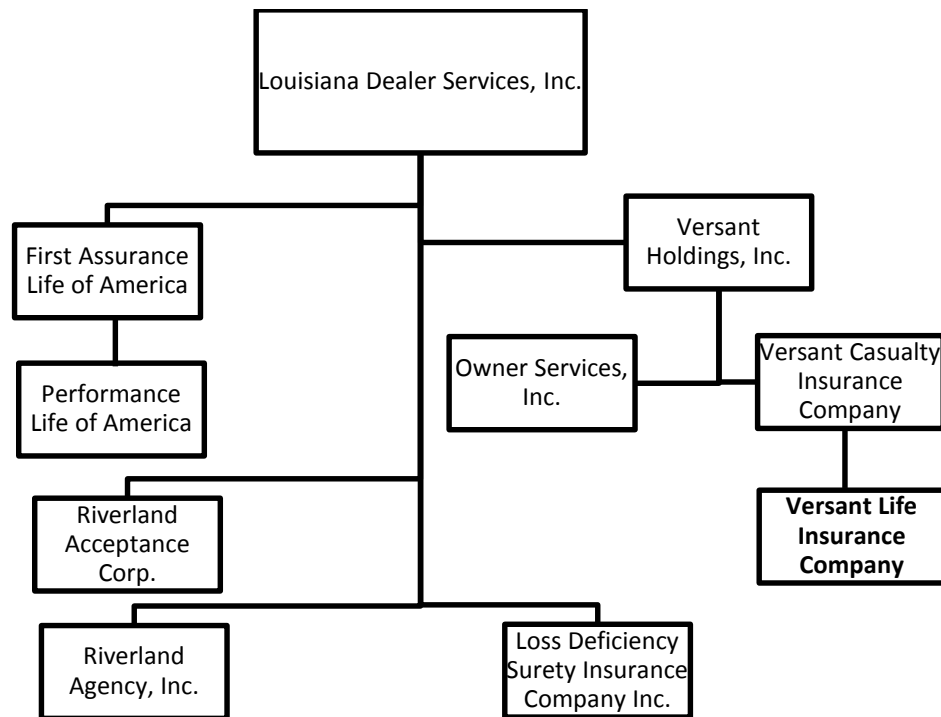
The Company has formal procedures whereby disclosure was made to the Board of any material interest or affiliation on the part of any officer or director that is, or would likely be, a conflict with their official duties. These procedures were reviewed, and no conflicts or exceptions to the Company's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

HOLDING COMPANY STRUCTURE

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

Organizational Chart

A simplified organizational chart as of December 31, 2015, reflecting the holding company system, is shown below. Schedule Y of the Company's 2015 annual statement provided a list of all related companies of the holding company group.



Parent and Affiliated Companies

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 acted as the controlling company of the holding company group.

Versant Holdings, Inc. ("VHI"): This company was a 62.08% 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 currently has a private placement offering underway which is only for new franchise vehicle dealers in Mississippi. 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. The company's risks are insured by Versant Casualty.

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, distributes ancillary financial institution products written by Louisiana Dealer Services Insurance clients. The company also performs administrative and consulting services for certain non-affiliated mechanical breakdown insurers in Louisiana.

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 is a Property Residual Value insurer organized in 1996 for the purpose of issuing guaranteed automotive protection policies providing protection against the risk of economic loss resulting

from a deficiency in the amount paid by the primary insurance company in the event of a total loss and the amount owed to a lessor or lienholder. The company only writes business in the state of Louisiana.

Affiliated and Related Party Transactions

Administrative Services Contract with First Assurance Life of America

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 \$52,923 to FAL in 2015 for services provided under this contract.

Administrative Services Contract with Versant Casualty Insurance Company

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 premium, plus 1.4% of net earned accident and health premium. The Company paid a total of \$12,693 in 2015 under this agreement.

Privacy Agreement

Effective January 23, 2008, the Company entered into a privacy agreement with Louisiana Dealer Services and its subsidiaries. Pursuant to the agreement, Louisiana Dealer Services and its subsidiaries agree that all personal, medical, or any other information gathered or handled by Versant Life Insurance Company will be regarded as confidential.

Tax Allocation Agreement

The Company was party to a tax allocation agreement between Versant Holdings, Inc. and each of its subsidiaries. Pursuant to this agreement, the Company was 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 its insurance policies through automobile dealerships.

GROWTH OF COMPANY

The review of the growth of the Company was performed based on balances reported in the annual statements filed with the MID during the period under examination.

	2015	2014	2013	2012	2011
Total admitted assets	\$5,838,473	\$5,507,114	\$5,399,971	\$5,289,944	\$5,519,235
Total liabilities	\$1,355,092	\$1,119,842	\$854,586	\$935,367	\$1,023,147
Total capital and surplus	\$4,483,383	\$4,387,273	\$4,545,384	\$4,354,574	\$4,496,088
Net cash from operations	\$356,987	\$216,015	\$169,905	\$172,756	\$40,176
Total adjusted risk-based capital	\$4,500,171	\$4,401,856	\$4,557,729	\$4,364,836	\$4,504,542
Authorized control level risk-based capital	\$40,479	\$38,004	\$48,811	\$44,962	\$39,559
Premiums Earned	\$773,904	\$632,399	\$440,774	\$498,176	\$500,204
Net underwriting gain (loss)	\$128,107	\$9,796	\$272,877	\$241,290	\$201,573
Net Income	\$108,978	\$1,222	\$231,999	\$205,485	\$180,242

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 2015 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.

The Company was licensed as a life, accident and health insurance company pursuant to Miss. Code Ann. § 83-19-31(a), which required the Company to maintain a minimum capital of \$400,000 and surplus of \$600,000. Pursuant to Miss. Code Ann. § 83-5-55, the Company was required to file an NAIC Life and Health Annual Statement. The Company was also required to file a risk-based capital (RBC) report pursuant to Miss. Code Ann. § 83-5-401 through § 83-5-427.

STATUTORY DEPOSITS

The Company's statutory deposits with the state of Mississippi complied with Miss. Code Ann. § 83-19-31(2) and § 83-7-21. The following chart displays the Company's total statutory deposits as held at December 31, 2015:

<u>Description</u>	<u>Par Value</u>	<u>Fair Value</u>
Bond	\$400,000	\$464,556

FINANCIAL STATEMENTS

Introduction

The financial statements consist of a Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2015, a Statement of Income for the year ended December 31, 2015, and a Reconciliation of Capital and Surplus for the examination period ended December 31, 2015.

The following financial statements are based on the statutory financial statements filed by the Company with the Mississippi Insurance Department and present the financial condition of the Company for the period ending December 31, 2015.

**STATEMENT OF ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS
DECEMBER 31, 2015**

ASSETS

Bonds	\$5,060,160
Cash and cash equivalents	679,720
Investment income due and accrued	37,899
Uncollected premiums and agents balances	6,613
Current federal and foreign income tax recoverable	25,635
Net deferred tax asset	19,460
Aggregate write-ins for other than invested assets	8,986
Total Assets	\$5,838,473

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate reserve for live contracts	\$651,408
Aggregate reserve for accident and health contracts	408,718
Contract Claims for accident and health	27,150
Commissions and expense allowances payable on reinsurance assumed	4,449
General expenses due or accrued	74,956
Taxes, licenses and fees due or accrued	145,800
Amounts held for agents account	5,121
Asset valuation reserve	16,788
Payable to parent, subsidiaries, and affiliates	20,702
Total Liabilities	\$1,355,092
Common capital stock	\$480,160
Gross paid in and contributed surplus	1,598,829
Unassigned funds (surplus)	2,404,394
Surplus as regards policyholders	\$4,483,383
Rounding	(\$2)
Total liabilities and surplus	\$5,838,473

**SUMMARY OF OPERATIONS
FOR YEAR ENDED DECEMBER 31, 2015**

Premiums and annuity considerations for life accident and health contracts	\$773,904
Net investment income	139,035
Commissions and expense allowances on reinsurance ceded	140,730
Totals	<u>\$1,053,669</u>
Death benefits	\$25,821
Disability benefits and benefits under accident and health contracts	22,679
Increase in aggregate reserves for life and accident and health contracts	223,750
Totals	<u>\$272,250</u>
Commissions on premiums, annuity considerations and deposit-type contract funds	\$425,455
General insurance expenses	173,220
Insurance taxes, licenses, and fees excluding federal income tax	54,637
Net gain from operations before dividends and federal income tax	<u>\$128,107</u>
Federal and foreign income tax taxes incurred	\$16,443
Net realized capital gains (losses)	(2,686)
Net income	<u>\$108,978</u>

**RECONCILIATION OF CAPITAL AND SURPLUS
FOR EXAMINATION PERIOD ENDED DECEMBER 31, 2015**

	2015	2014	2013	2012	2011
Capital and Surplus, December 31, prior year	\$4,387,273	\$4,545,388	\$4,354,576	\$4,496,088	\$4,403,390
Net Income	108,978	1,222	231,999	205,485	180,242
Change in net deferred income tax	5,938	1,997	(1,008)	(145,095)	(465)
Change in non-admitted assets	5,809	4,238	(7,644)	145,534	(23,029)
Capital in asset valuation reserve	(2,204)	(2,238)	(2,083)	(1,808)	(693)
Capital changes – Paid in	40	(10)	-	-	(10)
Surplus adjustments – Paid in	9,960	(2,290)	-	-	(2,290)
Dividends to stockholders	(32,410)	(130,400)	(30,452)	(343,628)	(48,934)
Aggregate write-ins for gains and losses in surplus	-	(30,634)	-	-	(12,123)
Capital and Surplus, December 31, current year	\$4,483,383	\$4,387,273	\$4,545,388	\$4,354,576	\$4,496,088

**RECONCILIATION OF EXAMINATION ADJUSTMENTS TO SURPLUS
DECEMBER 31, 2015**

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, 2015 annual statement as filed with the MID. The capital and surplus reported by the Company of \$4,483,383 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, specific areas of the Company's market conduct activities were reviewed. The specific areas reviewed included those items indicated below. No significant exceptions with regard to the limited procedures performed were noted.

Policyholder Services

The Company maintained a complaint log during the period under examination, however, the Company did not receive any complaints during the examination period.

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.

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, 2015, the Company was not a party to any legal proceedings. Procedures performed during the course of the examination revealed no pending litigation, commitments, or other contingent liabilities to which the Company was a party as of the examination date.

SUBSEQUENT EVENTS

During 2016, Dick Taylor, Executive Vice President, and Raymond Beatty, Assistant Treasurer and Assistant Secretary, retired from the Company. Robert Thomas, Controller, was appointed Assistant Treasurer and Assistant Secretary to replace Raymond Beatty. There were no material subsequent events noted.

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: David Palmer, CFE

Examiner: Ryne Davison, AFE


IT Examiner: Lindsey Pittman, CISA

Supervising Examiner: Katerina Bolbas, CFE

Actuary: Mike Mayberry, FSA, MAAA

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

Respectfully submitted,



Examiner-in-charge