STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

RE: Examination Report of Preservation Life Insurance Company for the period ended December 31, 2011

ORDER

After full consideration and review of the report of the financial examination of Preservation Life Insurance Company for the period ended December 31, 2011, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant findings, subsequent events, company history, corporate records, management and control, fidelity bond and other insurance, pension, stock ownership and insurance plans, territory and plan of operations, growth of the company and loss experience, reinsurance, accounts and records, statutory deposits, financial statements, financial statement changes resulting from examination, and comments on financial statement items.

Based on such findings and conclusions, I hereby ORDER, that the report of the Financial Examination of Preservation Life Insurance Company as of December 31, 2011, be and is hereby ADOPTED as filed and for Preservation Life Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement, and verify compliance with each item, if any, mentioned in the Comments on Financial Statement Items and/or Summary of Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 11th day of June, 2013.

John M. Huff, Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF THE

FINANCIAL EXAMINATION OF

PRESERVATION LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 2011

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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Kansas City, Missouri
April 19, 2013

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65102

Director Huff:

In accordance with your financial examination warrant, a full scope financial examination has been made of the records, affairs and financial condition of

Preservation Life Insurance Company

hereinafter referred to as Preservation Life or as the Company. Its administrative office is located at 901 Patients First Drive, Washington, Missouri 63090, telephone number 636-583-8054. The fieldwork for this examination began on January 8, 2013, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed a full scope financial examination of Preservation Life. The last examination was completed as of December 31, 2006 and was conducted by examiners from the State of Missouri representing the Midwestern Zone of the National Association of Insurance Commissioners (NAIC) with no other zone participating. This examination covers the period of January 1, 2007 through December 31, 2011. The examination also includes the material transactions and/or events occurring subsequent to the examination date which are noted in this report.

Procedures

We conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook (Handbook) except where practices, procedures and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) and statutes of the State of Missouri prevailed.

Reliance Upon Others

The examination relied heavily upon information provided by the Company and its management. Where the examiners have deemed appropriate, this information has been tested or verified with external sources.

The Company requested a waiver and exemption from filing audited financial statements as of December 31, 2009, that was granted by the DIFP due to the Company essentially being a shell. Accordingly, the examination could not review and/or rely on the work of the independent auditor for any aspect of the examination.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, significant non-compliance issues, or material changes to the financial statements noted during the examination.

SUBSEQUENT EVENTS

There were no significant subsequent events noted from December 31, 2011 through the date of this report.

CORPORATE HISTORY

General

The Company was originally incorporated as OakRe Life Insurance Company on December 20, 1994 and was a subsidiary of Xerox Financial Services, Inc. (Xerox). The Company commenced business on December 29, 1994 and operates as a stock life insurer under the insurance laws of Chapter 376 RSMo (Life, health and accident insurance).

American Prearranged Services Trust (APS Trust) purchased the Company from Xerox on September 30, 2001, and the Company's name was subsequently changed to Preservation Life Insurance Company on March 20, 2002. Subsequent to the purchase by APS Trust, the Company was owned 76% by APS Trust and 24% by American Prearranged Services, Inc. (APS Inc.) the direct parent of APS Trust. APS Inc. was in turn owned by two individuals, John Lake and John McCulloch who were considered the ultimate controlling parties of Preservation Life.

Preservation Life was purchased by PFHC Medical Management, LLC (PHFC) on February 11, 2010 with an effective date of January 1, 2010.

Capital and Surplus Contributions

No capital or surplus contributions were received by Preservation Life during the examination period.

Dividends

A dividend in the amount of $810,457 was paid in 2010 to APS Inc. in conjunction with the sale of Preservation Life to PFHC Medical Management, LLC. The Company was approved to pay APS Inc. an extraordinary dividend or distribution, consisting of the amount of net worth that exceeded $1,500,000 payable prior to the closing of the sale to PFHC. No other dividends were declared or paid during the period under examination.

Mergers and Acquisition

As indicated in the Corporate History section of this report, Preservation Life was purchased by PFHC Medical Management, LLC on February 11, 2010 with an effective date of January 1, 2010.

CORPORATE RECORDS

A review was made of the Company's Articles of Incorporation and Bylaws for the period under examination. There were no amendments or changes to the Articles of Incorporation and Bylaws during the examination period.

The minutes of the Company's Board of Directors and all committees since the purchase by PFHC were reviewed and in general, appear to properly reflect and approve the corporate transactions and events for the period under examination.

MANAGEMENT AND CONTROL

Board of Directors

The Company's Articles state that nine directors shall constitute the Board and will be elected by the shareholders of Company. Vacancies can be filled by a majority vote of the remaining Directors. The Articles also state that five (5) members of the Board shall constitute a quorum. The Directors elected and serving as of December 31, 2011, were as follows:

Name and Address	Business Affiliation
Michael E. Rau, MD Washington, Missouri	Partner/member of PFHC and Patients First Healthcare, LLC, President of Preservation Life
Rene P. Crosswhite St. Charles, Missouri	Chief Financial Officer of Preservation Life, CFO of Patients First Healthcare, LLC,
John Joseph Sheehan Jefferson City, Missouri	Attorney, CPA and Owner of Williams Keepers, LLC
Gary DuMontier, MD Washington, Missouri	Partner/member of PFHC and Patients First Healthcare, LLC
Thomas Edward Davis, MD Washington, Missouri	Partner/member of PFHC and Patients First Healthcare, LLC

Thomas Mark Farrell, MD Washington, Missouri	Partner/member of PFHC and Patients First Healthcare, LLC
Timothy P. Long, MD Marthasville, Missouri	Partner/member of PFHC and Patients First Healthcare, LLC
David E. Chalk, MD Washington, Missouri	Chairman of PFHC and Patients First Healthcare, LLC; Partner/member of each, Secretary of PIPCO
John M. Mohart, MD Washington, Missouri	Partner/member of PFHC and Patients First Healthcare, LLC

The Company's Bylaws allow for an Executive Committee of the Board of Directors; however, as of December 31, 2013 no committees were established.

The Articles specify that the officers of the Company shall consist of a President, one or more Vice Presidents, a Secretary and one or more Assistant Secretaries, a Treasurer and such other officers as the Board may deem necessary. Any two or more offices may be held by the same individual except the offices of President and Secretary. The officers serving as of December 31, 2011, were as follows:

Michael E. Rau, President
Rene P. Cosswhite, Secretary & CFO
John J. Sheehan, Treasurer

Holding Company, Subsidiaries and Affiliates

The Company is a member of an Insurance Holding Company System as defined by 382.010 RSMo (Definitions). The Company is wholly-owned by PFHC Medical Management, LLC which is wholly-owned by (60.5) sixty and one half partner/members/doctors each owning 1.65%. This is a change from the original (51) fifty-one members each owning 1.96% which was reported as of December 31, 2011. The same partner/members own Patients First Healthcare, LLC (Patients First).

PFHC is a management service organization on behalf of the medium size multi-specialty physician group, Patients First. PFHC provides the management and equipment for Patients First for a fee. The majority of the income and activities of PFHC is generated by Patients First.

PFHC also reported a 23.8% ownership of PIPCO, a reinsurance company investment, as of December 31, 2011. PIPCO's name was subsequently changed to Physicians Insurance Incorporated ("PII") and re-domiciled to Utah in 2012 from the Cayman Islands. The Company also shares common ownership with Creekside Land and Development Company, LLC (Creekside). PFHC and Patients First pay monthly rental payments to Creekside.

An Insurance Holding Company System Registration Statement was filed by Preservation Life for itself for each year under examination.

Organizational Chart

The following organizational chart depicts the ownership and affiliates of Preservation Life as of December 31, 2011. Only those affiliates which have a direct relationship and business affiliation with the Company are shown below.

* The Partners increased to 60.5 in 2012, each owning 1.65% each.

Intercompany Transactions

Preservation Life states that it is currently not a party to any intercompany transactions and none were noted during the exam. The Company had several intercompany transactions prior to the sale of the Company to PFHC which were terminated when the sale closed, effective January 1, 2010. The agreements in effect during the examination period are as follows:

1. **Type:** Lease of Office Space Agreement
   Affiliate: West Truman Partners, LLP
   Effective: November 1, 2002 (Terminated as of December 31, 2009 due to sale)
   Terms: Preservation Life leased 400 square feet of office space from West Truman Partners, LLP. The lease rate was $400 per month.

2. **Type:** Equipment Lease
   Affiliate: American Prearranged Services Inc.
   Effective: November 1, 2002 (Terminated as of December 31, 2009 due to sale)

Terms: Preservation Life leased computer, copy machines, postage machine, telephone system, file cabinets, and office furniture from APS, Inc. The lease rate was $200 per month.

3. **Type:** Attorney Agreement
   Affiliate: Lake Law Firm, LLC
   Effective: December 23, 2002 (Terminated as of December 31, 2009 due to sale)
   Terms: Lake Law Firm, LLC agreed to represent Preservation Life in various legal matters including corporate compliance, legal proceedings, regulatory matters, and provide other legal services as necessary. For services rendered, the Company paid $175 per hour for an attorney and $55 per hour for a legal assistant.

4. **Type:** Sale of Insurance Agreement
   Affiliate: First Trust of Mid American, Inc., Trustee for American Prearranged Services Trust
   Effective: May 6, 2002 (Terminated as of December 31, 2009 due to sale)
   Terms: Preservation Life agreed to sell group whole life insurance policies to First Trust to insure the lives of individuals that purchased prearranged funeral contracts, from which funds have been deposited into APS Trust. Preservation Life paid the death claims for these policies within 30 days of the submission of claim form.

5. **Type:** Sale of Insurance Agreement
   Affiliate: First Trust of Mid American, Inc., Trustee of the Consalus Funeral Trust
   Effective: November 1, 2002 (Terminated as of December 31, 2009 due to sale)
   Terms: Preservation Life agreed to sell group whole life insurance policies to First Trust to insure the lives of individuals that purchased prearranged funeral contracts, from which funds were deposited into Consalus Funeral Trust. Preservation Life paid the death claims for these policies within 30 days of the submission of claim form. This was for an 80 person block originally which decreased as the policyholders became deceased.

6. **Type:** Employee Cost Sharing Agreement
   Affiliate: American Prearranged Services, Inc.
   Effective: August 1, 2005 (Terminated as of December 31, 2009 due to sale)
   Terms: An employee of APS, Inc. managed the day-to-day activities and business of Preservation Life. The Company paid APS, Inc. a rate of $10 per hour, which increased to $20 per hour per an amendment approved March 14, 2007 for the actual time spent by the employee to provide the service.

7. **Type:** Office Expense Agreement
   Affiliate: American Prearranged Services, Inc.

Effective: August 1, 2005 (Terminated as of December 31, 2009 due to sale)
Terms: Preservation agreed to pay APS, Inc., on a monthly basis for the following services: postage, copies, and faxes used. Postage was paid at cost. Copies were $0.03 per page and paid each month. Company also paid $50 per month for telephones.

8. **Type:** Consultants Agreement
   Affiliate: Administrative Management Corp. (AMC)
   Effective: January 1, 2004 (Terminated as of December 31, 2009 due to sale)
   Terms: AMC provided consulting services including management, organization, financial policies, accounting, statistical and reserve reporting, administrative records systems, product development and staff development training. It was anticipated that services would average 400 hours per year and the rate charged was $45 per hour.

The following table summarizes the payments made during the examination period, between Preservation Life and its affiliates, pursuant to intercompany agreements.

Affiliate	Agreement	2007	2008	2009
West Truman Partners, LLP	Office Lease	$4,800	$4,800	$4,400
American Prearranged Services, Inc.	Equipment Lease	2,400	2,400	2,200
Mid-American Trustee for APS Trust	Sale of Insurance	897,168	614,914	-4,148
American Prearranged Services, Inc.	Employee Share Agreement	2,910	2,280	590
American Prearranged Services, Inc.	Office Expense Agreement	683	684	609
Total		**$907,961**	**$625,078**	**$3,651**

FIDELITY BOND AND OTHER INSURANCE COVERAGES

Preservation Life provided proof of liability coverage for their officers, directors and the organization from Chubb Group. The coverage is for up to $2 million per claim. The insurance covers Preservation Life, its parent PFHC Medical Management and Patients First Health Care LLC, who are named on the policy. Preservation Life did not provide verification of Fidelity Bond or Errors & Omission coverages. These coverages would appear unnecessary since the Company has no outstanding policies, is writing no new business and has no employees.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

Preservation Life does not have any direct employees. All of the operation and administrative functions of Preservation Life are performed by PFHC or their CPA, Randy Snodgrass.

No benefit plans or compensation are currently noted for the Company.

INSURANCE PRODUCTS AND RELATED PRACTICES

Preservation Life is licensed by the Missouri Department of Insurance, Financial Institutions and Professional Registration under Chapter 376 RSMo (Life, health and accident insurance) to write the following lines of business: life, annuities and endowments, and accident and health. The Company is not licensed in any other state or territory.

Preservation Life mainly sold whole life policies to trustees of prearranged funeral plans. The Company received approval in 2008 to surrender all of its policies and completed the surrender at the end of 2008. The Company was subsequently sold as of January 1, 2010 to PFHC, which had planned to write group and individual disability insurance for doctors.

The Company has reconsidered writing business and ownership contacted the DIFP stating its intention to voluntarily dissolve per RSMo 375.1175.2. Per this statute, the Company must have completed a financial exam within the last (5) five years and not have written any premium in the past 5 years. As Company surrendered all of its policies as of yearend 2008, the Company would appear to qualify for dissolution at the beginning of 2014.

GROWTH OF THE COMPANY AND LOSS EXPERIENCE

The Company's capital and surplus has remained relatively stable throughout the examination period, with the only change due to the sale of the Company and an extraordinary dividend paid prior to the sale. Benefit and Expense Payments changed due to the surrender of all policies at the end of 2008 and there are currently only expenses tied to running the Company as a shell. Premiums Earned ended after the surrender of the policies at the end of 2008. The growth and loss experience of the Company is summarized in the following schedule.

	2011	2010	2009	2008	2007
Premiums Earned	$ 0	$ 0	$ 0	($13,532)	$1,282,306
Benefit & Expense Payments	18,981	30,292	33,118	336,504	1,610,204
Total Capital & Surplus	1,465,402	1,486,320	2,310,457	2,357,526	2,425,626

REINSURANCE

Preservation Life did not participate in any reinsurance agreements during the period under examination.

ACCOUNTS AND RECORDS

Since Preservation Life is currently a shell consisting of only cash and invested assets and awaiting a voluntary dissolution, a review of the internal systems and programs was not completed for the Company. Randy Snodgrass, CPA prepares the quarterly and annual financial statements for Preservation Life and acts as the statutory statement contact for the Company.

Financial statements of the Company were last audited as of December 31, 2008 by the CPA firm, Seaver & Forck of Jefferson City. The Company has been granted exemptions from filing Audited Financial Statements since 2009, due to there being no outstanding policies and no new writings.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Missouri DIFP as of December 31, 2011, as reflected below, were sufficient to meet the capital deposit requirements for the State of Missouri in accordance with Section 376.290 RSMo (Deposit and transfer of securities). The Company's required deposit for Missouri was $600,000. The funds on deposit as of December 31, 2011, were as follows:

Type of Security	Par Value	Fair Value	Statement Value
U.S. Treasury Bill	$ 605,000	$ 604,982	$ 604,982

Deposits with Other States

The Company is not licensed in any other states and does not have funds on deposit with other states.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of Preservation Life Insurance Company for the period ending December 31, 2011. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Comments on Financial Statement Items". The failure of any column of numbers to add to its respective total is due to rounding or truncation.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statement Items". These differences were determined to be immaterial concerning their effect on the financial statements and, therefore; were only communicated to the Company and noted in the work papers for each individual activity.

Assets

	Assets	Non-Admitted Assets	Net Admitted Assets
Cash and Short-term Investments	1,463,599	0	1,463,599
Investment Income Due and Accrued	1,803	0	1,803
Aggregate Write-ins for other than invested assets (Goodwill & Prepaid Assessment)	36,479	36,479	0
TOTAL ASSETS	**$ 1,501,881**	**$ 36,479**	**$ 1,465,402**

Liabilities, Surplus and Other Funds

Company reported No Liabilities as of December 31, 2011	$	0
TOTAL LIABILITIES	**$**	**0**
Common Capital Stock		600,000
Gross Paid In and Contributed Surplus		570,460
Unassigned Funds (Surplus)		294,942
Capital and Surplus	**$**	**1,465,402**
TOTAL LIABILITIES AND SURPLUS	**$**	**1,465,402**

Summary of Operations

Premiums and Annuity Considerations for Contracts	$	0
Net Investment Income		8,373
Total	**$**	**8,373**
General Insurance Expenses		17,304
Insurance Taxes, Licenses and Fees		1,677
Total	**$**	**18,981**
Net Gain from Operations Before Federal Income Taxes		**(10,608)**
Federal Income Taxes Incurred		0
NET INCOME	**$**	**(10,608)**

Capital and Surplus Account

Capital & Surplus, December 31, 2010	$	1,486,320
Net Income		(10,608)
Change in Non-Admitted Assets		(10,310)
Net Change in Surplus as Regards Policyholders for 2011	**$**	**(20,918)**
Surplus as Regards Policyholders, December 31, 2011	**$**	**1,465,402**

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None

COMMENTS ON FINANCIAL STATEMENT ITEMS

None

SUMMARY OF RECOMMENDATIONS

None

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Preservation Life Insurance Company during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

State of Missouri)
County of)

I, Jeffery W. Buschmann, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of Preservation Life Insurance Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

Jeffery W. Buschmann
Jeffery W. Buschmann
Financial Examiner
Missouri Department of Insurance, Financial Institutions and Professional Registration

Sworn to and subscribed before me this 1st day of May, 2013

My commission expires: 04-14-2016 Beverly M. Webb
Notary Public

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

BEVERLY M. WEBB
My Commission Expires
April 14, 2016
Clay County
Commission #12464070

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed, except where practices, procedures and applicable regulations of the DIFP and statutes of the State of Missouri prevailed.

Mark A. Nance, CFE, CPA
Audit Manager
Missouri Department of Insurance, Financial Institutions and Professional Registration