

REPORT OF
FINANCIAL EXAMINATION
FOUNDER'S TITLE INSURANCE
AS OF
DECEMBER 31, 2012



STATE OF WYOMING
DEPARTMENT OF INSURANCE
CHEYENNE, WYOMING

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SALUTATION
Cheyenne, Wyoming
June 10, 2013

Honorable Tom C. Hirsig
Insurance Commissioner
State of Wyoming
106 East 6th Avenue
Cheyenne, WY 82002

Commissioner Hirsig:

Pursuant to your instructions and in compliance with the provisions of the Wyoming Insurance Code and the rules and regulations promulgated by the National Association of Insurance Commissioners, hereinafter called "NAIC," an examination was made as of December 31, 2012, of the financial condition, management, and affairs of:

FOUNDER'S TITLE INSURANCE

hereinafter referred to as the "Company," at its home office located at 1814 Warren Avenue, Cheyenne, Wyoming. The following report of the examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

The examination reported upon herein was undertaken as a routine examination as called for by Wyo. Stat. § 26-2-116. The last exam was completed as of December 31, 2008. This examination covers the period from January 1, 2009, to December 31, 2012.

The following key activities were reviewed during the exam: investments, premiums, statutory premium reserve, reinsurance, other income and expenses.

We conducted our single-state 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 and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with statutory accounting principles and annual statement instructions, when applicable to domestic state laws and regulations. All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

DESCRIPTION OF THE COMPANY

Prior Examination Findings:

The prior examination finding regarding supporting documentation for all disbursements of twenty-five dollars (\$25.00) or more as required by Wyo. Stat. §26-24-130(a) has been resolved.

Subsequent Events:

A Form A filing has been submitted to the Wyoming Insurance Department (Department) for the acquisition of the Company.

History of the Company:

The Company's initial Articles of Incorporation were approved by the Wyoming Attorney General and the Wyoming Insurance Department on December 31, 2003. The Articles were also filed with the Wyoming Secretary of State on that date.

The Company's home office is located at 1814 Warren Avenue in Cheyenne, Wyoming. The purpose for which the Company is organized is to engage in the title insurance business.

On July 18, 2012, the Form A filing by Agents National Title Insurance Company (ANTIC) to acquire the Company was approved by the Wyoming Insurance Commissioner. ANTIC is a title insurer that is domiciled in Missouri. The purchase of the Company was finalized on October 12, 2012, at which time the Company became dormant.

Corporate Records:

The Articles of Incorporation, bylaws, and minutes of the meetings of the Board of Directors and shareholders were reviewed in detail. It was determined that the actions taken at the various meetings were adequately documented.

Management and Control:

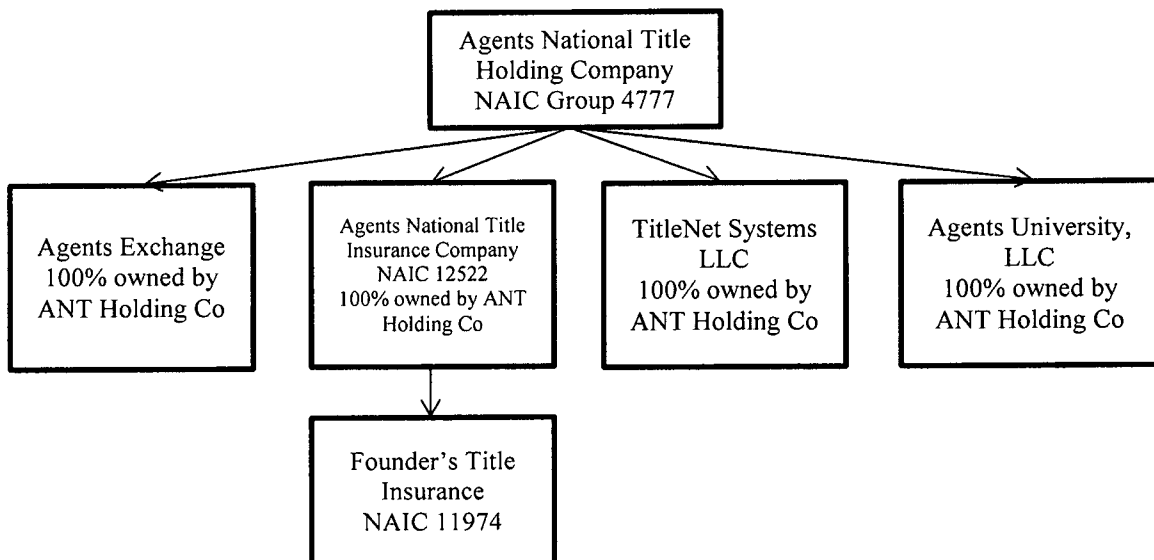
The control and direction of the Company rests with its Board of Directors. Article III of the bylaws provides that the number of directors of the Company shall be not less than five nor more than fifteen. The current number of directors is five. The following individuals are the directors of the Company as of December 31, 2012:

- David A. Townsend
- Brent J. Scheer
- Ted O. Simola
- Norman E. Kinsey
- Joseph J. Simola

The officers of the Company are:

- President – David A. Townsend
- Secretary and Treasurer – Brent J. Scheer

Holding Company Structure:



The Company has entered into two agreements with its affiliates. The cost sharing and management agreement with ANTIC provides that ANTIC staff will operate and manage the Company. The master tax sharing agreement with ANTIC and all other affiliates in the group provides that the income taxes of the group are fairly allocated to each company. Both of these

agreements have been approved by the Missouri Department of Insurance, Financial Institutions & Professional Registration (DIFP) and the Wyoming Insurance Department.

Fidelity Bonds and Other Insurance:

The Company has employee dishonesty coverage on its employees in the amount of \$25,000 with the Hartford Casualty Insurance Company. This amount is within the NAIC suggested minimum amount of \$25,000 - \$50,000 for fidelity insurance.

In addition, the Company has other insurance coverage with the Hartford Casualty Insurance Company. The Company has liability and medical expenses coverage up to \$1,000,000, personal and advertising injury up to \$1,000,000, damages to premises rented up to \$300,000, products up to \$2,000,000 aggregate and auto liability of up to \$1,000,000.

Officers', Employees', and Agents' Welfare and Pension Plans:

The Company does not provide any pension plans.

Territory and Plan of Operation:

The Company is only licensed in the state of Wyoming, and is authorized to conduct title insurance business. With the sale of the Company to ANTIC on October 12, 2012, the Company is now dormant.

Growth of the Company:

The Company's operating income decreased from \$229,662 in 2009 to \$191,387 in 2012. The Company's net income increased from a net loss of \$(26,582) in 2009 to a net income of \$6,884 in 2012. The Company's surplus as regards policyholders has decreased from \$777,056 as of December 31, 2009 to \$766,259 as of December 31, 2012.

The Company's net admitted assets have decreased from \$822,175 as of December 31, 2009, to \$803,120 as of December 31, 2012.

The Company is in compliance with the minimum capital and surplus requirements in Wyo. Stat. §26-3-108 as of December 31, 2012.

Business In Force by State:

The Company operates only in the state of Wyoming and is authorized to conduct title insurance business.

Direct Premiums Written for 2012:

<u>Line of Business</u>	<u>Direct Business</u>
Title	\$123,545
Total	\$123,545

Loss Experience:

The Company has not experienced any losses since its inception in 2004, and has been exempted from providing an actuarial opinion due to its small size.

Reinsurance:

The Company contracted for facultative reinsurance with Westcor Land Title Insurance Company, a licensed insurer in the state of Wyoming, for policies reinsured from the beginning of the exam period through the first quarter of 2010. For policies reinsured after October 8, 2010, the Company used ANTIC as its reinsurer pursuant to a facultative agreement. Generally, the Company retained the first \$375,000 and later in the exam period, retained the first \$350,000. ANTIC reinsured the next \$250,000 and Connecticut Attorneys Title Insurance Company (CATIC) reinsured amounts over \$625,000. Both ANTIC and CATIC were approved as reinsurers by the Department as of October 8, 2010, in accordance with Wyo. Stat. §26-23-312. ANTIC became licensed in Wyoming on October 28, 2010.

Out of a total population of 54 policy files that required reinsurance, two of the policies did not have reinsurance coverage as of the end of the exam period.

Wyo. Stat. §26-23-307(a) states, “The net retained liability of a title insurer for a single risk on property located in this state, whether assumed directly or as reinsurance, shall not exceed fifty percent (50%) of the sum of its total surplus to policyholders and reinsurance reserve, less the value assigned to title plants, as shown in the insurer's most recent annual statement on file in the commissioner's office.”

The effect of this condition is that the Company is in violation of Wyo. Stat. §26-23-307 for two policies.

Recommendation 1: It is recommended that the Company obtain reinsurance on all policies that are over the single risk limitation in Wyo. Stat. §26-23-307.

Accounts and Records:

The Company's administrative, accounting, investment, title searches, title commitments, and real estate closings were performed at its home office in Cheyenne, Wyoming, before the Company became dormant on October 12, 2012.

The Company's accounts and records were reviewed in accordance with the *NAIC Financial Condition Examiners Handbook* and the Wyoming Insurance Code.

Statutory Deposit:

The Company has a certificate of deposit with a fair value of \$50,397 on deposit in favor of the State of Wyoming for the protection of all policyholders and creditors.

FOUNDER'S TITLE INSURANCE
STATEMENT OF ASSETS, LIABILITIES AND SURPLUS
as of December 31, 2012

ASSETS	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$50,397	0	\$50,397
Cash and short-term investments	752,586	0	752,586
Subtotal - cash and invested assets	802,983	0	802,983
Investment income due and accrued	137	0	137
Total assets	\$803,120	0	\$803,120
LIABILITIES, SURPLUS & OTHER FUNDS			
Statutory premium reserve			\$29,269
Other expenses (excluding taxes, licenses and fees)			2,523
Taxes, licenses and fees			737
Payable to parent, subsidiaries and affiliates			4,332
Total liabilities			36,861
CAPITAL & SURPLUS			
Common capital stock			500,000
Gross paid in and contributed surplus			520,000
Unassigned funds (surplus)			(253,741)
Surplus as regards policyholders			766,259
Total liabilities, surplus and other funds			\$803,120

FOUNDER'S TITLE INSURANCE
STATEMENT OF OPERATIONS
for the Year Ending December 31, 2012

Title insurance premiums earned	\$136,246
Escrow and settlement services	38,426
Other title fees and service charges	13,995
Other operating income	2,720
Total operating income	191,387
Operating expenses incurred	190,655
Total operating deductions	190,655
Net operating gain or (loss)	732
Net investment income earned	6,152
Net investment gain or (loss)	6,152
Net income/(loss) before federal income taxes	6,884
Federal income taxes incurred	0
Net income or (loss)	\$6,884
<u>Capital & Surplus</u>	
Surplus as regards policyholders, December 31, 2011	\$779,785
Net income or (loss)	6,884
Change in nonadmitted assets	1,214
Aggregate write-ins for gains and losses in surplus	(21,624)
Net change in surplus	(13,526)
Surplus as regards policyholders, December 31, 2012	\$766,259

FOUNDER'S TITLE INSURANCE
RECONCILIATION OF SURPLUS

January 1, 2009 through December 31, 2012

	Per Annual Statements				Per Exam
	2009	2010	2011	2012	2012
Surplus as regards policyholders, December 31 of prior year	\$799,402	\$777,056	\$801,250	\$779,785	\$779,785
Net income or (loss)	(26,582)	22,175	(22,783)	6,884	6,884
Change in nonadmitted assets	4,236	2,019	1,318	1,214	1,214
Aggregate write-ins for gains and losses in surplus				(21,624)	(21,624)
Change in surplus as regards policyholders	(22,346)	24,194	(21,465)	(13,526)	(13,526)
Surplus as regards policyholders, December 31 of current year	\$777,056	\$801,250	\$779,785	\$766,259	\$766,259

SUMMARY OF RECOMMENDATIONS

Recommendation 1: It is recommended that the Company obtain reinsurance on all policies that are over the single risk limitation in Wyo. Stat. §26-23-307.

CONCLUSION

Jeff Braunschweig, G. Douglas Melvin, and Todd Schildmeier, examiners for the Wyoming Insurance Department, participated in the examination.

Appreciation is expressed for the cooperation and assistance extended by the officers and employees of the Company during the course of the examination.

I, the undersigned, hereby certify that an examination has been made of **FOUNDER'S TITLE INSURANCE**, and the preceding report is true and correct to the best of my knowledge and information.

Respectfully submitted,

Jeff Braunschweig, CPA, CFE
Examiner In-Charge
Senior Examiner
Department of Insurance
State of Wyoming

This report has been reviewed and is true and correct to the best of my knowledge and information.

Linda Johnson, CPA, CFE
Chief Financial Examiner
Department of Insurance
State of Wyoming

The foregoing instrument was acknowledged under oath before me this _____ day of July 2013.

Witness my hand and official seal.

Notary Public

My Commission Expires: _____