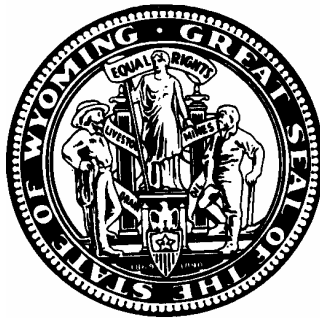


REPORT OF
FINANCIAL EXAMINATION
FOUNDER'S TITLE INSURANCE

AS OF
DECEMBER 31, 2005



STATE OF WYOMING
DEPARTMENT OF INSURANCE
CHEYENNE, WYOMING

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SALUTATION
Cheyenne, Wyoming
February 26, 2007

Honorable Alfred W. Gross
Chairman, NAIC Financial Condition
(E) Committee
State Corporation Commission
Bureau of Insurance
P.O. Box 1157
Richmond, VA 23218

Honorable Kenneth G. Vines
Insurance Commissioner
State of Wyoming
122 West 25th Street
Cheyenne, WY 82002-0440

Honorable D. Kent Michie
Western Zone Secretary
Department of Insurance
State of Utah
State Office Building, Room 3110
Salt Lake City, UT 84114-6901

Chairman, Secretary, and Commissioner:

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, 2005, 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 Company was most recently examined as of December 31, 2004, which was a limited-scope examination. The current examination covers the period from the date the Company was originally licensed on April 23, 2004, to December 31, 2005.

The examination included a review and analysis of operations and a determination of the financial condition of the Company as of the date of examination. Valuation and verification of assets, determination of liabilities and reserves, and testing and analysis of such accounts and records deemed necessary to the examination were performed. Limited market conduct procedures were also performed during the examination. In addition, the exam included a limited review of material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

The examination was conducted in accordance with procedures suggested by the Financial Condition (E) Committee of the NAIC and other generally accepted insurance standards.

During the examination, there were some immaterial items noted that are not included in this report. These issues are discussed in a management letter that was given to the Company and its Board of Directors under a separate cover.

DESCRIPTION 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.

Management and Control:

The control and direction of the Company rest 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 initial number of directors is five. The following individuals are the directors of the Company as of December 31, 2005:

Ted O. Simola
Norman E. Kinsey
Joan L. Kinsey
Joseph J. Simola
Jacqueline M. Simola

The officers of the Company are:

President – Ted O. Simola
Vice-President – Norman E. Kinsey
Secretary – Joseph J. Simola
Treasurer – Jacqueline M. Simola

The Company has obtained conflict of interest declarations from each of its officers and directors, but has not required annual conflict of interest declarations from these individuals. Therefore, the Company may be unaware of any conflicts of interest or prohibited practices of its directors and officers.

Wyoming Statute § 26-24-127 prohibits certain pecuniary interests of the officers and directors of an insurance company. Wyoming Statute § 17-16-831 of the Wyoming Business Corporation Act indicates that a transaction affected by a conflict of interest could be voidable by the corporation under certain circumstances, particularly if the conflict of interest is not disclosed.

Recommendation No. 1: It is recommended that the Company implement a policy to obtain conflict of interest declarations from its officers and directors on an annual basis.

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.

Fidelity Bonds and Other Insurance:

The Company has a type of fidelity bond insurance on its employees in the amount of \$25,000 (employee dishonesty coverage) 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 operates in the State of Wyoming, employs approximately 5 persons, and is authorized to conduct title insurance business. Sales operations are conducted through employees only. The Company does not have agents.

Growth of the Company:

The Company's operating income increased from \$22,001 in 2004 to \$139,882 in 2005. The Company's net losses were \$43,016 and \$52,832 in 2004 and 2005 respectively. The Company had surplus of \$880,223 and \$862,907 as of December 31, 2004 and 2005, respectively.

The Company's net admitted assets have decreased from \$900,964 as of December 31, 2004, to \$880,859 as of December 31, 2005.

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 2005:

<u>Line of Business</u>	<u>Direct Business</u>
Title	\$126,324
Total	\$126,324

Loss Experience:

The Company has not experienced any losses and has been exempted from providing an actuarial opinion since inception.

Reinsurance:

As of December 31, 2005, and during the examination period, the Company contracted for facultative reinsurance with United General Title Insurance Company, a licensed insurer in the State of Wyoming. The Company ceded \$2,265 in premiums to United General Title Insurance Company in 2005.

The reinsurance contract includes an insolvency of ceder and recoupment and subrogation clauses.

Accounts and Records:

The Company's administrative, accounting, investment, title searches, commitments, and real estate closings are performed at its home office in Cheyenne, Wyoming.

The Company's accounts and records were reviewed in accordance with the examination programs in the NAIC Examiner's Handbook and the Wyoming Insurance Code.

Market Conduct:

In conjunction with the financial examination, limited market conduct procedures were performed.

During testing, the examiners noted that the Company does not have a privacy policy. Chapter 54 of the Wyoming Insurance Department Regulations, Privacy of Consumer Financial and Health Information, Section 2(a) states in part, "This regulation governs the treatment of . . . nonpublic personal financial information about individuals by all licensees of the state insurance department. This regulation: (i) Requires a licensee to provide notice to individuals about its privacy policies and practices; (ii) Describes the conditions under which a licensee may disclose . . . nonpublic personal financial information about individuals to affiliates and nonaffiliated third parties; and (iii) Provides methods for individuals to prevent a licensee from disclosing that information." Chapter 54, Section 4(q)(i) defines licensee to include all licensed insurers.

Recommendation No. 2: It is recommended that the Company develop a privacy policy and provide notice to customers in compliance with Chapter 54 of the Regulations.

FOUNDER'S TITLE INSURANCE
STATEMENT OF ASSETS AND LIABILITIES
as of December 31, 2005

ASSETS	Assets	Nonadmitted Assets	Net Admitted Assets
Cash and short-term investments	\$868,997	0	\$868,997
Subtotal - cash and invested assets	868,997	0	868,997
Investment income due and accrued	1,002	0	1,002
Uncollected premiums	75	0	75
Electronic data processing equipment and software	7,742	7,742	0
Furniture and equipment	29,503	29,503	0
Aggregate write-ins for other than invested assets	10,785		10,785
Total assets	\$918,104	\$37,245	\$880,859
LIABILITIES, SURPLUS & OTHER FUNDS			
Statutory premium reserve			\$9,080
Other expenses (excluding taxes, licenses and fees)			4,300
Taxes, licenses and fees			2,739
Amounts withheld by company for account of others			1,833
Total liabilities			17,952
CAPITAL & SURPLUS			
Common capital stock			500,000
Gross paid in and contributed surplus			496,000
Unassigned funds (surplus)			(133,093)
Surplus as regards policyholders			862,907
Total liabilities, surplus and other funds			\$880,859

FOUNDER'S TITLE INSURANCE
STATEMENT OF OPERATIONS

for the Year Ending December 31, 2005

Title insurance premiums earned	\$115,928
Escrow and settlement services	21,030
Other title fees and service charges	2,924
Total operating income	139,882
Operating expenses incurred	215,400
Total operating deductions	215,400
Net operating gain or (loss)	(75,518)
Net investment income earned	22,686
Net investment gain or (loss)	22,686
Net income/(loss) before federal income taxes	(52,832)
Federal income taxes incurred	0
Net income or (loss)	\$(52,832)
<u>Capital & Surplus</u>	
Surplus as regards policyholders, December 31, 2004	\$880,223
<u>Gains and (Losses)</u>	
Net income or (loss)	(52,832)
Change in nonadmitted assets	6,716
Surplus paid in	28,800
Net change in surplus	(17,316)
Surplus as regards policyholders, December 31, 2005	\$862,907

FOUNDER'S TITLE INSURANCE
RECONCILIATION OF SURPLUS

December 31, 2004 through December 31, 2005

	Per Annual Statements		Per Exam
	2004	2005	2005
Surplus as regards policyholders, December 31, of prior year	\$0	\$880,223	\$880,223
Net income or (loss)	(43,016)	(52,832)	(52,832)
Change in nonadmitted assets	(43,961)	6,716	6,716
Paid in capital	500,000	0	0
Paid in surplus	467,200	28,800	28,800
Change in surplus as regards policyholders	880,223	(17,316)	(17,316)
Surplus as regards policyholders, December 31, of current year	\$880,223	\$862,907	\$862,907

SUMMARY OF RECOMMENDATIONS

Recommendation No. 1: It is recommended that the Company implement a policy to obtain conflict of interest declarations from its officers and directors on an annual basis.

Recommendation No. 2: It is recommended that the Company develop a privacy policy and provide notice to customers in compliance with Chapter 54 of the Regulations.

CONCLUSION

Jeff Braunschweig and G. Douglas Melvin, 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 March 2007.

Witness my hand and official seal.

Notary Public

My Commission Expires: _____