

REPORT OF  
FINANCIAL EXAMINATION  
**FOUNDER'S TITLE INSURANCE**  
AS OF  
DECEMBER 31, 2008



STATE OF WYOMING  
DEPARTMENT OF INSURANCE  
CHEYENNE, WYOMING

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SALUTATION  
Cheyenne, Wyoming  
March 8, 2010

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  
106 East 6<sup>th</sup> Avenue  
Cheyenne, WY 82002

Honorable Christina Urias  
Western Zone Secretary  
Arizona Department of Insurance  
2910 North 44<sup>th</sup> Street, Suite 210  
Phoenix, AZ 85018

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, 2008, 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, 2005. The current examination covers the period from January 1, 2006, to December 31, 2008.

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. 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.

## **DESCRIPTION OF THE COMPANY**

### **Prior Examination Findings:**

During the last examination there were two recommendations. The first recommendation was for the Company to obtain conflict of interest statements on an annual basis. This finding is in the process of being resolved. The second recommendation was for the Company to develop a privacy policy. This recommendation has been resolved.

### **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.

### **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, 2008:

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

**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 decreased from \$237,688 in 2006 to \$211,835 in 2008. The Company's net losses decreased from \$59,485 in 2006 to \$10,465 in 2008. The Company's surplus as regards policyholders has decreased from \$836,118 as of December 31, 2006 to \$799,402 as of December 31, 2008.

The Company's net admitted assets have decreased from \$862,460 as of December 31, 2006, to \$840,180 as of December 31, 2008.

**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 2008:

<u>Line of Business</u>	<u>Direct Business</u>
Title	\$171,489
Total	\$171,489

**Loss Experience:**

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

**Reinsurance:**

The Company contracted for facultative reinsurance with United General Title Insurance Company, a licensed insurer in the state of Wyoming, for policies reinsured prior to March 2, 2009. For policies issued in 2008 and not reinsured until after March 2, 2009, the Company placed these with Westcor Land Title Insurance Company under a facultative agreement. Westcor Land Title Insurance Company is licensed in Wyoming as required by Wyo. Stat. § 26-23-312.

**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 Financial Condition Examiners Handbook and the Wyoming Insurance Code.

During the examination, twenty-four (24) disbursement transactions were tested. One transaction was missing supporting documentation.

Wyoming Statute § 26-24-130(a) states, "No insurer shall make any disbursement of twenty-five dollars (\$25.00) or more, unless evidenced by a voucher or other document correctly describing the consideration for the payment and supported by a check or receipt endorsed or signed by or on behalf of the person receiving the money."

**Recommendation 1:** It is recommended that the Company comply with Wyo. Stat. § 26-24-130(a) by obtaining supporting documentation for all disbursements of twenty-five dollars (\$25.00) or more.

**Statutory Deposit:**

The Company has a certificate of deposit with a value of \$51,226 on deposit in favor of the State of Wyoming for the protection of all policyholders and creditors.

**FOUNDER'S TITLE INSURANCE**  
**STATEMENT OF ASSETS AND LIABILITIES**  
as of December 31, 2008

ASSETS	Assets	Nonadmitted Assets	Net Admitted Assets
Cash and short-term investments	\$828,083	0	\$828,083
Subtotal - cash and invested assets	828,083	0	828,083
Title plant	10,785	0	10,785
Investment income due and accrued	1,030	0	1,030
Uncollected premiums	282	0	282
Electronic data processing equipment and software	2,248	2,248	0
Furniture and equipment	6,539	6,539	0
Total assets	\$848,967	8,787	\$840,180
<b>LIABILITIES, SURPLUS &amp; OTHER FUNDS</b>			
Statutory premium reserve			\$30,355
Other expenses (excluding taxes, licenses and fees)			5,200
Taxes, licenses and fees			1,610
Amounts withheld by company for account of others			1,811
Aggregate write-ins for other liabilities			1,802
Total liabilities			40,778
<b>CAPITAL &amp; SURPLUS</b>			
Common capital stock			500,000
Gross paid in and contributed surplus			520,000
Unassigned funds (surplus)			(220,598)
Surplus as regards policyholders			799,402
Total liabilities, surplus and other funds			\$840,180

**FOUNDER'S TITLE INSURANCE**  
**STATEMENT OF OPERATIONS**

for the Year Ending December 31, 2008

Title insurance premiums earned	\$163,342
Escrow and settlement services	41,156
Other title fees and service charges	7,337
Total operating income	211,835
Operating expenses incurred	254,849
Total operating deductions	254,849
Net operating gain or (loss)	(43,014)
Net investment income earned	32,549
Net investment gain or (loss)	32,549
Net income/(loss) before federal income taxes	(10,465)
Federal income taxes incurred	0
Net income or (loss)	\$(10,465)
<u>Capital &amp; Surplus</u>	
Surplus as regards policyholders, December 31, 2007	\$800,122
<u>Gains and (Losses)</u>	
Net income or (loss)	(10,465)
Change in nonadmitted assets	9,745
Net change in surplus	(720)
Surplus as regards policyholders, December 31, 2008	\$799,402

**FOUNDER'S TITLE INSURANCE**  
**RECONCILIATION OF SURPLUS**

January 1, 2006 through December 31, 2008

	Per Annual Statements			Per Exam
	2006	2007	2008	2008
Surplus as regards policyholders, December 31 of prior year	\$862,907	\$836,118	\$800,122	\$800,122
Net income or (loss)	(59,485)	(46,012)	(10,465)	(10,465)
Change in nonadmitted assets	8,696	10,016	9,745	9,745
Paid in surplus	24,000			
Change in surplus as regards policyholders	(26,789)	(35,996)	(720)	(720)
Surplus as regards policyholders, December 31 of current year	\$836,118	\$800,122	\$799,402	\$799,402

## **SUMMARY OF RECOMMENDATIONS**

**Recommendation 1:** It is recommended that the Company comply with Wyo. Stat. § 26-24-130(a) by obtaining supporting documentation for all disbursements of twenty-five dollars (\$25.00) or more.

**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,

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G. Douglas Melvin, 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.

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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 2010.

Witness my hand and official seal.

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Notary Public

My Commission Expires: \_\_\_\_\_