

Report of Examination of  
**EnTitle Insurance Company**  
Independence, Ohio

As of December 31, 2011

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Columbus, Ohio  
January 29, 2013

Honorable Mary Taylor  
Lt. Governor/Director  
State of Ohio  
Department of Insurance (“Department”)  
50 West Town Street  
3<sup>rd</sup> Floor – Suite 300  
Columbus, Ohio 43215

Dear Madam:

In accordance with Section 3901.07 of the Ohio Revised Code (ORC), an examination was made of

**EnTitle Insurance Company**

an Ohio domiciled, stock, title insurance company, hereinafter referred to as the (“Company”). The examination was conducted at the Company’s home office, located at 4600 Rockside Road, Independence, Ohio, 44131.

A report of this examination is hereby respectfully submitted.

The Company was last examined as of December 31, 2008 by the Ohio Department of Insurance (“Department”). Representatives of the Department conducted the current examination covering the intervening period to and including December 31, 2011.

**Management and Control**

**Board of Directors:**

Members of the board of directors elected and serving on December 31, 2011 were as follows:

<b>Name</b>	<b>Principal Occupation</b>
Lee H. Baskey	Chief Operations Officer, The Company
Hanley C. Clark	Insurance Consultant & Real Estate Investor
Timothy M. Dwyer	President and CEO, EnTitle Direct Group and The Company

Nicholas Ferreri

Chief Financial Officer,  
The Company

James S. Shoenfelt

Actuary,  
Shoenfelt Consulting, Inc.

## **Officers**

As of the examination date, the following officers were elected and serving in accordance with the Company's Bylaws:

<b>Name</b>	<b>Title</b>
Timothy M. Dwyer	President
Nicholas Ferreri	Chief Financial Officer
James S. Shoenfelt	Secretary

## **Insurance Holding Company System**

The Company is a member of a holding company system as defined in Section 3901.32 of the ORC. The following displays the chain of ownership of the insurance companies as of December 31, 2011 (100% owned unless otherwise indicated):

Entitle Direct Group  
EnTitle Insurance Company

## **Reinsurance**

### **Assumed**

The Company has no assumed reinsurance.

### **Ceded**

The Company has an excess of loss reinsurance contract with Lloyd's of London. Per the contract, Lloyd's of London is liable for 100% of \$4 million ultimate loss, each claim discovered, and each policy in excess of \$1 million.

## **Territory and Plan of Operations**

The Company was licensed to transact business in the following states: Alabama, Arizona, Arkansas, California, Connecticut, Delaware, District of Columbia, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, and Wisconsin.

## **Scope of Examination**

One of the purposes of the examination was to make an assessment of the financial condition of the Company as of December 31, 2011. To substantiate the various items, tests were made either by complete audits of accounts or by sampling methods prescribed by the National Association of Insurance Commissioners (NAIC) Examiner's Handbook. In selecting the examination procedures used, due consideration was given to the importance of each account to overall solvency. Transactions occurring subsequent to the date of the examination were reviewed to the extent deemed necessary.

For each year during the period under examination, the Certified Public Accounting ("CPA") firm of Cohen & Company has provided an unqualified opinion based on statutory accounting principles. Relevant work performed by the CPA firm, during its annual audit of the Company, was reviewed during the examination and incorporated into the examination workpapers.

In addition, the following items were reviewed during the course of this examination:

1. Company history;
2. fidelity bonds and other insurance;
3. officers', employees', and agents' welfare and pension plans;
4. growth of Company;
5. loss experience;
6. pending litigation; and,
7. Articles of Incorporation/Bylaws.

## **Financial Statements**

The financial condition and the results of its operations for the three-year period under examination as reported and filed by the Company with the Department and audited by the Company's external auditors, are reflected in the following:

Statement of Assets, Liabilities, Surplus and Other Funds  
Statement of Operations  
Statement of Changes in the Capital and Surplus Account

## Statement of Assets, Liabilities, Surplus and Other Funds

**December 31, 2011**

### **Admitted assets**

#### Cash and invested assets:

Bonds	\$3,433,251
Cash	5,595,689
Total cash and invested assets	<u>9,028,940</u>

Title plant	42,852
Investment income due and accrued	30,504
Uncollected premiums and agent balances in the course of collection	79,801
Net deferred tax assets	486,504
Electronic data processing equipment	145,816
Aggregate write-ins for other than invested assets	1,200,000
Total admitted assets	<u>\$11,014,417</u>

### **Liabilities, surplus and other funds**

#### Liabilities:

Known claims reserve	\$974,912
Statutory premium reserve	4,161,267
Other expenses (excluding taxes, licenses and fees)	514,929
Taxes, licenses and fees	87,885
Premiums and other consideration received in advance	3,042
Payable to parent, subsidiaries and affiliates	62,492
Total liabilities	<u>5,804,527</u>

#### Capital and surplus:

Common stock	2,000,000
Gross paid in and contributed surplus	9,832,700
Unassigned surplus	(6,622,810)
Total capital and surplus	<u>5,209,890</u>
Total liabilities and capital and surplus	<u>\$11,014,417</u>

## Statement of Operations

**For the Year Ended  
December 31, 2011**

Title insurance premiums earned	\$10,254,779
Escrow and settlement services	2,604,567
Other title fees and service charges	607,432
Total operating income	13,466,778
Losses and loss adjustment expenses incurred	1,472,823
Operating expenses incurred	14,888,348
Total operating deductions	16,361,171
Net operating loss	(2,894,393)
Net investment income earned	42,580
Net investment gain	42,580
Net income after capital gains tax and before all other federal income taxes	(2,851,813)
Federal and foreign income taxes incurred	-
Net loss	(2,851,813)

## Statement of Changes in the Capital and Surplus Account

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Capital and Surplus, December 31, prior year	6,681,412	6,497,111	6,032,233
Net income or (loss)	(235,950)	(3,621,535)	(2,851,812)
Change in net unrealized capital gains or (losses)	45,595	33,431	12,691
Change in net deferred income tax	74,900	1,226,199	921,518
Change in non-admitted assets	(68,846)	(1,102,973)	(1,304,740)
Capital paid-in	-	3,000,000	2,400,000
Change in reserves and unassigned Funds	(184,301)	(464,878)	(822,343)
Capital and Surplus, December 31, current year	6,497,111	6,032,233	5,209,890

## Notes to Financial Statements

### Investments

At December 31, 2011, the Company's investments, as measured by statement valuations, were composed of:

<u>Invested Assets</u>	<u>Ratio to Total</u>	
	<u>Investments</u>	<u>Assets</u>
Bonds	38.0%	31.2%
Cash	62.0%	50.8%
Totals	<u>100.0%</u>	<u>82.0%</u>

The Company's investments were in compliance with Section 3925.08 of the Ohio Revised Code (ORC).

### Claim Reserves

The Company had an outside actuary, John Pierce, FCAS, MAAA, MBA; certify the total reserves for the years covered by the examination.

It was determined that the loss and loss adjustment expense reserves were reasonable as of December 31, 2011.

### Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2011, and is summarized as follows:

Total Admitted Assets	<u>\$11,014,417</u>
Liabilities	\$5,804,527
Surplus as Regards Policyholders	<u>5,209,890</u>
Total Liabilities and Surplus as Regards Policyholders	<u>\$11,014,417</u>

### Acknowledgement

In addition to the aforementioned and the undersigned, the following representative of the Department participated in the examination: Methuselah E. Nyangoro, CFE, CPA.

Respectfully,



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Vicky L. Hugo, AES, CFE, CISA, CPA  
Examiner-In-Charge  
Ohio Department of Insurance



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David A. Cook, CFE  
Assistant Chief Examiner  
Ohio Department of Insurance

Verification

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of December 31, 2011.

Vicky Hugo  
Examiner-in-Charge

3/27/2013  
Date

E. J. Chan  
Assistant Chief Examiner

3/27/2013  
Date

State of OHIO

County of Franklin

Personally appeared before me the above named, Vicky L. Hugo, personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of her knowledge and belief.

Subscribed and sworn to before me this 27 day of March, 2013.

Elizabeth Chase

(Notary Public)

**ELIZABETH CHASE**

**NOTARY PUBLIC, STATE OF OHIO**

**MY COMMISSION EXPIRES MAY 22, 2017**

My Commission Expires

State of OHIO

County of Franklin

Personally appeared before me the above named, David A. Cook, personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this 27 day of March, 2013.

Elizabeth Chase

(Notary Public)

**ELIZABETH CHASE**

**NOTARY PUBLIC, STATE OF OHIO**

**MY COMMISSION EXPIRES MAY 22, 2017**

My Commission Expires

OHIO

Franklin

March

2017

Elizabeth Chase

ELIZABETH CHASE  
NOTARY PUBLIC, STATE OF OHIO  
MY COMMISSION EXPIRES MAY 23, 2017

OHIO

Franklin

March

2017

Elizabeth Chase

ELIZABETH CHASE  
NOTARY PUBLIC, STATE OF OHIO  
MY COMMISSION EXPIRES MAY 23, 2017