

Report of Examination of  
**Real Advantage Title Insurance Company**  
Columbus, Ohio

As of December 31, 2012

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Columbus, Ohio  
December 5, 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

**Real Advantage Title Insurance Company**

an Ohio domiciled, title insurance Company, hereinafter referred to as the “Company.” The examination was conducted at the Department’s office.

A report of this examination is hereby respectfully submitted.

The Company was last examined as of December 31, 2009, by the Department. Representatives of the Department conducted the current examination covering the intervening period to and including December 31, 2012.

**Scope of Examination**

The Department conducted the examination in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook. The Handbook requires that the Department plan and perform the examination to evaluate the Company’s financial condition and identify prospective risks including corporate governance, identify and assess inherent risks and evaluate 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 regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

For 2012 year ending December 31, 2012, the Certified Public Accounting (“CPA”) firm of Squar, Milner, Peterson, Miranda & Williamson, LLP provided a qualified opinion on the financial statements based on generally accepted accounting principles. The Squar, Milner,

Peterson, Marando & Williamson, LLP audited report was reviewed during the examination. For 2010 and 2011 the Company requested and was granted an exemption from filing an audited financial statement with the Department.

### **Management and Control**

#### **Board of Directors:**

Members of the board of directors elected and serving on December 31, 2012, were as follows:

<b>Name</b>	<b>Principal Occupation</b>
William D. Burding	Executive Vice President and General Counsel, Orange Coast Title Company
Richard D. Macaluso	President, Chief Financial Officer and Treasurer, Orange Coast Title Company
Michael J. Marconi	Executive Vice President and Secretary, Orange Coast Title Company
John H. Wiley	Executive Vice President, Orange Coast Title Company

#### **Officers**

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

<b>Name</b>	<b>Principal Occupation</b>
Richard D. Macaluso	President, Chief Financial Officer and Treasurer
Michael J. Marconi	Executive Vice President and Secretary
William D. Burding	Executive Vice President and General Counsel
John H. Wiley	Executive Vice President

## **Reinsurance**

The Company has an excess of loss reinsurance agreement which covers losses up to a \$1,000,000 above the Company's retention of \$150,000.

The Company also has a run-off portfolio per policy reinsurance agreement with ACE Capital Title Reinsurance Company for policies written with an effective date on or before June 30, 2002. This reinsurance agreement continues in force until the date on which all obligations of the parties have been satisfied, waived or the Reinsurer has paid covered losses.

The Company did not assume any reinsurance.

## **Territory and Plan of Operations**

The Company is licensed to transact business in the State of Ohio.

## **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, 2012**

**Admitted assets**

Cash and invested assets:

Bonds	\$ 300,000
Cash and short-term investments	1,255,000
Total cash and invested assets	<u>1,555,000</u>

Net deferred tax asset

57,778

Prepaid expenses

1,411

Total admitted assets

\$1,614,189

**Liabilities and capital and surplus**

Liabilities:

Statutory premium reserves	202
Taxes, licenses and fees	828
General expenses due or accrued	12,969
Total liabilities	<u>13,999</u>

Capital and surplus:

Common capital stock	500,000
Gross paid in and contributed surplus	1,100,190
Total capital and surplus	<u>1,600,190</u>
Total liabilities and capital and surplus	<u><u>\$1,614,189</u></u>

## Statement of Income

**For the Year Ended  
December 31, 2012**

Operating Income:

Title insurance premiums earned	\$ 1,819
Total operating income	<u>1,819</u>

Expenses:

Operating expenses incurred	<u>57,878</u>
Net operating (loss)	<u>(56,059)</u>
Federal and foreign income taxes incurred	<u>(21,628)</u>
Net income	<u><u>(\$34,431)</u></u>

**Statement of Changes in the Capital and Surplus Account**  
(in thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Capital and surplus December 31, previous year	\$ 346	\$359	\$353
Net income	(34)	(53)	6
Capital Changes – Paid in	1,288	40	-
Net change in capital and surplus	<u>1,254</u>	<u>(13)</u>	<u>6</u>
Surplus, December 31, current year	<u>\$1,600</u>	<u>\$346</u>	<u>\$359</u>

**Notes to Financial Statements**

**Investments**

At December 31, 2012, 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	19.29%	18.59%
Cash and short-term investments	<u>80.71%</u>	<u>77.75%</u>
Totals	<u>100.00%</u>	<u>96.34%</u>

The Company's investments were in compliance with Section 3953.14 of the ORC.

**Subsequent Events**

In addition to Ohio, the Company became licensed in Arizona in December 2012. During 2013, it received a certificate of authority to write title insurance in an additional eight states: Indiana, Montana, Nebraska, Nevada, North Dakota, Oklahoma, Texas and West Virginia. The Company has filed an application to re-domesticate from the State of Ohio to the State of California.

### Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2012, and is summarized as follows:

Total Admitted Assets	<u>\$1,614,189</u>
Liabilities	\$ 13,999
Unassigned funds	<u>1,600,190</u>
Total Liabilities and Surplus as Regards Policyholders	<u>\$1,614,189</u>

### Acknowledgement

In addition to the aforementioned and the undersigned, the following representative of the Department participated in the examination: Patricia Severs, CPA.

Respectfully,



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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, 2012.

*J. Can*  
Assistant Chief Examiner

12/10/13  
Date

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 10 day of December, 2013.

*Elizabeth Chase*  
(Notary) **ELIZABETH CHASE**  
NOTARY PUBLIC, STATE OF OHIO  
MY COMMISSION EXPIRES MAY 22, 2017  
My Commission Expires