

Report of Examination of

The Bankers Guarantee Title & Trust Company
Fairlawn, Ohio

As of December 31, 2007

Table of Contents

Subject	Page
Salutation.....	1
Description of Company.....	1
Management and Control:	
Board of Directors.....	1
Officers.....	2
Insurance Holding Company System.....	2
Territory and Plan of Operations.....	2
Scope of Examination.....	2
Financial Statements:	
Statement of Assets, Liabilities, Surplus and Other Funds.....	4
Statement of Operations.....	5
Statement of Changes in the Capital and Surplus Account.....	5
Summary of Examination Changes.....	6
Notes to Financial Statements:	
Investments.....	6
Claim Reserves.....	6
Conclusion.....	6
Acknowledgement.....	7

Columbus, Ohio
March 19, 2009

Honorable Mary Jo Hudson
Director
State of Ohio
Department of Insurance
50 W. Town Street, Third 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

The Bankers Guarantee Title & Trust 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 2872 West Market Street, Fairlawn, Ohio.

A report of this examination is hereby respectfully submitted.

The Company was last examined as of December 31, 2002, by the Ohio Department of Insurance (Department). Representatives of the Department conducted the current examination covering the intervening period to and including December 31, 2007.

Management and Control

Board of Directors

Management of the Company is vested in its Board of Directors, which was comprised of the following members as of the examination date.

Name	Principal Occupation
J. D. Crawfis, III	Retired
John Davis	Executive, Rayco Industries
David Herberich	Academic Research, University of Chicago
Richard Herberich	Vice President, The Bankers Guarantee Title & Trust Company

Richard L. Pace President, The Bankers Guarantee Title &
Trust Company

Patricia K. Smith Vice President, The Bankers Guarantee
Title & Trust Company

Officers

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

Name	Title
Richard Herberich	Vice President
Richard L. Pace	President
Patricia K. Smith	Vice President, Secretary & Treasurer

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 companies as of December 31, 2007:

Nevada General Corporation
 The Bankers Guarantee Title & Trust Company
 Ohio General Corporation

Territory and Plan of Operations

The Company is licensed to transact business in the state of Ohio. The Company's primary function is to originate mortgage loans, which for the most part are pooled and sold to Fannie Mae. Servicing rights to the related mortgage loans are retained by the Company.

Scope of Examination

The purpose of the examination was to make an assessment of the financial condition of the Company as of December 31, 2007. To substantiate the various items, tests were made either by complete audits of accounts or by sampling methods prescribed by the 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) firms of Moore, Stephen & Apple and Stinnett, Padrutt & Aranyosi, have 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 and Bylaws.

Financial Statements

The financial condition and the results of its operations for the five 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, 2007

Admitted assets

Cash and invested assets:

Common stocks	\$341,463
Mortgage loans on real estate	15,605,405
Properties held for sale	55,299
Cash and short-term investments	6,518,451
Aggregate write-ins for invested assets	<u>68,027</u>
Total cash and invested assets	22,588,645

Aggregate write-in for other than invested assets:

Funds segregated for others	<u>4,865,123</u>
Total admitted assets	<u>\$27,453,768</u>

December 31, 2007

Liabilities, capital and surplus

Liabilities:

Statutory premium reserve	\$1,159
Aggregate of other reserves required by law	62,778
Other expenses (excluding taxes, licenses and fees)	239,316
Current federal income and foreign income taxes	(23,936)
Net deferred tax liability	449,432
Borrowed money	9,930,958
Aggregate write-ins for other liabilities:	
Segregated loans held for others	4,865,123
Loan escrow	<u>(1,393)</u>
Total liabilities	<u>15,523,437</u>

Capital and surplus:

Common capital stock	631,250
Gross paid in and contributed surplus	5,456,495
Unassigned funds	<u>5,842,586</u>
Total capital and surplus	<u>11,930,331</u>
Total liabilities, capital and surplus	<u>\$27,453,768</u>

Statement of Operations

December 31, 2007

Title insurance premiums earned	\$9,467
Aggregate write-ins for other operating income:	
Mortgage operations	<u>1,060,309</u>
Total operating income	<u>1,069,776</u>
Operating expenses incurred	10,929
Aggregate write-ins for other operating deductions:	
Mortgage operations	<u>1,107,380</u>
Total operating deductions	<u>1,118,309</u>
Net operating loss	<u>(48,533)</u>
Net investment income earned	<u>777,613</u>
Net investment gain	<u>777,613</u>
Net income after capital gains tax and before all other federal income taxes	729,080
Federal income taxes incurred	<u>215,398</u>
Net income	<u>\$513,682</u>

Statement of Changes in the Capital and Surplus Account

(In thousands)

	2003	2004	2005	2006	2007
Capital and surplus December 31, previous year	<u>\$15,489</u>	<u>\$14,432</u>	<u>\$13,842</u>	<u>\$12,725</u>	<u>\$11,834</u>
Net income	588	541	549	719	514
Change in net deferred income tax	(6)	-	-	-	-
Change in nonadmitted assets	(55)	65	(419)	(614)	632
Cumulative effect in changes in accounting principles	(206)	-	-	-	-
Dividend to stockholders	(1,097)	(1,196)	(1,247)	(996)	(1,050)
Aggregate write-ins for capital gain & loss in surplus gains and losses in surplus:					
Audit adjustment after insurance report	(281)	-	-	-	-
Net change in capital and surplus	<u>(1,057)</u>	<u>(590)</u>	<u>(1,117)</u>	<u>(891)</u>	<u>96</u>
Capital and surplus December 31, current year	<u>\$14,432</u>	<u>\$13,842</u>	<u>\$12,725</u>	<u>\$11,834</u>	<u>\$11,930</u>

Summary of Examination Changes

There were no changes made as a result of this examination.

Notes to Financial Statements

Investments

At December 31, 2007, 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>
Mortgage loans	69.1%	56.8%
Cash and short-term investments	28.9%	23.7%
Common stocks	1.5%	1.2%
Interest receivable	0.3%	0.2%
Properties held for sale	<u>0.2%</u>	<u>0.2%</u>
Totals	<u>100.0%</u>	<u>82.1%</u>

The Company's investments were in compliance with Section 3925.08 of the ORC.

Claim Reserves

The Company's claim reserves were in compliance with the Department's regulations.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2007, and is summarized as follows:

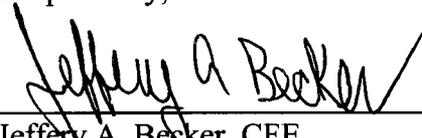
Total Admitted Assets	<u>\$27,453,768</u>
Liabilities	\$15,523,437
Surplus as Regards Policyholders	<u>11,930,331</u>
Total Liabilities and Surplus as Regards Policyholders	<u>\$27,453,768</u>

Acknowledgement

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

In addition to the undersigned, the following representative of the Department participated on this examination: Methuselah E. Nyangoro, CPA.

Respectfully,



Jeffrey A. Becker, CFE
Examiner-In-Charge
Ohio Department of Insurance



Jeffrey K. Ebert, 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, 2007.

Jeffery A. Becker
Jeffery A. Becker, CFE
Examiner-In-Charge

3/19/09
Date

Jeffrey K. Ebert
Jeffrey K. Ebert, CFE
Assistant Chief Examiner

3/19/09
Date

State of Ohio

County of Franklin

Personally appeared before me the above named, Jeffery A. Becker, 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/her knowledge and belief.

Subscribed and sworn to before me this 19 day of March 2009.

Elizabeth Chase
(Notary Public)

ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
~~MY COMMISSION EXPIRES MAY 22, 2012~~
My Commission Expires

State of Ohio

County of Franklin

Personally appeared before me the above named, Jeffrey K. Ebert, 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/her knowledge and belief.

Subscribed and sworn to before me this 19 day of March, 2009.

Elizabeth Chase
(Notary Public)

ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
~~MY COMMISSION EXPIRES MAY 22, 2012~~
My Commission Expires