

STATE OF INDIANA)
) SS: BEFORE THE INDIANA
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
General Title Insurance Company)
208 North Walnut Street, Suite 205)
Bloomington, IN 47404)

Examination of: **General Title Insurance Company**

NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of General Title Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on February 23, 2017, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of General Title Insurance Company shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

4/18/2017
Date _____ Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4444 0021

STATE OF INDIANA) BEFORE THE INDIANA
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IN THE MATTER OF:)
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General Title Insurance Company)
208 North Walnut Street, Suite 205)
Bloomington, IN 47404)

Examination of: **General Title Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the General Title Insurance Company (hereinafter “Company”) for the time period January 1, 2011 through December 31, 2015.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on October 31, 2016.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on February 23, 2017 and was received by the Company on March 6, 2017.

The Company did not file any objections.

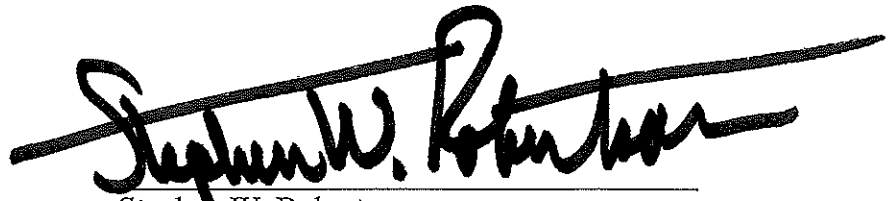
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the General Title Insurance Company as of December 31, 2015.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the General Title Insurance Company to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed this 18th day of
April, 2017.



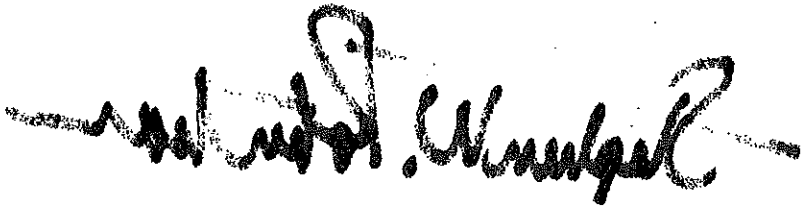
Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

A handwritten signature in black ink, appearing to read "Robert J. Wampler". The signature is written in a cursive style with a large initial "R" and a long horizontal stroke at the end.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF
GENERAL TITLE INSURANCE COMPANY
NAIC COMPANY CODE 50172

As of
December 31, 2015

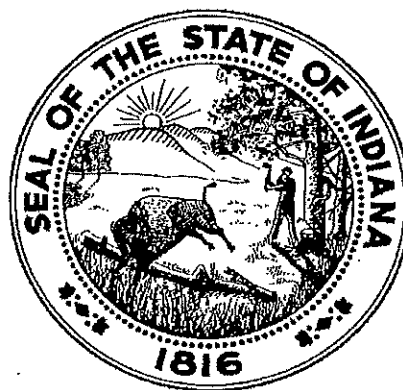


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STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Stephen W. Robertson, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-2385
Fax: 317-232-5251
Website: in.gov/idoi

October 31, 2016

Honorable Stephen W. Robertson
Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3893, an examination has been made of the affairs and financial condition of:

General Title Insurance Company
208 N Walnut Street, Suite 205
Bloomington, Indiana 47404

an Indiana domestic title insurance company hereinafter referred to as the "Company." The examination was conducted at the main administrative offices of the Company located at 24262 Broadway Avenue, Cleveland, Ohio 44146.

The Report of Examination, showing the status of the Company as of December 31, 2015, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

| | | | | | | |
|---------------------------------|------------------------------------|--|------------------------------------|-------------------------------------|---------------------------------|--|
| AGENCY SERVICES 317-232-2413 | COMPANY COMPLIANCE 317-232-3495 | CONSUMER SERVICES 317-232-2395/1-800-622-4461 | FINANCIAL SERVICES 317-232-2390 | MEDICAL MALPRACTICE 317-232-2402 | COMPANY RECORDS 317-232-5692 | STATE HEALTH INSURANCE PROGRAM 1-800-452-4800 |
|---------------------------------|------------------------------------|--|------------------------------------|-------------------------------------|---------------------------------|--|

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of December 31, 2010. The present risk-focused examination was conducted by The Thomas Consulting Group, Inc. (Thomas Consulting) and covered the period from January 1, 2011 through December 31, 2015, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

In conducting the risk-focused examination, the INDOI, by its representatives, relied upon the independent audit reports and opinions contained therein rendered by Hobe and Lucas Certified Public Accountants, Inc. for each year of the examination period. Such reports were prepared on a statutory basis and reconciled to the financial statements contained in the respective Annual Statements.

In accordance with the 2015 NAIC *Financial Condition Examiners Handbook*, Thomas Consulting planned and performed the risk-focused examination to evaluate the financial condition of the Company, and to identify prospective risks related to its operations. The examination process included an evaluation of corporate governance, identification and assessment of inherent risks, and documentation of system controls and procedures used to mitigate the identified risks. In addition, the Examiners performed an assessment of the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The examination also included a review of the Company's compliance with Statutory Accounting Principles, Annual Statement Instructions, and the Indiana Insurance Code. All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

HISTORY

The Company was incorporated in the state of Ohio as General Title and Investment Company on March 25, 1925. The Company commenced business on that same date as a stock title insurer. Effective June 10, 2009, the Company re-domesticated to the state of Indiana. Following its re-domestication, the Company changed its name from General Title and Trust Company to its current name, General Title Insurance Company. On March 14, 2012, Manito Title Insurance Company, a Pennsylvania title insurer, was merged with and into the Company.

CAPITAL AND SURPLUS

Pursuant to the Articles of Incorporation, the capital stock authorized for the Company is 667 shares of no-par common stock. The Company's Articles of Incorporation also provides that the Company is authorized to issue two classes of callable preferred stock: Class A and Class B. As of December 31, 2015, the Company's capital was as follows:

| | |
|---|-----------|
| Number of authorized no-par common capital shares | 667 |
| Number of shares issued | 439 |
| Number of shares outstanding | 420 |
| Total common capital stock | \$255,960 |
| | |
| Number of authorized preferred Class A shares | 10,000 |
| Number of shares issued | 299 |
| Number of shares outstanding | 296 |

| | |
|---|-----------|
| Total preferred Class A stock | \$681,173 |
| Number of authorized preferred Class B shares | 1,250 |
| Number of shares issued | 1,250 |
| Number of shares outstanding | 1,250 |
| Total preferred Class B stock | \$125,000 |

As of December 31, 2015, 408 shares or approximately 97.5% of the Company's outstanding common stock was held by GT&T Corporation (GT&T), an Ohio holding company. The remaining twelve (12) shares were held by three (3) of the Company's directors. In addition, at year-end 2015 the Company had nineteen (19) common shares held as treasury stock with a cost of \$88,103 and three (3) preferred Class A shares held as treasury stock with a cost of \$6,835. The Company's year-end 2015 capital and surplus also included gross paid-in and contributed surplus of \$776,391, unassigned funds (surplus) of \$1,925,307, and surplus notes (notes) of \$600,000.

As of December 31, 2015, the Company had two (2) outstanding notes with a total value of \$600,000. Note 1 is a convertible surplus note contribution in the amount of \$500,000 to the Company paid jointly by one of its directors and the director's spouse, Michael J. McDonald and Lynn M. McDonald. The surplus contribution is convertible to the common stock of the Company's parent, GT&T. Note 2 is a non-convertible surplus note contribution in the amount a \$100,000 paid to the Company by another of its directors, Dennis M. Liatti. The Company pays the note holders quarterly interest at a rate of 6.25% per year. The repayment of principal and interest on the notes is subject to the approval of the Indiana Insurance Commissioner pursuant to the provisions of IC 27-1-7-19. **(Please see the "Subsequent Events" section of this report of examination.)**

DIVIDENDS TO STOCKHOLDERS

The Company paid \$400,000 in dividends to its shareholders during the examination period. The following exhibit represents the dividends paid:

| <u>Year</u> | <u>Dividends Paid</u> |
|-------------|-----------------------|
| 2013 | \$ 200,000 |
| 2012 | <u>200,000</u> |
| Total | <u>\$ 400,000</u> |

TERRITORY AND PLAN OF OPERATION

The Company is authorized to issue title insurance and Company was licensed to transact business in the states of Arkansas, Indiana, Kentucky, Ohio, Pennsylvania, and Tennessee as of December 31, 2015. The Company's title policies are primarily written for residential properties and a significant portion of the title policies are issued as lenders policies on the American Land Title Association (ALTA) policy form. The Company also issues owners title policies and extended coverage title policies. The Company markets its products through independent agents. As of the date of this examination, the Company had contracts with sixty-five (65) independent agents distributed as follows: Ohio (30), Indiana (25), Kentucky (6), Pennsylvania (3), Tennessee (1), and Arkansas (0).

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company during the examination period:

| <u>Year</u> | <u>Admitted Assets</u> | <u>Liabilities</u> | <u>Capital & Surplus</u> | <u>Net Premiums Earned</u> | <u>Net Income</u> |
|-------------|------------------------|--------------------|------------------------------|----------------------------|-------------------|
| 2015 | \$8,950,711 | \$4,681,818 | \$4,268,893 | \$10,398,965 | \$ 748,716 |
| 2014 | 9,971,674 | 5,772,532 | 4,199,142 | 9,728,645 | (1,477,979) |
| 2013 | 9,938,006 | 4,816,296 | 5,121,710 | 10,435,294 | 821,486 |
| 2012 | 8,702,513 | 4,594,840 | 4,107,673 | 8,850,877 | 346,334 |
| 2011 | 7,683,111 | 3,806,779 | 3,876,332 | 6,868,178 | 397,396 |

The Company's business is aligned with the real estate and mortgage refinance markets. As a result, the variances in net premiums earned during the examination period were primarily related to movements in those markets. The large loss reported in 2014 is attributed to an agent defalcation.

LOSS EXPERIENCE

The loss experience of the Company's title insurance business for the period under examination is presented in the following schedule:

| <u>Year</u> | <u>Title Premiums Earned</u> | <u>Losses and Loss Expenses Incurred</u> | <u>Operating Expense Incurred</u> | <u>Loss and Loss Adjustment Expense Ratio</u> | <u>Operating Ratio</u> |
|-------------|------------------------------|--|-----------------------------------|---|------------------------|
| 2015 | \$10,398,965 | \$ 339,466 | \$ 9,757,572 | 3.26% | 93.83% |
| 2014 | 9,728,645 | 2,559,832 | 9,212,480 | 26.31% | 94.69% |
| 2013 | 10,435,294 | 17,374 | 10,030,917 | 0.17% | 96.12% |
| 2012 | 8,850,877 | 60,806 | 8,672,354 | 0.69% | 97.98% |
| 2011 | 6,868,178 | 46,195 | 6,830,610 | 0.67% | 99.45% |

The largest component of the Company's operating expenses was agents' commissions. As agents' commissions are based on a fixed percentage of premiums, changes in premiums earned and operating expenses are significantly proportional. The Company's higher than normal loss and loss adjustment expense ratio in 2014 was the result of an agent defalcation.

MANAGEMENT AND CONTROL

Directors

The Company's Amended Code of Regulations (Bylaws) specifies that the number of directors of the Company shall not be less than five (5), nor more than twenty-one (21). The following is a listing of persons serving as directors at December 31, 2015:

| <u>Name and Residence</u> | <u>Principal Business Affiliation</u> |
|--|--|
| David M. Calvin Bloomington, Indiana | Firefighter/EMT Bloomington Township |
| Linda M. Frank Sarasota, Florida | Secretary General Title Insurance Company |
| Robert B. Holman Hudson, Ohio | President General Title Insurance Company |
| Dennis M. Liatti Bay Village, Ohio | Owner (Retired) Premier Title Agency, Ltd. |
| Michael J. McDonald Sarasota, Florida | Chief Executive Officer General Title Insurance Company |

Officers

The Company's Bylaws state that the officers of the Company shall consist of a President, Vice President, Secretary, Treasurer, and other officers. The Company's operations were primarily managed by the following officers as of December 31, 2015.

| <u>Name</u> | <u>Office</u> |
|---------------------|-------------------------|
| Michael J. McDonald | Chief Executive Officer |
| Robert B. Holman | President |
| Linda M. Frank | Secretary |
| Paula S. Knodel | Treasurer |
| Jennifer O'Boyle | Vice President |

Corporate Governance

As of December 31, 2015, directors serving on the committees of the board were as follows:

Investment Committee:

| | |
|---------------------|----------|
| Michael J. McDonald | Chairman |
| Linda M. Frank | |

Executive Committee:

| | |
|---------------------|----------|
| Michael J. McDonald | Chairman |
| Linda M. Frank | |

Robert B. Holman

The Company also receives oversight from its management committees that were comprised of a Technology Committee, Agency Appointment Committee, Marketing Committee, and an Agency Outreach Committee.

CONFLICT OF INTEREST

The Company has in place an established conflict of interest policy and procedures for the disclosure of any material interest or affiliation by any director, officer, or employee, which is likely to conflict with their official duties. From a review of the officers and directors signed statements, there were no material conflicts of interest noted for the period under examination.

OATH OF OFFICE

IC 27-1-7-10(i) requires that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly and diligently administer the affairs of the corporation and will not knowingly violate any of the laws applicable to such corporation. Each director serving as of December 31, 2015, signed an Oath of Office statement when elected.

CORPORATE RECORDS

Articles of Incorporation

There were no amendments made to the Company's Articles of Incorporation during the period under examination.

Bylaws

There were no amendments made to the Company's Bylaws during the period under examination.

Minutes

The Board of Directors and Shareholders Meeting minutes were reviewed for the period under examination through the fieldwork completion date, and significant actions taken during each meeting were noted. In general, it was determined that the Annual Board Meetings and other board meetings were held in accordance with the Company's Bylaws. However, from a review of the shareholders minutes, it was noted that the Annual Meeting of the Shareholders were not held within the first five (5) months of the year, contrary to the provisions of IC 27-1-7-7(b), which requires the Annual Shareholders Meeting to be held within five (5) months of the fiscal close of December 31. **(Please see the "Other Significant Findings" section of this report of examination regarding this issue.)**

Contrary to the requirements of IC 27-1-7-12, the Company did not keep a record of the attendance of directors at the meetings of the board showing the names of the directors, the number of meetings of the board (regular and special), the number of meetings attended, and the number of meetings from which each director was absent. Furthermore, there was no evidence that the report was read and incorporated into the minutes of the Annual Meeting of the Shareholders. **(Please see the "Other Significant Findings" section**

of this report of examination regarding this issue.)

AFFILIATED COMPANIES

Organizational Structure

The Company is a member of an insurance holding company system as defined within IC 27-1-23 and Regulation of Insurance Holding Company Systems. An Insurance Holding Company System Registration Statement was filed annually with the INDOI for each year of the examination period. The following organizational chart depicts the Company's relationship within the holding company system.

| | NAIC Company Code | Domiciliary State/Country |
|--|-------------------------|------------------------------|
| GT&T Corporation | | OH |
| General Title Insurance Company (stock) – 97.5% | 50172 | IN |
| GT&T Financial Services, LLC (stock) – 100% | | OH |

In addition to the entities related to GT&T as identified above, two (2) of the Company's directors, Michael J. McDonald and Robert B. Holman, are affiliated with the law firm, Holman, Frank, & McDonald which provides legal services to the Company on a limited basis.

Affiliated Agreements

The following affiliated agreement was disclosed as part of the Insurance Holding Company System Registration Statement and was filed with, and not disapproved by, the INDOI in accordance with IC 27-1-23-4(b)(4).

Tax Sharing Agreement

The Company entered into a Tax Sharing Agreement effective January 1, 1997 for the purpose of establishing methods for allocating taxes between GT&T and its subsidiaries. As of December 31, 2015, GT&T and the Company were the only parties to this agreement. Under the terms of the agreement, the allocation of the tax liability is based upon separate return calculations with current credit for net losses. The agreement provides that intercompany tax balances are to be settled annually in the first quarter of each year.

FIDELITY BOND AND OTHER INSURANCE

The Company's parent, GT&T, was protected by a Financial Institution Bond (fidelity bond) for losses up to \$150,000 as of December 31, 2015. The fidelity bond limit did not meet the prescribed minimum coverage specified by the NAIC. In addition, the Company was not included as an insured entity under the fidelity bond. Further, it was noted that the fidelity bond excluded losses from forgery contrary to the provisions of IC 27-1-7-14, which requires forgery coverage. Other various interests of the Company are protected by appropriate policies of insurance. **(Please see the "Other Significant Findings" section of this report of examination regarding these issues.)**

STATUTORY AND SPECIAL DEPOSITS

The Company reported statutory and special deposits primarily comprised of municipal and U.S. government bonds held by various Departments of Insurance as of December 31, 2015:

| <u>State</u> | <u>Book Value</u> | <u>Fair Value</u> |
|--|-----------------------|-----------------------|
| Deposits for the Benefit of all Policyholders: | | |
| Indiana | \$135,956 | \$145,187 |
| All Other Special Deposits: | | |
| Kentucky | 1,001,710 | 1,035,635 |
| Ohio | <u>339,311</u> | <u>363,834</u> |
| Total Deposits | <u>\$1,476,977</u> | <u>\$1,544,656</u> |

REINSURANCE

Reinsurance Assumed

The Company does not assume reinsurance.

Reinsurance Ceded

As of December 31, 2015, the Company's reinsurance program consisted of a single Excess of Loss Agreement with Connecticut Attorneys Title Insurance Company (CATIC). Under the terms of the agreement, the Company cedes title insurance losses in excess of \$500,000 per policy, up to \$5,000,000. Facultative coverage is available for policies issued above \$5,000,000 on a case by case basis.

In addition to the coverage provided by CATIC, older policies are covered under prior reinsurance treaties. ACE Capital Reinsurance Company (ACE) provided coverage for policies written by the Company prior to December 31, 2000 that were reported to the Company by its issuing agents prior to October 1, 2001. The agreement with ACE was terminated October 1, 2004. Effective October 1, 2004, the Company entered into an agreement with Tigor Title Insurance Company (Tigor) that provided primary coverage for losses in excess of \$500,000. The reinsurance agreement with Tigor was terminated on September 15, 2008.

RESERVES

John E. Wade, ACAS, MAAA, with the firm of Pinnacle Actuarial Resources, Inc., was the Company's Appointed Actuary. Mr. Wade was appointed by the Board of Directors to render an actuarial opinion on the statutory-basis reserves of the Company for all years covered by this examination.

The scope of the opinion was to examine the actuarial assumptions and methods used in determining reserves and related actuarial items, as shown in the Annual Statement of the Company as prepared for filing with state regulatory officials, as of December 31, 2015. In forming the opinion, information prepared by the Company was relied upon. This information was evaluated for reasonableness and consistency. In

other respects, the examination included such review of the actuarial assumptions and methods used, and such tests of the calculations as considered necessary.

The 2015 opinion stated the reserves; 1) meet the requirements of the insurance laws of the State of Indiana, 2) are consistent with amounts computed in accordance with the Casualty Actuarial Society's *Statement of Principles Regarding Property and Casualty Unpaid Claim Estimates* and relevant standards of practice promulgated by the Actuarial Standards Board, and 3) make a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its contracts and agreements.

During the examination, it was determined by Thomas Consulting that the significant actuarial items in the Company's 2015 Annual Statement were materially correct and fairly stated in accordance with statutory accounting practices prescribed or permitted by the INDOL.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The detail trial balance prepared from the Company's general ledger for the year ending December 31, 2015, was agreed to the Annual Statement without exception. The Company's independent auditors issued unqualified opinions on the Company's audited Statutory Financial Statements for each year during the examination period. The audited Statutory Financial Statements were agreed to the Annual Statement for the year ending December 31, 2015, with no exceptions noted. All of the independent audit work papers were made available to the Examiners during the examination.

The Company's accounts and records are maintained using electronic data processing with the exception of certain items entered manually into the general ledger. The Company maintains adequate supporting work papers, which were reviewed during the examination. The Information Systems controls were reviewed in this examination, and no material exceptions were noted to accepted control practices and procedures.

Overall, the Examiners determined the Company's accounting procedures, practices, and account records were satisfactory. However, an exception was noted with respect to the Company's ownership of real estate. As of December 31, 2015, the Company owned a commercial building that was acquired on July 1, 1998, and a parcel of land that was acquired on September 25, 2005. It was determined that neither of these properties, which the Company has held for over ten (10) years, has been used for the accommodation of its business. Generally, the provisions of IC 27-1-13-3(e) require that all real estate, which is not necessary for the convenient transaction of an insurer's business, shall be sold and disposed of within ten (10) years after it acquired title to the same, or within five (5) years after the same has ceased to be necessary for the accommodation of its business. **(Please see the "Other Significant Findings" section of this report of examination regarding this issue.)**

FINANCIAL EXHIBITS

Comparative Exhibit – Statutory Statement of Assets
Comparative Exhibit – Statutory Statement of Liabilities, Surplus, and Other Funds
Comparative Exhibit - Statutory Statement of Income
Comparative Exhibit – Statutory Capital and Surplus Account

NOTE: Amounts are shown in whole dollars and columns may not total due to rounding.

GENERAL TITLE INSURANCE COMPANY

FINANCIAL STATEMENTS

Assets

As of December 31, 2015

| | <u>Per Annual Statement</u> | <u>Examination Adjustments</u> | <u>Per Examination</u> | <u>December 31, Prior Year</u> |
|---|---------------------------------|------------------------------------|----------------------------|------------------------------------|
| Assets: | | | | |
| Bonds | \$ 2,758,687 | \$ - | \$ 2,758,687 | \$ 3,143,946 |
| Preferred stocks (stocks) | 1,175,712 | - | 1,175,712 | 907,511 |
| Common stocks (stocks) | 2,451,944 | - | 2,451,944 | 2,383,952 |
| Properties occupied by the company | 498,431 | - | 498,431 | 505,659 |
| Properties held for the production of income | 126,570 | - | 126,570 | 130,626 |
| Cash and short-term investments | <u>1,505,749</u> | - | <u>1,505,749</u> | <u>1,835,189</u> |
| Subtotals, cash and invested assets | <u>\$ 8,517,093</u> | <u>\$ -</u> | <u>\$ 8,517,093</u> | <u>\$ 8,906,883</u> |
| Investment income due and accrued | \$ 50,450 | \$ - | \$ 50,450 | \$ 53,580 |
| Uncollected premiums and agents' balances in the course of collection | 213,784 | - | 213,784 | 217,053 |
| Current federal and foreign income tax recoverable and interest thereon | 93,089 | - | 93,089 | 103,450 |
| Electronic data processing equipment and software | 16,409 | - | 16,409 | 23,968 |
| Aggregate write-ins for other-than- invested assets | <u>59,886</u> | - | <u>59,886</u> | <u>666,740</u> |
| Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts | <u>\$ 8,950,711</u> | <u>\$ -</u> | <u>\$ 8,950,711</u> | <u>\$ 9,971,674</u> |
| Totals | <u>\$ 8,950,711</u> | <u>\$ -</u> | <u>\$ 8,950,711</u> | <u>\$ 9,971,674</u> |

GENERAL TITLE INSURANCE COMPANY

FINANCIAL STATEMENTS

Liabilities, Surplus and Other Funds

| | <u>As of December 31, 2015</u> | | | <u>December</u> |
|--|--------------------------------|--------------------|----------------------------|----------------------------|
| | <u>Per Annual</u> | <u>Examination</u> | <u>Per</u> | <u>31,</u> |
| | <u>Statement</u> | <u>Adjustments</u> | <u>Examination</u> | <u>Prior Year</u> |
| Liabilities: | | | | |
| Known claims reserve | \$ 307,000 | \$ - | \$ 307,000 | \$ 1,536,701 |
| Statutory premium reserve | 3,570,843 | - | 3,570,843 | 3,361,046 |
| Other expenses (excluding taxes, licenses and fees) | 142,981 | - | 142,981 | 130,531 |
| Net deferred tax liability | 500,000 | - | 500,000 | 545,000 |
| Amounts withheld or retained by company for account of others | 160,994 | - | 160,994 | 199,254 |
| Total liabilities | <u>\$ 4,681,818</u> | <u>\$ -</u> | <u>\$ 4,681,818</u> | <u>\$ 5,772,532</u> |
| Common capital stock | \$ 255,960 | \$ - | \$ 255,960 | \$ 255,960 |
| Preferred capital stock | 806,173 | - | 806,173 | 806,173 |
| Surplus notes | 600,000 | - | 600,000 | 600,000 |
| Gross paid in and contributed surplus | 776,391 | - | 776,391 | 776,391 |
| Unassigned funds (surplus) | 1,925,307 | - | 1,925,307 | 1,855,556 |
| Less treasury stock, at cost: | | | | |
| 19 shares common | 88,103 | - | 88,103 | 88,103 |
| 3 shares preferred | 6,835 | - | 6,835 | 6,835 |
| Surplus as regards policyholders | <u>\$ 4,268,893</u> | <u>\$ -</u> | <u>\$ 4,268,893</u> | <u>\$ 4,199,142</u> |
| Totals | <u>\$ 8,950,711</u> | <u>\$ -</u> | <u>\$ 8,950,711</u> | <u>\$ 9,971,674</u> |

GENERAL TITLE INSURANCE COMPANY

FINANCIAL STATEMENTS

Statement of Income

For the Year Ended December 31, 2015

| | <u>Per Annual Statement</u> | <u>Examination Adjustments</u> | <u>Per Examination</u> | <u>December 31, Prior Year</u> |
|--|---------------------------------|------------------------------------|-----------------------------|------------------------------------|
| Operating Income | | | | |
| Title insurance and related income: | | | | |
| Title insurance premiums earned | \$ 10,398,965 | \$ - | \$ 10,398,965 | \$ 9,728,645 |
| Other operating income | <u>61,003</u> | <u>-</u> | <u>61,003</u> | <u>58,572</u> |
| Total operating income | <u>\$ 10,459,968</u> | <u>\$ -</u> | <u>\$ 10,459,968</u> | <u>\$ 9,787,217</u> |
| Expenses | | | | |
| Losses and loss adjustment expenses incurred | \$ 339,466 | \$ - | \$ 339,466 | \$ 2,559,832 |
| Operating expenses incurred | <u>9,757,572</u> | <u>-</u> | <u>9,757,572</u> | <u>9,212,480</u> |
| Total operating expenses | <u>\$ 10,097,038</u> | <u>\$ -</u> | <u>\$ 10,097,038</u> | <u>\$ 11,772,312</u> |
| Net operating gain or (loss) | <u>\$ 362,930</u> | <u>\$ -</u> | <u>\$ 362,930</u> | <u>\$ (1,985,095)</u> |
| Investment Income | | | | |
| Net investment income earned | \$ 311,871 | \$ - | \$ 311,871 | \$ 389,599 |
| Net realized capital gains (losses) less capital gains tax | <u>32,474</u> | <u>-</u> | <u>32,474</u> | <u>70,474</u> |
| Net investment gain (loss) | <u>\$ 344,345</u> | <u>\$ -</u> | <u>\$ 344,345</u> | <u>\$ 460,073</u> |
| Net income after capital gains tax and before all other federal income taxes | \$ 707,275 | \$ - | \$ 707,275 | \$ (1,525,022) |
| Federal and foreign income taxes incurred | <u>(41,441)</u> | <u>-</u> | <u>(41,441)</u> | <u>(47,043)</u> |
| Net income | <u>\$ 748,716</u> | <u>\$ -</u> | <u>\$ 748,716</u> | <u>\$ (1,477,979)</u> |

GENERAL TITLE INSURANCE COMPANY

FINANCIAL STATEMENTS

Capital and Surplus Account

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Capital and Surplus Account | | | | | |
| Surplus as regards policyholders, December 31, prior year | \$ 4,199,141 | \$ 5,121,710 | \$ 4,107,673 | \$ 3,876,332 | \$ 3,505,249 |
| Net income | 748,716 | (1,477,979) | 821,486 | 346,334 | 397,396 |
| Change in net unrealized capital gains (losses) | (615,504) | (93,397) | 379,543 | 90,153 | (22,073) |
| Change in nonadmitted assets | (63,460) | 48,807 | 13,008 | (67,991) | 34,019 |
| Change in surplus notes | - | 600,000 | - | - | - |
| Capital Changes: | | | | | |
| Paid in | - | - | - | 62,845 | - |
| Dividends to stockholders | - | - | (200,000) | (200,000) | - |
| Change in treasury stock | - | - | - | - | (38,259) |
| Change in surplus as regards policyholders for the year | <u>\$ 69,752</u> | <u>\$ (922,569)</u> | <u>\$ 1,014,037</u> | <u>\$ 231,341</u> | <u>\$ 371,083</u> |
| Surplus as regards policyholders, December 31 current year | <u>\$ 4,268,893</u> | <u>\$ 4,199,141</u> | <u>\$ 5,121,710</u> | <u>\$ 4,107,673</u> | <u>\$ 3,876,332</u> |

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2015, based on the results of this examination.

OTHER SIGNIFICANT FINDINGS

Annual Meeting of the Shareholders

It was determined that the Company's Annual Meetings of the Shareholders, for each year covered by this examination, were not held within the first five (5) months of the year contrary to the provisions of IC 27-1-7-7(b), which requires the Annual Shareholders Meeting to be held within five (5) months of the fiscal close of December 31 (See page 6).

It is recommended that the Company hold its Annual Meetings of the Shareholders in accordance with the requirements of IC 27-1-7-7(b).

Record of Director Attendance

Contrary to the requirements of IC 27-1-7-12, the Company did not keep a record of the attendance of directors at the meetings of the board showing the names of the directors, the number of meetings of the board (regular and special), the number of meetings attended, and the number of meetings from which each director was absent. Furthermore, there was no evidence that the report was read and incorporated into the minutes of the Annual Meeting of the Shareholders (See page 6).

It is recommended that the Company comply with the requirements of IC 27-1-7-12.

Fidelity Bond and Required Coverages

As of December 31, 2015, the Company's fidelity bond limit of \$150,000 was below the prescribed minimum coverage specified by the NAIC. In addition, the Company's fidelity bond excluded losses from forgery contrary to the provisions of IC 27-1-7-14, which requires forgery coverage. Further, the Company's fidelity bond only included GT&T Corporation. The Company was not included as an insured entity under the fidelity bond (See page 7). **See the "Subsequent Events" section of this report of examination.**

Real Estate Investment Requirements

The provisions of IC 27-1-13-3(e) specify that all real estate which is not necessary for the convenient transaction of an insurer's business, shall be sold and disposed of within ten (10) years after it acquired title to the same, or within five (5) years after the same has ceased to be necessary for the accommodation of its business, unless the company procures the certificate of the commissioner that its interests will suffer materially by a forced sale of the real estate, in which event the time for the sale may be extended to such time as the commissioner directs in the certificate. As of December 31, 2015, the Company owned a commercial building that was acquired on July 1, 1998, and a parcel of land that was acquired on September 25, 2005. It was determined that neither of these properties, which the Company has held for over ten (10) years, has been used for the accommodation of its business (See page 9).

It is recommended the Company take the necessary action to comply with the provisions of IC 27-1-13-3(e).

SUBSEQUENT EVENTS

Surplus Note Conversion

The Company made a partial conversion of the surplus note held by Michael J. McDonald and Lynn M. McDonald to twenty-five (25) shares of non-voting common stock in GT&T Corporation on October 1, 2016, in exchange for the principal reduction of \$90,100 from the outstanding McDonald surplus note. The partial conversion decreased the Company's reported surplus notes balance by \$90,100 and increased its gross paid in and contributed surplus balance by the same amount. There was no impact on the total surplus balance of the Company as a result of this transaction. The INDOI approved the partial conversion of the surplus note on September 29, 2016.

Officer Change

The Company's Treasurer, Paula S. Knodel, resigned on October 14, 2016. The Company's outside tax advisor will conduct some of the Treasurer's functions on an interim basis until the Company appoints a new Treasurer.

Fidelity Bond and Required Coverages

On November 4, 2016, the Company increased its fidelity bond coverage limit to \$200,000 which meets the prescribed minimum coverage specified by the NAIC. In addition, the Company was added as a named insured on GT&T Corporation's fidelity bond and forgery was added as coverage to the Company's fidelity bond as required by IC 27-1-7-14.

MANAGEMENT REPRESENTATION

In support of contingencies and accuracy of information provided during the course of the examination, the Examiners obtained a management representation letter in the standard NAIC format. This letter was executed by key financial personnel of the Company and provided to the Examiners.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-In-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from The Thomas Consulting Group, Inc., performed an examination of the **General Title Insurance Company** as of **December 31, 2015**.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

The examination was performed in accordance with those procedures required by the 2015 NAIC *Financial Condition Examiner's Handbook* and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standard and no audit opinion is expressed on the financial statements contained in this report.

The attached report of examination is a true and complete report of condition of the **General Title Insurance Company** as of **December 31, 2015**, as determined by the undersigned.




D. Patrick Huth, CFE
The Thomas Consulting Group, Inc.

State of: Ohio
County of: Muskingum

On this 27 day of February, 2017, before me personally appeared, D. Patrick Huth, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires Feb 28, 2021 

Notary Public



