

REPORT ON EXAMINATION
OF
TICOR TITLE INSURANCE COMPANY OF
FLORIDA
CASSELBERRY, FLORIDA

AS OF
DECEMBER 31, 2003

BY THE
OFFICE OF INSURANCE REGULATION

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Tallahassee, Florida

March 18, 2005

Kevin M. McCarty
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

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Dear Sirs:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes (FS), and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners, we have conducted an examination of December 31, 2003, of the financial condition and corporate affairs of:

**TICOR TITLE INSURANCE COMPANY OF FLORIDA
493 STATE ROAD 436
CASSELBERRY, FLORIDA 32707**

Hereinafter referred to as the "Company". Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2001 through December 31, 2003. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2000. This examination commenced, with planning at the Office, on January 10, 2005, to January 14, 2005. The fieldwork commenced on January 18, 2005, and was concluded as of March 18, 2005. The examination included any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

This financial examination was an association zone statutory financial examination conducted in accordance with the Financial Examiners Handbook, Accounting Practices and Procedures Manual and annual statement instructions promulgated by the NAIC as adopted by Rules 69O-137.001(4) and 69O-138.001, Florida Administrative Code (FAC), with due regard to the statutory requirements of the insurance laws and rules of the State of Florida.

In this examination, emphasis was directed to the quality, value and integrity of the statement assets and the determination of liabilities, as those balances affect the financial solvency of the Company.

The examination included a review of the corporate records and other selected records deemed pertinent to the Company's operations and practices. In addition, the NAIC IRIS ratio report, the A.M. Best Report, the Company's independent audit reports and certain work papers prepared by the Company's independent certified public accountant (CPA) were reviewed and utilized where applicable within the scope of this examination.

We valued and/or verified the amounts of the Company's assets and liabilities as reported by the Company in its annual statement as of December 31, 2003. Transactions subsequent to year-end 2003 were reviewed where relevant and deemed significant to the Company's financial condition.

This report of examination was confined to financial statements and comments on matters that involve departures from laws, regulations or rules, or which were deemed to require special explanation or description.

Status of Adverse Findings from Prior Examination

The following is a summary of significant adverse findings contained in the Office's prior examination report as of December 31, 2000, along with resulting action taken by the Company in connection therewith.

Management

The Company did not maintain an audit committee

Resolution: The Company Board of Directors elected an audit committee on January 17, 2002.

HISTORY

General

The Company was incorporated in Florida on February 4, 1980, and commenced business on February 27, 1980 as American Pioneer Title Insurance Company. On September 17, 2004, the name of the Company was changed to Ticor Title Insurance Company of Florida.

In accordance with Section 624.401(1), FS, the Company was authorized to transact title insurance coverage in Florida.

The articles of incorporation and the bylaws were not amended during the period covered by this examination.

Capital Stock

As of December 31, 2003, the Company's capitalization was as follows:

Number of authorized common capital shares	100,000
Number of shares issued and outstanding	100,000
Total common capital stock	\$2,000,000
Par value per share	\$20.00

Control of the Company was maintained by its parent, The PMI Group, Inc. (TPG), a Delaware corporation, who owned 100% of the stock issued by the Company.

Profitability of Company

The following table shows the profitability trend (in dollars) of the Company for the period of examination.

	2001	2002	2003
Premiums Earned	143,894,887	217,085,312	272,500,732
Net Operating Gain/(Loss)	8,093,183	13,049,740	19,390,828
Net Income	6,183,827	8,995,760	14,436,581
Total Assets	57,813,824	78,858,159	110,576,947
Total Liabilities	39,244,184	53,058,291	68,192,510
Surplus As Regards Policyholders	18,569,640	25,799,868	42,384,436

Dividends to Stockholders

In accordance with Section 628.371, FS, the Company declared and paid dividends to its stockholder in 2001 and 2002 in the amounts of \$2,500,000 and \$2,500,000, respectively.

Management

The annual shareholder meeting for the election of directors was held in accordance with Sections 607.1601 and 628.231, FS. Directors serving as of December 31, 2003, were:

Directors

Name and Location	Principal Occupation
Walter Roger Haugton Danville, California	Chairman and CEO The PMI Group, Inc.
Roy William Lassiter Casselberry, Florida	Chairman, President, and CEO American Pioneer Title Insurance Co.
George Pernon Mose Daniels Orlando, Florida	Sr. VP and General Counsel & Secretary American Pioneer Title Insurance Co.
Stephen Todd Rumsey Orlando, Florida	Sr. VP, Chief Information Officer American Pioneer Title Insurance Co.
Barbara Lee Allen Orlando, Florida	Sr. Vice President American Pioneer Title Insurance Co.
John Hurtman Fulford, III San Francisco, California	Sr. Vice President The PMI Group, Inc.
Bradley Mize Shuster San Francisco, California	President, International & Strategic Investments The PMI Group, Inc.
Donald Paul Lofe, Jr. San Francisco, California	Executive VP, and CFO The PMI Group, Inc.

The Board of Directors in accordance with the Company's bylaws appointed the following senior officers:

Senior Officers

Name	Title
Roy William Lassiter	President
George Pernon Mose Daniels	Sr. Vice President and Secretary
Stephen Todd Rumsey	Sr. Vice President
Barbara Lee Allen	Sr. Vice President
Richard Merle Jett	VP, CFO, Treasurer
Barry Jay Mazer	Vice President
William Evans Sussman	Vice President
Peter Hogan Johnson	Vice President

The Company's board appointed several internal committees in accordance with Section 607.0825, FS. Following are the principal internal board committees and their members as of December 31, 2003:

Executive Committee	Audit Committee	Reinsurance Committee
Roy W. Lassiter ¹	Donald P. Lofe, Jr. ¹	George P. Daniels
Donald P. Lofe, Jr.	John H. Fulford	Richard M. Jett
John H. Fulford	George P. Daniels	Roy W. Lassiter

¹ Chairman, none for the reinsurance committee

Conflict of Interest Procedure

The Company had adopted a policy statement requiring annual disclosure of conflicts of interest, in accordance with Section 607.0832, FS. No exceptions were noted during this examination period.

Corporate Records

The recorded minutes of the Board of Directors and Committee meetings were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions in accordance with Section 607.1601, FS, including the authorization of investments as required by Section 625.304, FS.

Acquisitions, Mergers, Disposals, Dissolutions, and Purchase or Sales Through Reinsurance

There were no acquisitions, mergers, disposals, dissolutions, and purchase or sales through reinsurance during the period under examination.

Surplus Debentures

The Company had no surplus debentures.

AFFILIATED COMPANIES

The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), FAC. The latest holding company registration statement was filed with the State of Florida on March 1, 2005, as required by Section 628.801, FS, and Rule 69O-143.046, FAC.

The following agreement was in force between the Company and its affiliates:

Tax Allocation Agreement

The Company, along with its parent, The PMI Group, Inc., and its affiliates, filed a consolidated federal income tax return. On December 31, 2003, the Company calculated its federal income tax liability as if on an individual basis and remitted this amount to the parent.

A simplified organizational chart as of December 31, 2003, reflecting the holding company system, is shown below. Schedule Y of the Company's 2003 annual statement provided a list of all related companies of the holding company group.

**TICOR TITLE INSURANCE COMPANY OF FLORIDA
ORGANIZATIONAL CHART
DECEMBER 31, 2003**



FIDELITY BOND AND OTHER INSURANCE

The PMI Group, Inc., maintained fidelity bond coverage for the Company and its other affiliates, up to \$10,000,000 with a deductible of \$500,000, which adequately covered the suggested minimum amount of coverage for the Company as recommended by the NAIC.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company participated in a defined contribution plan. The defined contribution plan was open to all employees who had completed one year of service. Employees who participated in the plan received, within certain limits, matching Company contributions.

The Company also participated in a pension plan sponsored by its parent, The PMI Group, Inc. The pension plan was non-contributory benefit plan and open to all employees at least 21 years of age and who had been paid for 1000 hours or more during the calendar year.

Expenses related to the above plans totaled approximately \$1,824,000, \$3,139,000, and \$2,470,000 for 2001, 2002, and 2003, respectively.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, FS, and with various state officials as required or permitted by law:

State	Description	Par Value	Market Value
FL	REV BD, 4.625%, 07/01/06	\$ 500,000	\$ 500,000
FL	REV BD, 4.75%, 02/01/09	500,000	555,415
FL	GOB, 4.9%, 06/01/08	200,000	226,056
TOTAL FLORIDA DEPOSITS		\$1,200,000	\$1,281,471

AL	CD,	.70%,	05/27/04	\$ 50,000	\$ 50,000
GA	CD,	1.59%,	07/13/04	25,000	25,000
IL	GOB,	5.25%,	07/01/22	500,000	526,840
LA	CD,	.10%,	04/18/04	20,000	20,000
MA	REV BD,	5.0%,	08/01/17	500,000	532,140
NE	GOB,	4.50%,	01/01/07	125,000	131,205
NV	CD,	1.25%,	05/05/04	200,000	200,000
NM	GOB,	5.00%,	04/01/11	100,000	112,308
NC	GOB,	4.80%,	02/01/10	500,000	531,470
OH	REV BD,	5.0%,	12/01/21	300,000	314,172
SC	CD,	2.23%,	10/02/04	25,000	25,000
SC	CD,	1.32%,	10/30/04	100,000	100,000
SD	GOB,	4.50%,	01/01/07	125,000	131,205
VA	REV BD,	5.125%,	02/01/14	250,000	255,563
TOTAL OTHER DEPOSITS				<u>\$2,820,000</u>	<u>\$2,954,903</u>
Total Special Deposits				<u>\$4,020,000</u>	<u>\$4,236,374</u>

INSURANCE PRODUCTS AND RELATED PRACTICES

Reliance was placed the Company's internal audit department for review of the independent agents to determine the accuracy of premium computation, claims handling procedures and the use of filed rates and forms. The Company's audit department conducted an on-site review of the agents or agencies for the following areas:

Escrow accounting records and controls including detail review of bank statements and paid checks and closing files.

Order logs and/or premiums remittance reports to quantify and substantiate previous closing activity.

Order processing procedures and inspection of closing files for adequacy of documentation.

Review of financial statements for quality of assets listed, excessive liability or inability to carry debt, and general adequacy of capital position.

Territory

The Company was authorized to transact title insurance in the following 45 states and the District of Columbia, in accordance with Section 624.401(2), FS:

Alabama	Arizona	Arkansas	California	Colorado	Connecticut
Delaware	Florida	Georgia	Idaho	Illinois	Indiana
Kansas	Kentucky	Louisiana	Maine	Maryland	Massachusetts
Michigan	Minnesota	Mississippi	Missouri	Montana	Nebraska
Nevada	New Jersey	New Mexico	New York	North Dakota	North Carolina
Ohio	Oklahoma	Pennsylvania	Rhode Island	South Dakota	South Carolina
Tennessee	Texas	Utah	Vermont	Virginia	West Virginia
Wisconsin	Wyoming	New Hampshire			

Treatment of Policyholders

The Company did not maintain a claims procedure manual that included detail procedures for handling title claims.

REINSURANCE

The reinsurance agreements reviewed were found to comply with NAIC standards with respect to the standard insolvency clause, arbitration clause, transfer of risk, reporting and settlement information deadlines.

Assumed

The Company assumed risk on a facultative basis from Chicago Title Insurance Company.

Ceded

The Company ceded risk on an excess of loss basis to Capital Title Reinsurance Company. The Company retained the first \$1,000,000 and ceded up to \$25,000,000 to the reinsurer. The agreement required the Company to notify and obtain written approval from the reinsurer for any

policy in excess of \$10,000,000. Policies greater than \$26,000,000 were eligible under a facultative agreement.

The reinsurance contracts were reviewed by the Company's appointed actuary and were utilized in determining the ultimate loss opinion.

ACCOUNTS AND RECORDS

An independent CPA audited the Company's statutory basis financial statements annually for the years 2001, 2002 and 2003, in accordance with Section 624.424(8), FS. Supporting work papers were prepared by the CPA as required by Rule 69O-137.002, FAC.

The Company's accounting records were maintained on a computerized system.

The Company reported their uncollected premiums and agents' balances in the course of collection as a net amount rather than showing both the gross amount and the non-admitted amount.

The Company originally maintained its principal operational offices in Casselberry, Florida; however, the Company subsequently moved their principal operational office to Jacksonville, Florida, where this examination was conducted.

The Company and non-affiliates had the following agreements:

Custodial Agreement

The Company had custodial agreements with SunTrust Bank and Morgan Stanley Dean Witter Trust, FSB, at December 31, 2003. These agreements were in compliance with Rule 69O-143.042, FAC.

Independent Auditor Agreement

The Company had an independent auditor agreement with Ernst & Young LLP, to perform the statutory audit of their December 31, 2003 financial statements as required by Section 624.424(8) FS, and Rule 69O-137.002, FAC.

Information Technology

An evaluation performed by an Information Technology (IT) Specialist noted the following:

The Company did not perform user access reviews to validate that a user's functional access was commensurate with their job responsibilities. Due to the acquisition of the Company, the changes in position duties and resulting shared responsibilities increased the potential risk that users may have inappropriate access to critical functions. The programmer also had access to application security menus and general ledger posting functions. Current staff levels do not justify programmer access to financial functions.

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2003, and the results of its operations for the year then ended as determined by this examination. Adjustments made as a result of the examination are noted in the section of this report captioned, "Comparative Analysis of Changes in Surplus."

**TICOR TITLE INSURANCE COMPANY OF FLORIDA
ASSETS**

DECEMBER 31, 2003

Classification	Per Company	Examination Adjustments	Per Examination
Bonds	\$68,085,405		\$68,085,405
Stocks:			
Common	20,468		20,468
Real Estate:			
Properties			
occupied by Company	1,039,687		1,039,687
Cash:			
On deposit	31,076,927		31,076,927
Aggregate write-in for invested assets	6,807,943		6,807,943
Investment income due and accrued	1,052,176		1,052,176
Agents' Balances:			
Uncollected premium	1,431,929		1,431,929
EDP Equipment	1,062,412		1,062,412
Totals	\$110,576,947	\$0	\$110,576,947

**TICOR TITLE INSURANCE COMPANY OF FLORIDA
LIABILITIES, SURPLUS AND OTHER FUNDS**

DECEMBER 31, 2003

Liabilities	Per Company	Examination Adjustments	Per Examination
Known claims reserve	\$6,432,368		\$6,432,368
Statutory premium reserve	47,676,952		47,676,952
Other expenses	1,787,023		1,787,023
Taxes, licenses and fees	1,457,442		1,457,442
Current federal and foreign income taxes	9,249,045		9,249,045
Net deferred tax liability	854,896		854,896
Aggregate write-ins for liabilities	<u>734,784</u>		<u>734,784</u>
Total Liabilities	\$68,192,510		\$68,192,510
Common capital stock	2,000,000		2,000,000
Gross paid in and contributed surplus	5,644,598		5,644,598
Unassigned funds (surplus)	<u>34,739,838</u>		<u>34,739,838</u>
Surplus as regards policyholders	<u>\$42,384,436</u>		<u>\$42,384,436</u>
Total liabilities, capital and surplus	<u>\$110,576,946</u>	<u>\$0</u>	<u>\$110,576,946</u>

**TICOR TITLE INSURANCE COMPANY OF FLORIDA
STATEMENT OF INCOME**

DECEMBER 31, 2003

Operating Income

Title insurance premiums earned	\$272,500,732
Other title fees and service charges	15,436,174
Aggregate write-ins for other operating income	14,636
Total operating income	<u>\$287,951,542</u>

DEDUCTIONS:

Losses and loss adjustment expenses incurred	\$12,055,119
Operating expenses incurred	256,505,595
Total operating deductions	<u>\$268,560,714</u>

Net underwriting gain or (loss) \$19,390,828

Investment Income

Net investment income earned	\$3,269,548
Net realized capital gains or (losses)	113,330
Net investment gain or (loss)	<u>\$3,382,878</u>

Net income before federal & foreign income taxes	\$22,773,706
Federal & foreign income taxes	<u>8,337,125</u>

Net Income \$14,436,581

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year \$25,799,868

Gains and (Losses) in Surplus

Net Income	\$14,436,581
Net unrealized capital gains or losses	3,962
Change in net deferred income tax	1,078,415
Change in non-admitted assets	1,046,990
Aggregate write-ins for gains and losses in surplus	18,620
Examination Adjustment	0
Change in surplus as regards policyholders for the year	<u>\$16,584,568</u>

Surplus as regards policyholders, December 31 current year	<u><u>\$42,384,436</u></u>
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COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Known Claims Reserve **6,432,368**

Statutory Premium Reserve **\$47,676,952**

An outside actuarial firm appointed by the Board of Directors, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2003, make a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Office actuary reviewed work papers provided by the Company and determined that the amount of \$29,045,000 for known claims and incurred but not reported (IBNR) reserves was \$4,170,000 deficient since the Company did not reserve for an adjusting and other reserve. No adjustment to the financial statement was made by this examination as the Company had a known claims reserves of \$6,432,368 and a statutory premium reserves of \$47,676,952. Title Insurance SSAP No. 57, states that the total of the known claims reserve and the statutory premium reserve should be equal to or greater than the amount of the known claims reserve and the IBNR reserve.

**TICOR TITLE INSURANCE COMPANY OF FLORIDA
COMPARATIVE ANALYSIS OF CHANGES IN SURPLUS**

DECEMBER 31, 2003

The following is a reconciliation of surplus as regards policyholders between that reported by the Company and as determined by the examination.

Surplus as Regards Policyholders December 31, 2003, per Annual Statement	\$42,384,436
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	<u>PER</u> <u>COMPANY</u>	<u>PER</u> <u>EXAM</u>	<u>INCREASE</u> <u>(DECREASE)</u> <u>IN SURPLUS</u>
ASSETS:			
No adjustment needed.			
LIABILITIES:			
No adjustment needed.			
Net Change in Surplus:			0
Surplus as Regards Policyholders December 31, 2003, Per Examination			\$42,384,436

SUMMARY OF FINDINGS

Compliance with previous directives

The Company had taken the necessary actions to comply with the comments made in the 2000 examination report issued by the Office.

Current examination comments and corrective action

The following is a brief summary of items of interest and corrective action to be taken by the Company regarding findings in the examination as of December 31, 2003.

Premiums and considerations

The Company reported their uncollected premiums and agents' balances in the course of collection as a net amount rather than showing both the gross amount and the non-admitted amount. **It is recommended the Company follow the NAIC annual statement instructions and report the total amount of premiums receivable and the non-admitted amount of premiums receivable as separate items, rather than as a net amount; in all future annual and quarterly statement filings.**

Information Technology

An evaluation performed by an IT Specialist noted that the Company did not perform user access reviews to validate that user's functional access was commensurate with their job responsibilities. The programmer had access to application security menus and general ledger posting functions. **It is recommended the Company address the IT Specialist's recommendations and provide evidence of compliance to the Office within 90 days of the issuance of this report.**

SUBSEQUENT EVENTS

The PMI Group, Inc. sold the Company to Chicago Title Insurance Company on March 18, 2004. The Company's name was changed to Ticor Title Insurance Company of Florida on September 17, 2004. Chicago Title Insurance Company was ultimately owned by Fidelity National Financial. All Company management was changed subsequent to December 31, 2003.

CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **TICOR TITLE INSURANCE COMPANY OF FLORIDA** as of December 31, 2003, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's surplus as regards policyholders was \$42,384,436, which was in compliance with Section 624.408, FS.

In addition to the undersigned, Samita Lamsal, Financial Examiner/Analyst, Kimberly Ferrell, Financial Examiner/Analyst, Jerry Golden, Financial Examiner/Analyst and Joseph Boor, Actuary, participated in the examination.

Respectfully submitted,

Rose M. Cady
Financial Examiner/Analyst II
Florida Office of Insurance Regulation

Michael Hampton, CPA, CFE, DABFA, CFE, CPM
Financial Examiner/Analyst Supervisor
Florida Office of Insurance Regulation