REPORT OF EXAMINATION

OF THE

FIDELITY NATIONAL
TITLE INSURANCE COMPANY

AS OF

DECEMBER 31, 2010

Filed June 29, 2012

TABLE OF CONTENTS

PAGE

SCOPE OF EXAMINATION 1

SUMMARY OF SIGNIFICANT FINDINGS 2

SUBSEQUENT EVENTS 3

COMPANY HISTORY 3

MANAGEMENT AND CONTROL: 6
- Management Agreements 8
- Related Party Transactions 10

CORPORATE RECORDS 10

TERRITORY AND PLAN OF OPERATION 11

GROWTH OF COMPANY 12

LOSS EXPERIENCE 12

REINSURANCE: 13
- Assumed 13
- Ceded 13

FINANCIAL STATEMENTS: 16
- Statement of Financial Condition as of December 31, 2010 17
- Underwriting and Investment Exhibit for the Year Ended December 31, 2010 18
- Reconciliation of Surplus as Regards Policyholders from December 31, 2006 through December 31, 2010 19
- Reconciliation of Examination Changes as of December 31, 2010 20

COMMENTS ON FINANCIAL STATEMENT ITEMS: 21
- Net Deferred Tax Assets 21
- Known Claims Reserve 22
- Supplemental Reserve 22
- Payable to Parent, Subsidiaries and Affiliates 25

SUMMARY OF COMMENTS AND RECOMMENDATIONS: 25
- Current Report of Examination 25
- Previous Report of Examination 26

ACKNOWLEDGMENT 27

Los Angeles, California
May 29, 2012

Honorable Dave Jones
Insurance Commissioner
California Department of Insurance
Sacramento, California

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

FIDELITY NATIONAL TITLE INSURANCE COMPANY

(hereinafter also referred to as the Company) at its main administrative office at 601 Riverside Avenue, Jacksonville, Florida 32204. The Company's statutory home office is located at 3916 State Street, Santa Barbara, California 93110.

SCOPE OF EXAMINATION

We have performed our multi-state examination of the Company. The previous examination of the Company was made as of December 31, 2006. This examination covers the period from January 1, 2007 through December 31, 2010. The examination was conducted in accordance with the National Association of Insurance Commissioners' Financial Condition Examiners' Handbook. The Handbook requires the planning and performance of the examination to evaluate the Company's financial condition, to identify prospective risks, and to obtain information about the Company, including corporate governance, identification and assessment of inherent risks, and the evaluation of the system controls and procedures used to mitigate those risks. The examination also included an assessment of the principles used and the significant estimates made by management, as well as an evaluation of the overall financial statement presentation, and management's compliance with Statutory Accounting Principles and Annual Statement

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

The examination was a coordinated examination and was conducted concurrently with examinations of its affiliates, Chicago Title Insurance Company, Commonwealth Land Title Insurance Company, and Alamo Title Insurance Company, and included participation from the States of Nebraska and Texas. California and Nebraska served as co-lead states in this coordinated examination.

In addition to those items specifically commented upon in this report, other phases of the Company's operations were reviewed including the following areas that require no further comment: fidelity bonds and other insurance; pensions, stock ownership and insurance plans; statutory deposits; accounts and records; and sales and advertising.

SUMMARY OF SIGNIFICANT FINDINGS

As a result of this examination, surplus as regards policyholders as of December 31, 2010 has been reduced by $49,423,424 to $186,849,066. Adjustments were due to increases in the Company's known claims reserve and payable to parent and to the non-admittance of the net deferred tax asset.

Additionally, the known claim reserves reported in the 2010 Annual Statement was deficient by $198 million, as indicated by the subsequent paid development of the 2010 known claim reserve and a bulk reserve determined by a Casualty Actuary for the California Department of Insurance (CDI) utilizing data as of December 31, 2011. The adjustment to the known claim reserve in this report only reflected $23 million of the $198 million which was recorded by the Company as a prior year correction of error.

SUBSEQUENT EVENTS

On January 31, 2011, through a series of transactions, Fidelity National Title Group Holdings, Inc. (FNTG Holdings) (formerly named FNF Control I, Inc.) became a subsidiary of Fidelity National Financial, Inc. (FNF). FNF Control I, Inc. was created and subsequently dissolved to affect the FNF internal holding company re-organization. On January 31, 2011, FNTG Holdings contributed to its subsidiary Fidelity National Title Group, Inc. (FNTG) all of the stock of the Company. Since January 31, 2011, the Company has been a direct subsidiary of FNTG.

COMPANY HISTORY

On December 22, 2008, the Company purchased 631,221 shares or 59.4% of the outstanding common stock of Lawyers Title Insurance Corporation (LTIC) and Fidelity National Financial, Inc. (FNF), purchased 431,116 shares or 40.6% of the outstanding common stock of LTIC, during the acquisition of LTIC from LandAmerica Financial Group, Inc. Subsequently, the FNF shares were contributed downstream through the holding company system to the Company, resulting in the Company owning 100% of LTIC.

Effective March 31, 2010, the Company's subsidiary, Nations Title Insurance of New York, was merged into the Company, with the Company being the surviving entity. No approval was required by the California Department of Insurance (CDI).

Effective June 30, 2010, the Company's subsidiaries, United Capital Title Insurance Company (UCTIC) and LTIC were merged into the Company, with the Company being the surviving entity. The UCTIC merger was approved by the CDI on June 14, 2010.

As the first step in an internal holding company reorganization, on December 31, 2010, Chicago Title and Trust Company contributed to its subsidiary, FNF Control I, Inc., all of the stock of the Company.

During the examination period, the Company declared and paid the following ordinary cash dividends to its parent, Fidelity National Title Group, Inc.:

Year	Amount
2007	$79,300,000
2008	$33,000,000

On August 25, 2010 the CDI approved an extraordinary dividend in the form of shares of common stock and membership interests in certain subsidiaries and affiliated investments in the amount of $35,701,266. Of this amount, $11,137,214 was distributed on August 31, 2010 and the remaining $24,564,052, which related to shares of stock of certain California underwritten title companies, was distributed on December 27, 2010.

The following is a reconciliation of the capital stock, gross paid-in and contributed surplus and surplus notes, and a brief discussion, for the period under Examination:

Notes	**Description**	**Common capital stock**	**Gross paid-in and contributed surplus**	**Surplus notes**
	December 31 ,2006	$35,826,800	$141,288,233	$ 0
1	Contribution to surplus and adjustment		126,994,241	
2	Contribution and reversals		4,579,391	
3	Surplus note			30,000,000
4	Change in par value of Common Stock	40,305,150	(40,305,150)	
	December 31, 2010	$76,131,950	$232,556,715	$30,000,000

1. In December 2008, FNF contributed $100,000,000 of common stock of its subsidiary LTIC to the Company immediately after acquisition. FNF also contributed an adjustable note payable on December 22, 2008 to the Company who in turn contributed the note to LTIC. The original adjustable note payable was $37,210,797; however the note was later decreased on December 31, 2008 by $10,216,556 to $26,994,241. The adjustable note payable from FNF to LTIC was issued in conjunction with the acquisition of LTIC. The contribution of the note or the latter adjustment was not submitted or approved by the CDI. The reduction in the note should have been reported as a dividend.

2. On May 26, 2009, the Company received a surplus contribution in the amount of $25,000,000 which was intended as a pass through contribution to LTIC. The Company also received additional contributions as adjustments to increase the adjustable note payable referenced above in the amount of $9,472,055 and $7,355,997 on March 31, 2009 and November 30, 2009 respectively. The Company reported reductions in contributed surplus representing quarterly adjustments to the adjustable note payable as of June 30, 2009, September 30, 2009, and December 31, 2009 in the amounts of $4,284,165, $32,182,131, and $782,365 respectively. The reductions in contributed surplus were not submitted or approved by the CDI and should have been reported as dividends.

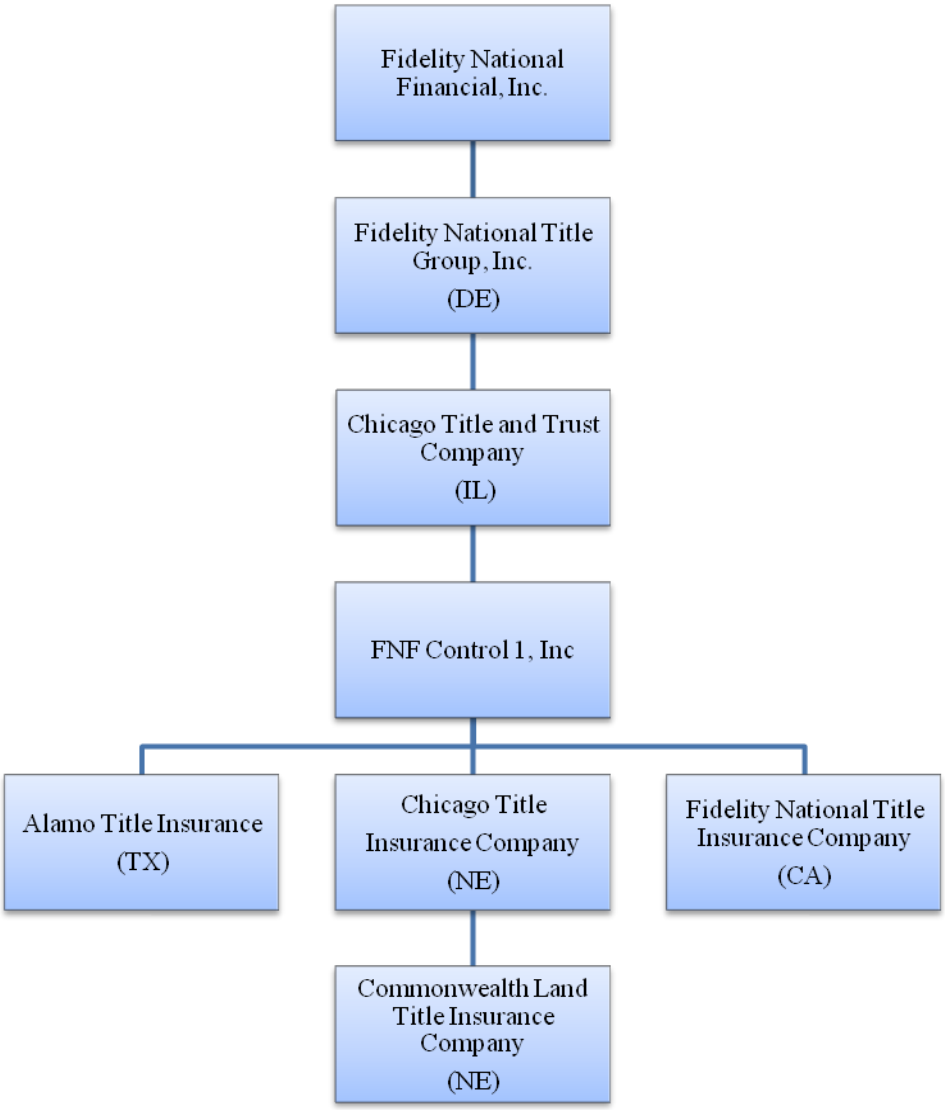
3. A surplus note was attained through the merger of LTIC into the Company. The note was issued to an affiliate, Commonwealth Land Title Insurance Company on May 31, 2008 in the amount of $30,000,000. The surplus note has an annual interest rate of 3% and is due December 31, 2015. The principal and interest on the note may be paid from time to time, either in full or in part, only from available surplus funds. No payment may occur unless the amount of surplus over all liabilities is double that amount of the principal then being paid and prior written approval is received.

4. Effective May 5, 2010, the Company increased the par value of its common stock from $80 to $170 per share. There were 447,835 shares outstanding at the date of the change in par value.

It is recommended that the Company institute procedures to assure that proper approvals of dividends and or reductions to its capital accounts are obtained.

MANAGEMENT AND CONTROL

The following abridged organizational chart, which is limited to the title insurance companies of Fidelity National Financial, Inc., depicts the Company's relationship within the holding company system as of December 31, 2010:



All ownership is 100%

Members of the board of directors, who are elected annually, manage the business and affairs of

the Company. Following are members of the board and principal officers of the Company serving at December 31, 2010:

Directors

Name and Residence	Principal Business Affiliation
Anthony J. Park Jacksonville, Florida	Executive Vice President and Chief Financial Officer Fidelity National Title Group
Raymond R. Quirk Jacksonville, Florida	President Fidelity National Title Group
Alan L. Stinson Jacksonville, Florida	Executive Vice President Fidelity National Title Group

Principal Officers

Name	Title
Raymond R. Quirk	President and Chief Executive Officer
David A. Brown	President, Default Resolution Network Division
Mathew G. Fortier	President and State Manager
Cynthia L. Fried	President and County Manager
Mary Lou Paulk	President and County Manager
Roger S. Jewkes	President, Western Operations
Erika Meinhardt	President, National Agency Operations
Anthony J. Park	Executive Vice President and Chief Financial Officer
Paul I. Perez	Executive Vice President and Chief Compliance Officer
Gary R. Urquhart	Executive Vice President and General Counsel
Peter T. Sadowski	Executive Vice President
Alan L. Stinson	Executive Vice President
Paul D. DeFalco	Executive Vice President and Regional Manager
Michael L. Gravelle	Executive Vice President, Legal and Corporate Secretary
Joseph W. Grealish	Executive Vice President and Regional Manager
James R. Herleman	Executive Vice President

Name	Title
Michael J. Nolan	Executive Vice President
Steve G. Day	Executive Vice President
George P. Scanlon	Executive Vice President
Daniel K. Murphy	Senior Vice President and Treasurer

Management Agreements

Master Services Agreement: Effective March 12, 2003, the Company and certain affiliates entered into a Master Services Agreement with its ultimate parent, Fidelity National Financial, Inc. (FNF). Under the terms of the agreement, the Company receives from affiliates the following services: underwriting, claims settlement, payroll, legal, advertising, investment services, administrative and personnel services, and information technology. The agreement limits compensation for services to reimbursement of actual expenses. Fees incurred under the agreement are settled on a monthly basis with FNF. The California Department of Insurance (CDI) approved the 2009 amended agreement on July 9, 2010. For 2007, 2008, 2009, and 2010, the Company paid $262,874,492, $219,259,777, $315,164,271, and $291,286,815 respectively, in fees to FNF under the terms of this agreement.

Tax Sharing Agreement: The Company and its affiliates are part of a consolidated federal income tax agreement with its ultimate parent, FNF, effective August 21, 2009. The agreement indicates that allocation of taxes is based upon hypothetical tax return calculations; however the agreement does not define the hypothetical tax. The agreement also indicates there will be an intermediate consolidation with Chicago Title and Trust Company prior to the consolidation with FNF. The agreement was approved by the CDI on July 22, 2009. The holding company was restructured during 2010 and Chicago Title and Trust is no longer the Company's parent.

The Company provided the examiners with a written tax allocation methodology which indicates that tax is prorated based on the ratio of each subsidiary's taxable income in comparison to the consolidated income. This methodology is contrary to the methodology depicted in the tax sharing agreement. Note number 9(F) of Notes to the Financial Statements of the filed 2010 Annual Statement indicates that each entity of the consolidated group compute their tax as

though the entity pays tax on a stand-alone basis. The Company reported payments/recoveries under the agreement in the amount of $35,558,965, ($1,528,081), ($17,163,576) and ($17,528,246) for the years 2007, 2008, 2009, and 2010 respectively. It was recommended that the Company submit an amended tax sharing agreement to the CDI for approval in accordance with California Insurance Code (CIC) Section 1215.4(b)(3)(H) which accurately depicts the tax allocation methodology, includes the appropriate parties and that the Company adhere to the terms stated in the agreement. The Company submitted an Amended and Restated Tax Sharing Agreement to the CDI on May 15, 2012. As of the date of this report of examination approval was still pending.

Title Plant Agreements: The Company is party to several agreements, effective March 4, 2005, with Property Insight, LLC (PI) whereby PI provides title maintenance, technology, and construction of the Company's title plant assets. The Company pays PI market based access fees and PI pays a royalty fee to the Company for usage of the data. The CDI approved these agreements on February 24, 2005. On August 31, 2007, the Company became a 39% owner of PI.

Master Loan Agreement: The Company entered into a master loan agreement with its ultimate parent, FNF, effective December 28, 2000, whereby the Company and its affiliates have agreed to loan FNF funds on an as needed basis.

The Company reported in its insurance holding company registration statement (Form B) that on March 27, 2008, it loaned $25 million to FNF pursuant to the agreement. As collateral for the loan, FNF pledged to the Company 29,700 shares of Ticor Title Insurance Company common stock and 1,980 shares of common stock of Chicago Title Insurance Company; however, the Company stated that the loan was never funded. It is recommended that Company establish procedures to ensure its affiliated transactions are accurately disclosed in its insurance holding company registration statement in accordance with CIC Section 1215.4(b)(4).

Personal Property Lease Agreement: The Company and its affiliates are party to a personal property lease agreement with Fidelity Asset Management, Inc. (FAMI). The lease agreement

was renewed, effective January 1, 2008. The agreement governs payments for the rental of equipment purchased by FAMI that is used by the parties. The Company reported payments to FAMI under this agreement in the amount of $4,973,738, $3,756,336, $2,436,936, and $2,664,958, for the years 2007, 2008, 2009, and 2010 respectively.

Related Party Transactions

On August 2, 2007, FNF announced that it would acquire PI, a subsidiary of Fidelity National Information Services, Inc.'s (FIS), a related party, for a total purchase price of $95 million. On August 31, 2007, the Company and two of its affiliates, Security Union Title Insurance Company (SUTIC), (merged out of existence in 2010), and Chicago Title Insurance Company (CTIC), purchased PI. The Company's portion of the purchase price was $37.5 million, CTIC's portion was $37.5 million and SUTIC's portion was $20 million. Immediately thereafter, the book value reported on the annual statement was written down to $0. PI provides personnel and IT services to maintain the Company and its affiliate's title plant assets, as well as various national and regional underwriters.

Prior to the purchase, the Companies obtained a valuation of PI from a third party. The valuation was based upon the PI's estimated future income stream of which the majority is generated from title search fees, title plant maintenance, and title plant construction paid by the Company and its affiliates. A review of an unaudited balance sheet of PI disclosed $68 million of goodwill. Based upon the unaudited balance sheet of PI, it appears that the Companies purchased PI for an amount in excess of the fair value. This transaction does not appear to be fair and reasonable. It is recommended that the Company establish procedures to ensure that affiliated transactions are fair and reasonable in accordance with Statement of Statutory Accounting Principles Number 25, paragraphs 11-15.

CORPORATE RECORDS

The Company increased the par value of its common stock on May 5, 2010. An amendment to the Articles of Incorporation was filed with the California Secretary of State on December 9,

2010. California Insurance Code (CIC) Section 827.3(b)(3) requires a change in par value be filed with the California Department of Insurance (CDI) within 30 days. The Company did not file the change in par value with the CDI until January 25, 2011. As a result of the increase in par value of capital stock, the Company gained admissibility of approximately $20 million in title plants, effectively increasing surplus by $20 million. It is recommended that the Company submit future changes to its common stock and gross paid-in capital to the CDI in a timely manner as required by CIC Section 827.3(b)(3).

TERRITORY AND PLAN OF OPERATION

As of December 31, 2010, the Company was licensed to transact title insurance business and to also provide escrow and other services to real estate property buyers and mortgage lenders. The Company is licensed in all states except Iowa as follows:

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

The Company is also licensed in the District of Columbia, Guam, Puerto Rico, the U.S. Virgin Islands, and Canada.

The Company issues title insurance policies through direct operations, a network of both affiliated and non-affiliated title agents, and underwritten title companies.

During 2010, the Company wrote approximately $1.4 billion of direct premiums, with the

majority of the direct premiums written in the following states: $225 million in California; $176 million in Texas; $124 million in New York; and $80 million in Florida. The remaining premiums were written in other states.

GROWTH OF COMPANY

The Company has experienced a considerable amount of premium volume contraction during and subsequent to the examination period, as depicted in the following schedule:

Year	Direct Premium Written
2006	$1,519,950,497
2007	1,274,082,208
2008	872,595,734
2009	990,713,917
2010	1,403,221,265
2011	1,169,687,642

The significant decline in premium volume is attributable to the volatility of the title insurance industry, which is susceptible to the economic cycles of the real estate market. As noted in the schedule above, during 2010, due to an increase in refinance activity and the merger of several subsidiaries and entities into the Company premium volume significantly increased compared to the 2007-2009.

LOSS EXPERIENCE

The Company reported net operating losses beginning in 2008 due to a significant increase in loss and operating expenses, illustrated in the following ratios:

Year	Loss and loss expenses incurred to Net Premium Written	Operating expenses incurred to Net Premium Income	Net Operating Gain or (Loss)	Net Income Or (Loss)
2006	4.7%	95.7%	$ 86,713,629	$ 98,307,375
2007	8.3%	96.2%	42,318,485	58,097,256
2008	11.0%	103.6%	(36,920,361)	(16,031,015)
2009	8.9%	99.9%	(10,236,144)	36,161,760
2010	16.6%	100.5%	(74,770,369)	(23,867,982)
2011	24.5%	98.5%	(71,576,371)	19,552,238

The percentages and values for 2006 thru 2009 are for FNTIC on a standalone basis, whereas the percentages and values for 2010 and 2011 are for FNTIC on a merged basis. In some respects, this impacts the comparisons and trends from year to year.

REINSURANCE

Assumed

The Company assumes a relatively small amount of business as compared to its direct writings (less than one percent). The assumed transactions are on a facultative basis.

Ceded

The Company also cedes a relatively small amount of business as compared to its direct writings (less than one percent). The majority of the ceded reinsurance premium resulted from facultative transactions.

The Company is party to two Title Excess of Loss Reinsurance Contracts entered into by its ultimate parent, Fidelity National Financial, Inc. (FNF), with various reinsurers. Coverage is shared by the Company and other subsidiaries and affiliates of FNF. The contract provides coverage on a loss occurrence basis for the Company and its affiliates, regardless of the number

of policies contributing to the ultimate net loss. The losses are covered based upon the date reported to the reinsurer.

The following is a summary of reinsurance contracts as of December 31, 2010:

Type of Contract	Layer	Reinsurer's Name	Company's Retention	Reinsurers' Limit of Liability	
				In Respect of Each and Every Loss Occurrence	As Respects all Loss Occurrences During the Term of the Contract
1st Excess of Loss (1st Tower)	1st layer	**Authorized** Various Lloyd's Underwriter Syndicates (74%) Lexington Insurance Company (2%) **Unauthorized** Allianz Risk Transfer AG (4%) AXIS Specialty Limited (20%)	$10 million	$10 Million	$20 Million
	2nd layer	**Authorized** Various Lloyd's Underwriter Syndicates (46.04%) Lexington Insurance Company (1%) **Unauthorized** Allianz Risk Transfer AG (4%) Aspen Insurance UK Limited (6.63%) AXIS Specialty Limited (15%) Hannover Ruckversicherung AG (10%) Vlaidus Reinsurance, Ltd. (13.33%) XL Re Ltd. (4%)	$20 Million	$30 Million	$60 Million
	3rd layer	**Authorized** Various Lloyd's Underwriter Syndicates (36.75%) Lexington Insurance Company (6%) **Unauthorized** Allianz Risk Transfer AG (4%) Aspen Insurance UK Limited (2%) AXIS Specialty Limited (15%) Hannover Ruckversicherung AG (18%) Vlaidus Reinsurance, Ltd. (11.5%) XL Re Ltd. (6.75%)	$50 Million	$50 Million	$100 Million

Type of Contract	Layer	Reinsurer's Name	Company's Retention	Reinsurers' Limit of Liability	
				In Respect of Each and Every Loss Occurrence	As Respects all Loss Occurrences During the Term of the Contract
2nd Excess of Loss (2nd Tower)	1st layer	**Authorized** Lexington Insurance Company (15.5%) **Unauthorized** Allianz Risk Transfer AG (15.47%) AXIS Specialty Limited (5%) Montpelier Reinsurance Ltd (3.33%) Renaissance Reinsurance Ltd. (10%) Endurance Special Insurance Ltd. (8.33%) Validus Reinsurance, Ltd. (3.33%) XL Re Ltd (3%) Ariel Reinsurance Ltd., Zurich Branch (6.67%) Aspen Insurance UK Limited (2.33%)	$100 Million Plus 27.04% of $600 Million	$300 Million	$600 Million

As of December 31, 2010, the Company reported no reinsurance recoverables on paid or unpaid losses.

The allocation of reinsurance premiums paid in conjunction with the excess of loss reinsurance contracts is based upon premium written in the prior calendar year in accordance with a written allocation agreement. The agreement is silent as to the method of allocation for claims. Statement of Statutory Accounting Principles (SSAP) Number 62 paragraph 9 requires that for multiple cedent agreements: (1) the allocation must be in writing; and (2) the terms of the allocation agreement must be fair and equitable. The examiners were unable to determine if the allocation is fair and equitable as the agreement did not stipulate the allocation methodology for recovery of claim payments. It is recommended that the Company amend the reinsurance contracts to ensure compliance with SSAP Number 62 paragraph 9.

FINANCIAL STATEMENTS

The financial statements prepared for this examination report include:

Statement of Financial Condition as of December 31, 2010

Underwriting and Investment Exhibit for the Year Ended December 31, 2010

Reconciliation of Surplus as Regards Policyholders from December 31, 2006 through December 31, 2010

Reconciliation of Examination Changes as of December 31, 2010

Statement of Financial Condition
as of December 31, 2010

Assets	Ledger and Nonledger Assets	Assets Not Admitted	Net Admitted Assets	Notes
Bonds	$ 1,129,901,763	$ 2,146,786	$ 1,127,754,977	
Common stocks	21,469,570		21,469,570	
Mortgage loans on real estate:				
First liens	1,841,036	833,071	1,007,965	
Other than first liens	1,771,614	1,771,614	0	
Real Estate:				
Properties occupied by the company	881,238		881,238	
Properties held for sale	2,328,742	430,750	1,897,992	
Cash, cash equivalents and short-term investments	44,500,281		44,500,281	
Other invested assets	13,228,584	3,385,952	9,842,632	
Receivables for securities	786,357		786,357	
Securities lending reinvested collateral assets	972,385		972,385	
Title plants	39,800,403	1,734,428	38,065,975	
Investment income due and accrued	14,108,746		14,108,746	
Premiums and agents' balances in course of collection	53,185,356	30,034,052	23,151,304	
Current federal and foreign income tax recoverable and interest thereon	1,612,414		1,612,414	
Net deferred tax asset	214,398,981	214,398,981	0	(1)
Electronic data processing equipment and software	16,494		16,494	
Furniture and equipment, including health care delivery assets	945,713	945,713	0	
Receivables from parent, subsidiaries and affiliates	22,753,172		22,753,172	
Aggregate write-ins for other than invested assets	54,209,604	54,206,020	3,584	
Total assets	$ 1,618,712,453	$309,887,367	$ 1,308,825,086	

Liabilities, Surplus and Other Funds			
Known claims reserve		$ 215,592,395	(2)
Statutory premium reserve		821,032,281	
Other expenses		63,776,748	
Taxes, licenses and fees		12,335,332	
Amounts withheld or retained by company for account of others		1,037	
Payable to parent, subsidiaries and affiliates		8,250,171	(3)
Payable for securities lending		972,385	
Aggregate write-ins for liabilities		15,671	
Total liabilities		1,121,976,020	
Common capital stock	$ 76,131,950		
Surplus notes	30,000,000		
Gross paid-in and contributed surplus	232,556,715		
Unassigned surplus	(151,839,599)		
Surplus as regards policyholders		186,849,066	
Total liabilities, surplus and other funds		$ 1,308,825,086	

Underwriting and Investment Exhibit
for the Year Ended December 31, 2010

Statement of Income

Operating Income		
Title insurance premiums earned	$ 1,421,214,892	
Escrow and settlement services	43,462,755	
Other title fees and service charge	99,639,148	
Total operating income		$ 1,564,316,795
Deductions:		
Losses and loss adjustment expenses incurred	$ 255,774,048	
Operating expenses incurred	1,415,144,116	
Total operating deductions		1,670,918,164
Net operating loss		(106,601,369)
Investment Income		
Net investment income earned	$ 58,025,970	
Net realized capital loss	(20,461,092)	
Net investment gain		37,564,878
Other Income		
Aggregate write-ins for miscellaneous income	$ 14,848,142	
Total other income		14,848,142
Net loss before federal income taxes		(54,188,349)
Federal and foreign income taxes incurred		1,510,633
Net loss		$ (55,698,982)

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2009		$ 194,518,016
Net loss	$ (55,698,982)	
Change in net unrealized capital gains	79,365,511	
Change in net unrealized foreign exchange capital loss	(1,722,308)	
Change in net deferred income tax	(16,680,492)	
Change in nonadmitted assets	(2,394,560)	
Change supplemental reserves	26,579,357	
Capital changes: Paid-in	40,305,150	
Surplus adjustments: Paid-in	(40,305,150)	
Dividends to stockholders	(35,701,266)	
Aggregate write-ins for losses in surplus	(1,416,210)	
Change in surplus as regards policyholders for the year		(7,668,950)
Surplus as regards policyholders, December 31, 2010		$ 186,849,066

Reconciliation of Surplus as Regards Policyholders
from December 31, 2006 through December 31, 2010

Surplus as regards policyholders, December 31, 2006 per Examination			$ 273,989,612
	Gain in Surplus	Loss in Surplus	
Net loss	$	$ 10,456,635	
Net unrealized capital losses		87,997,020	
Change in net foreign exchange capital losses		1,625,180	
Change in net deferred income tax		30,824,138	
Change in nonadmitted assets	51,079,723		
Change in supplemental reserves	961,996		
Cumulative effect of changes in accounting principles	3,512,203		
Capital changes: Paid-in	40,305,150		
Surplus adjustments: Paid-in	91,268,481		
Dividends to stockholders		148,001,266	
Aggregate write-ins for gains in surplus	4,636,140		
Total gains and losses	$ 191,763,692	$ 278,904,239	
Net decrease in surplus as regards policyholders			(87,140,546)
Surplus as regards policyholders, December 31, 2010, per Examination			$ 186,849,066

Reconciliation of Examination Changes
as of December 31, 2010

	Per Company	Per Examination	Surplus Increase (Decrease)	Notes
Assets				
Net Deferred Tax Assets	$ 17,592,424	$ 0	$ (17,592,424)	(1)
Liabilities capital and surplus				
Known claims reserve	191,837,395	215,592,395	(23,755,000)	(2)
Payable to parent subsidiary or affiliate	174,171	8,250,171	(8,076,000)	(3)
Net decrease to surplus			(49,423,424)	
Surplus as regards policyholders, December 31, 2010, per Company			236,272,490	
Surplus as regards policyholders, December 31, 2010, per Examination			$ 186,849,066	

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Net Deferred Tax Assets

At December 31, 2010, the Company reported a net admitted deferred tax asset (DTA) in the amount of $17,592,424. The Company indicated that certain components of the DTA which were not expected to be realized within one year were admitted based upon tax planning strategies utilized to accelerate the amount that would reverse in 12 months. Statement of Statutory Accounting Principles (SSAP) Number 10 Question 13 states that an entity must demonstrate that a tax planning strategy must be prudent and feasible. The tax planning strategies proposed by the Company included the following: The Company intends to combine profitable operations of Fidelity National Financial (FNF) affiliates into the Company.

At the time the tax planning strategy was adopted by the Company, it specifically contradicted the Tax Sharing Agreement in effect which was approved by the California Department of Insurance (CDI) on July 22, 2009. The Company submitted an Amended and Restated Tax Sharing Agreement to the CDI on May 15, 2012. As of the date of this report of examination approval was still pending (refer to the discussion in the "Management and Control – Management Agreements" section). It was determined that the tax planning strategy indicated by the Company was not prudent and feasible and therefore the additional net DTA amounts gained via this mechanism were accordingly not admitted for the purpose of this examination. It is recommended that the Company implement procedures so that any future tax planning strategy is adequately documented, prudent and feasible, and the use of the tax strategy is not inconsistent with assumptions inherent in statutory or other accounting basis financial statements, and consistent with management's business plan objectives. It is also recommended that the Company comply with SSAP Number 10 regarding the admissibility of net DTA's.

(2) Known Claims Reserve
Supplemental Reserve

As of December 31, 2010, the Company reported the following reserves:

Case Reserve	$141,865,667
Bulk Reserve	49,971,728
Known claims reserve	$191,837,395
Supplemental reserve	$ 0

In the course of the examination, it was determined that the Company had not utilized an actuarial analysis to determine an estimate of the bulk reserve in accordance with SSAP Number 57 Appendix A-628 and SSAP Number 55. The Company agreed to record a bulk reserve based on an actuarial analysis to ensure its best estimate of ultimate losses for the known claims reserves is recorded. The Company reported a correction of error in the 2011 Annual Statement to increase the bulk reserve in the amount of $15,440,927 ($23,755,272 less income taxes of $8,314,345) as of December 31, 2010. In addition, the Company also recorded a bulk reserve of $30,458,000 as part of the 2011 known claim reserve. The correction of error was based upon an actuarial analysis performed by the Company's former appointed actuary as of December 31, 2010. This examination report reflects the correction of error, gross of tax.

A review of the Company's December 31, 2010, Schedule P – Part 3, indicated that historically there has been a fairly consistent adverse development of the Company's losses by report year. This observation was also corroborated by anecdotal evidence noted during our review of claims that several case reserves were not established in a timely manner or in an adequate amount as also evidenced in the below referenced subsequent paid development and bulk reserve analysis by the CDI Casualty Actuary.

The subsequent paid development of the 2010 known claim reserve as of December 31, 2011 and a bulk reserve determined by a Casualty Actuary for the CDI utilizing data as of December 31, 2011 indicated that the known claim reserve reported in the 2010 Annual Statement was

deficient by $197 million. This examination report did not include an examination adjustment to reflect the deficiency since the majority of the deficiency was attributable to claims already paid and reflected in the Company's income statement.

However, as a result of the volatility in the real estate market, current title insurance market trends, and a difference in the actuarial analysis development factors utilized by the Company's actuary and the CDI Casualty Actuary, a limited scope examination will be conducted as of December 31, 2012 to evaluate subsequent development and the reported reserve adequacy.

In conjunction with the coordinated examination, the Nebraska Department of Insurance hired EVP Advisors, Inc. (EVP) to review the Group's December 31, 2010 Schedule P reserves and more specifically Incurred But Not Reported (IBNR) to determine if a supplemental reserve was required. EVP's analysis indicated that on a consolidated basis, the carried reserves for the group made a reasonable provision for the net unpaid loss and loss adjustment expense, However, it should be noted that when the reserves in EVP's actuarial central estimate was allocated back to the individual member companies, the Company's reported reserve was below EVP's range of reasonableness.

The Company provided policy type data on a consolidated basis was provided to EVP for their review. There was no pre-determined allocation method agreed upon between all parties. After arriving at ultimate loss and IBNR estimates for the group in its entirety, EVP allocated IBNR to each entity. Liabilities allocated on any available basis therefore may not be representative of each entity's actual position. Subsequent to the examination date, for the 2011 analysis, the Company's opining actuary obtained additional loss detail by mix of business on a policy year basis and used report year data for each entity to estimate bulk reserves by company. Having developed the bulk reserves by company, the opining actuary still needed to allocate, by company, that portion of the group's IBNR that exceeded the group's bulk reserves. It is therefore recommended that the Company obtain and make available loss data specific to and segregated by each legal entity in all future financial statements.

If at a later date, the development of policy years 2005-2008 continue to result in losses greater

than currently projected, the recorded liabilities for all companies in the group may ultimately be inadequate, perhaps materially. The potential deficiency of the IBNR reserves would not be represented on the Company's statutory reserves (known claim reserves plus statutory premium reserves) until the Schedule P reserves exceed the Company's statutory reserves, which as reported by the Company at December 31, 2011 was $233.2 million greater than IBNR reserves. The reasonableness of the Company's reported December 31, 2011 IBNR reserves and Statutory Premium Reserve was not evaluated. As noted above a limited examination of the Company's reserves will be conducted as of December 31, 2012 for further evaluation of the Company's IBNR reserves.

Lastly, management uses a Generally Accepted Accounting Principles concept to establish loss reserves quarterly and record their carried reserve. However, in accordance with SSAP No. 55, this analysis alone should not be considered an acceptable point estimate used to determine the ultimate cost of settling claims. SSAP No. 55, paragraph 17, requires an insurer to accrue the midpoint of a range when no other point within management's continuous range of reasonably possible estimates is determined to be a better estimate than any other point. If management's select point estimate is not dependent on their actuary's midpoint, it should be supported by, but not limited to, the following: statistical analysis of historical experience (e.g. generally accepted actuarial assumptions and methodologies), the legal environment, economic factors, emergence of claims, claim trending, current paid claims, case reserving, prior development, underwriting, reinsurance, and salvage and subrogation.

The examiners determined the Company did not maintain adequate support or documentation of these factors or considerations in the quarterly loss reserve memorandum. It is recommended that the Company further validate management's select point for each underwriter by enhancing the detail and underlying support to management's assertions in selecting their estimate or record the actuary's best estimate.

(3) Payable to Parent, Subsidiaries or Affiliates

During the course of the examination, the Company's external auditors noted an error in the computation of costs allocated to the Company under the Master Services Agreement. The Company recorded a payable to parent, subsidiaries and affiliates in the amount of $8,076,000 as a result of the error. The correction was recorded in the June 30, 2011 quarterly statement.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

Company History (Page 3): It is recommended that the Company institute procedures to assure that proper approvals of dividends and or reductions to its capital accounts are obtained.

Management and Control – Management Agreements – Master Loan Agreement (Page 8): It is recommended that Company establish procedures to ensure its affiliated transactions are accurately disclosed in its insurance holding company registration statement in accordance with CIC Section 1215.4(b)(4).

Management and Control – Related Party Transactions (Page 10): It is recommended that the Company establish procedures to ensure that affiliated transactions are fair and reasonable in accordance with Statement of Statutory Accounting Principles (SSAP) Number 25 paragraphs 11-15.

Corporate Records (Page 10): It is recommended that the Company submit future changes to its common stock and gross paid-in capital to the CDI in a timely manner as required by CIC Section 827.3(b)(3).

Reinsurance – Ceded (Page 13): It is recommended that the Company amend the reinsurance contracts to ensure compliance with SSAP Number 62 paragraph 9.

Comment on Financial Statement Items – Net Deferred Tax Assets (Page 21): It is recommended that the Company implement procedures so that any future tax planning strategy is adequately documented, prudent and feasible, and the use of the tax strategy is not inconsistent with assumptions inherent in statutory or other accounting basis financial statements, and consistent with management's business plan objectives. It is also recommended that the Company comply with SSAP Number 10 regarding the admissibility of Net Deferred Tax Assets.

Comment on Financial Statement Items – Known Claims Reserve and Supplemental Reserve (Page 22): It is recommended that the Company obtain and make available loss data specific to and segregated by each legal entity in all future financial statements. It is also recommended that the Company further validate management's select point for each underwriter by enhancing the detail and underlying support to management's assertions in selecting their estimate or record the actuary's best estimate.

Previous Report of Examination

Corporate Records (Page 7): It was recommended that the Company implement procedures in its board meetings to ensure compliance with CIC Section 735. A review of the minutes of the board of directors during the examination indicated that the Company is in compliance with CIC Section 735.

Accounts and Records (Page 10): It was recommended that the Company maintain documentation to support its controls over its information system and have it easily available for future review. The Company provided documentation to support the agreed upon information systems that were reviewed.

Comments on Financial Statement Items – Cash, Cash Equivalents and Short-Term Investments (Page 14): It was recommended that the Company comply with CIC section 1104.9. The Company is in compliance.

ACKNOWLEDGMENT

Acknowledgment is made of the cooperation and assistance extended by the Company's officers and its affiliate's employees during the course of this examination.

Respectfully submitted,

_____/S/_____
Constance J. Korte, CFE
Examiner-In-Charge
Department of Insurance
State of California