

REPORT OF EXAMINATION  
OF THE  
LAND TITLE INSURANCE COMPANY  
AS OF  
DECEMBER 31, 2006

Filed December 21, 2007

## TABLE OF CONTENTS

	<u>PAGE</u>
SCOPE OF EXAMINATION.....	1
MANAGEMENT AND CONTROL: .....	2
Management Agreements .....	4
TERRITORY AND PLAN OF OPERATION .....	5
REINSURANCE.....	5
FINANCIAL STATEMENTS:.....	5
Statement of Financial Condition as of December 31, 2006 .....	6
Underwriting and Investment Exhibit for the Year Ended December 31, 2006.....	7
Reconciliation of Surplus as Regards Policyholders from December 31, 2003 through December 31, 2006.....	8
COMMENTS ON FINANCIAL STATEMENT ITEMS:.....	9
Statutory Premium Reserve .....	9
SUMMARY OF COMMENTS AND RECOMMENDATIONS:.....	9
Current Report of Examination.....	9
Previous Report of Examination.....	9
ACKNOWLEDGEMENT .....	10

Los Angeles, California  
October 12, 2007

Honorable Steve Poizner  
Insurance Commissioner  
California Department of Insurance  
Sacramento, California

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

#### LAND TITLE INSURANCE COMPANY

(hereinafter also referred to as the Company) at the primary location of its books and records, 5600 Cox Road, Glen Allen, Virginia 23060. The Company's statutory home office and main administrative office is located at 55 South Lake Avenue, Suite 600, Pasadena, California 91101.

#### SCOPE OF EXAMINATION

The previous examination of the Company was made as of December 31, 2003. This examination covers the period from January 1, 2004 through December 31, 2006. The examination included a review of the Company's practices and procedures, an examination of management records, tests and analyses of detailed transactions within the examination period, and an evaluation of the assets and a determination of liabilities as of December 31, 2006 as deemed necessary under the circumstances.

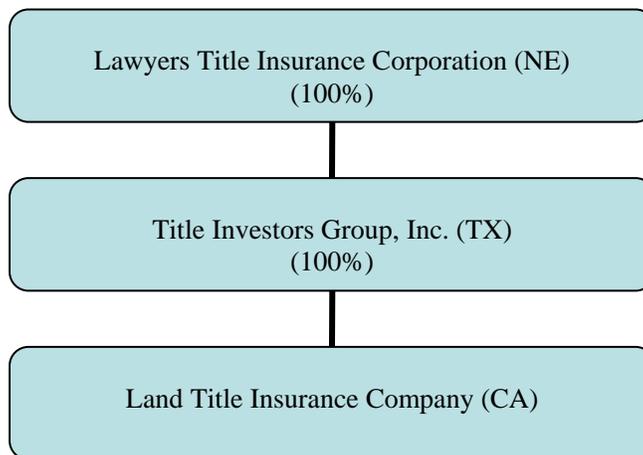
In addition to those items specifically commented upon in this report, other phases of the Company's operations were reviewed including the following areas that require no further comment: company history; corporate records; fidelity bonds and other insurance; officers', employees' and agents'

welfare and pension plans; growth of company; business in force by states; loss experience; accounts and records and sales and advertising.

### MANAGEMENT AND CONTROL

Currently, the Company is a wholly-owned subsidiary of Title Investors Group, Inc. which in turn is a wholly-owned subsidiary of Lawyers Title Insurance Corporation (Lawyers), a Nebraska domiciled insurer. As discussed in the “Territory and Plan of Operation” section of the report, an application was filed on August 23, 2007 with the California Department of Insurance to merge the Company with and into Lawyers.

Ultimate control of the Company is maintained by LandAmerica Financial Group, Inc. The following abbreviated organizational chart depicts the Company’s relationship within the holding company system:



Management of the Company is vested in a four-member board of directors. A listing of the members of the board and principal officers serving on December 31, 2006 follows:

Directors

Name and Residence

Principal Business Affiliation

Theodore L. Chandler, Jr.  
Manakin-Sabot, Virginia

Chairman and Chief Executive Officer  
LandAmerica Financial Group, Inc.

William Evans  
Midlothian, Virginia

Executive Vice President and Chief Financial  
Officer  
LandAmerica Financial Group, Inc.

Glyn J. Nelson\*  
Tustin, California

Executive Vice President  
LandAmerica Financial Group, Inc.

Jeffrey C. Selby  
Glen Allen, Virginia

Executive Vice President  
LandAmerica Financial Group, Inc.

Principal Officers

Name

Title

James M. John

President

Anna M. King

Secretary

Christine R. Vlahcevic

Chief Financial Officer

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\*Effective May 17, 2007 Milissa A. Hill replaced Glyn J. Nelson as a board member.

## Management Agreements

During the period under review, the Company was subject to the following management agreements:

**Management and Service Agreement:** Under this agreement, Lawyers Title Insurance Corporation (Lawyers) furnished the Company with management and administrative support relating to claims administration, corporate legal matters, underwriting, and other services to conduct its affairs and file reports. No fees were assessed during the examination period.

**Consolidated Federal Income Tax Agreement:** The Company's federal income tax returns were filed on a consolidated basis with its ultimate parent, LandAmerica Financial Group, Inc. (LandAmerica). The method of allocation allowed the Company to file as if filing on a separate company basis.

**Guaranty and Assignment Agreement:** Under the terms of this agreement, Lawyers unconditionally guaranteed the performance of all of the Company's obligations under any agency and/or underwriting agreements. In addition, Lawyers guaranteed to maintain the Company's minimum surplus as regards policyholders at \$1.5 million.

**Consolidated Payroll and Accounts Payable Agreement:** In accordance with the terms of this agreement, LandAmerica paid wages, salaries, benefits, workers' compensation insurance and related expenses and obligations for personnel employed by the Company. In addition, LandAmerica administered accounts payable processing that arose in the ordinary course of the Company's business. LandAmerica was reimbursed on a cost basis.

**Premium Concentration and Claims Payment Agreement:** Under the terms of this agreement, LandAmerica accepted premium deposits, performed revenue concentration services, and paid claim losses and expenses. Premiums collected by LandAmerica were held in a fiduciary account and remitted to the Company monthly. LandAmerica was reimbursed on a cost basis.

## TERRITORY AND PLAN OF OPERATION

The Company is licensed to transact title insurance business solely in the State of California. Since 1999, the Company's operations have been limited to issuing second mortgage title insurance policies through an affiliate. Currently, the Company continues to book expenses, investment income and reported a minimal amount of premium income in 2007.

On August 23, 2007, an application was filed with the California Department of Insurance to merge the Company with and into its Nebraska domiciled affiliate, Lawyers Title Insurance Corporation (Lawyers). Accordingly, Lawyers, which is also licensed in California, would continue as the surviving entity, and the separate existence of the Company would cease to exist. As a means of facilitating the merger, the Agreement and Plan of Merger provides for Title Investors Group, Inc., the Company's immediate parent, to dividend its shares of the Company to Lawyers prior to the effective time of the merger. As of the date of this examination report, the aforementioned application remains subject to regulatory approval.

## REINSURANCE

During the period covered by the examination, the Company neither assumed nor ceded reinsurance business.

## FINANCIAL STATEMENTS

The financial statements prepared for this examination report include:

Statement of Financial Condition as of December 31, 2006

Underwriting and Investment Exhibit for the Year Ended December 31, 2006

Reconciliation of Surplus as Regards Policyholders  
from December 31, 2003 through December 31, 2006

Statement of Financial Condition  
as of December 31, 2006

<u>Assets</u>	<u>Ledger and Nonledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$1,807,370	\$	\$1,807,370	
Cash and short-term investments	16,832		16,832	
Investment income due and accrued	20,153		20,153	
Current federal and foreign income tax recoverable and interest thereon	88,157		88,157	
Net deferred tax asset	<u>4,954</u>	<u>3,471</u>	<u>1,483</u>	
Total assets	<u>\$1,937,466</u>	<u>\$ 3,471</u>	<u>\$1,933,995</u>	
 <u>Liabilities, Surplus and Other Funds</u>				
Statutory premium reserve			\$ 105,883	(1)
Other expenses			16,499	
Taxes, licenses and fees			169	
Payable to parent, subsidiaries and affiliates			<u>161,251</u>	
Total liabilities			283,802	
Common capital stock		\$ 500,000		
Gross paid in and contributed surplus		4,822,654		
Unassigned funds		<u>(3,672,461)</u>		
Surplus as regards policyholders			<u>1,650,193</u>	
Total liabilities, surplus and other funds			<u>\$1,933,995</u>	

Underwriting and Investment Exhibit  
for the Year Ended December 31, 2006

Statement of Income

Operating Income

Title insurance premiums earned		\$ 84,388
Deductions:		
Operating expenses incurred	<u>\$ 538,489</u>	
Total operating deductions		<u>538,489</u>
Net operating loss		(454,101)

Investment Income

Net investment income earned	\$ 98,043	
Net realized capital gain	<u>888</u>	
Net investment gain		<u>98,931</u>
Net loss before federal income taxes		(355,170)
Federal income taxes incurred		<u>(125,458)</u>
Net loss		<u>(\$229,712)</u>

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2005		\$1,842,632
Net loss	\$(229,712)	
Change in net deferred income tax	(21,477)	
Change in nonadmitted assets	<u>58,750</u>	
Change in surplus as regards policyholders		<u>(192,439)</u>
Surplus as regards policyholders, December 31, 2006		<u>\$1,650,193</u>

Reconciliation of Surplus as Regards Policyholders  
from December 31, 2003 through December 31, 2006

Surplus as regards policyholders, December 31, 2003, per Examination				\$1,608,351
	<u>Gain in</u>	<u>Loss in</u>		
	Surplus	Surplus		
Net loss	\$	\$32,366		
Change in net deferred income tax		43,759		
Change in nonadmitted assets	<u>117,967</u>	<u>          </u>		
Totals	<u>\$117,967</u>	<u>\$76,125</u>		
Increase in surplus as regards policyholders				<u>41,842</u>
Surplus as regards policyholders, December 31, 2006, per Examination				<u>\$1,650,193</u>

## COMMENTS ON FINANCIAL STATEMENT ITEMS

### (1) Statutory Premium Reserve

A review of the Company's statutory premium reserve indicated that the statutory premium reserve was computed in accordance with California statutes.

## SUMMARY OF COMMENTS AND RECOMMENDATIONS

### Current Report of Examination

None.

### Previous Report of Examination

None.

ACKNOWLEDGEMENT

The courtesy and cooperation extended by the Company's officers and employees during the course of this examination are hereby acknowledged.

Respectfully submitted,

\_\_\_\_\_/S/\_\_\_\_\_  
David A. Fischman, CFE  
Examiner-In-Charge  
Senior Insurance Examiner  
Department of Insurance  
State of California