REPORT OF EXAMINATION
OF THE
OLD REPUBLIC HOME
PROTECTION COMPANY, INC.
AS OF
DECEMBER 31, 2011

Filed: May 15, 2013

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San Francisco, California
April 26, 2013

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

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

OLD REPUBLIC HOME PROTECTION COMPANY, INC.

(hereinafter also referred to as the Company) at its home office located at Two Annabel Lane, San Ramon, California 94583.

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, 2008. This examination covers the period from January 1, 2009 through December 31, 2011. 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.

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: corporate records; fidelity bonds and other insurance; pensions, stock ownership and insurance plans; growth of company; loss experience; statutory deposits; and accounts and records.

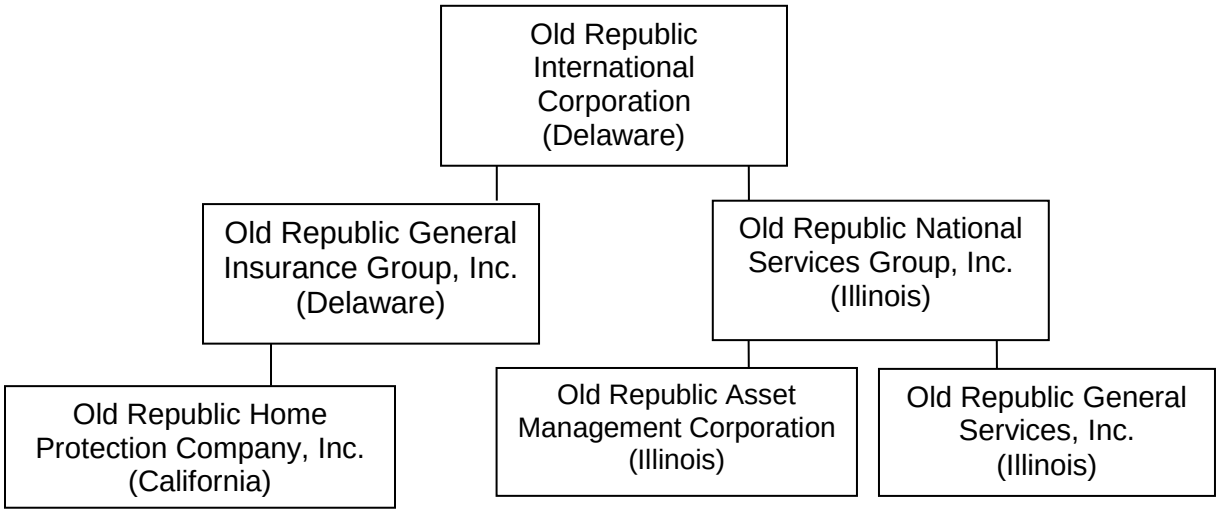
COMPANY HISTORY

Dividends Paid to Parent

During the examination period, the Company paid cash dividends of $9,500,000 in 2009, $15,500,000 in 2010, and $6,500,000 in 2011, to its parent, Old Republic General Insurance Group (ORGIG). The Company received prior approval for extraordinary dividends of $10,000,000 in 2010 from the California Department of Insurance. All other dividends paid were ordinary and required no prior approval.

MANAGEMENT AND CONTROL

The Company is a wholly-owned subsidiary of Old Republic General Insurance Group, Inc. (ORGIG) and is part of a larger group of companies ultimately controlled by the Old Republic International Corporation (ORI). The following abridged chart depicts the relationship of the companies within the holding company system as of December 31, 2011 (all ownership is 100%):



Management of the Company is vested in a five-member board of directors elected annually. Following are members of the board and principal officers of the Company serving at December 31, 2011:

Directors

Name and Residence	Principal Business Affiliation
Gwen M. Gallagher Alamo, California	President Old Republic Home Protection Company
James A. Kellogg Brookfield, Wisconsin	Executive Vice Chairman Old Republic International Corporation
Spencer LeRoy III LaGrange, Illinois	Senior Vice President , Secretary, and General Counsel Old Republic International Corporation
R. Scott Rager Oak Brook, Illinois	Senior Vice President Old Republic General Insurance Group, Inc.
Aldo C. Zucaro Barrington, Illinois	Chairman and Chief Executive Officer Old Republic International Corporation

Principal Officers

Name	Title
Gwen M. Gallagher	President
Lorna H. Mello	Vice President
Fred M. Savaglio	Treasurer

Management Agreements

Investment Counsel Services Agreement: The Company has an investment counsel services agreement with an affiliate, Old Republic Asset Management, Corp. (ORAM). ORAM advises the Company regarding its investment policy, assists in the purchase and sale of securities, and monitors the value of invested assets. Fees paid to ORAM are based on the market value of the managed portfolio. The agreement was submitted to the California Department of Insurance (CDI) pursuant to California Insurance Code (CIC) Section 1215.5(b)(4) and was approved on October 18, 2002. The amounts paid by the Company for these investment services during 2009, 2010, and 2011 were: $42,623, $47,950, and $44,131, respectively.

Tax Sharing Agreement: The Company has a tax sharing agreement with its ultimate parent, Old Republic International Corporation (ORI), effective with the tax year ending December 31, 2001. The Company files a consolidated return with affiliates in the group and the tax liability of each participant is calculated as if each entity had filed a separate tax return. The agreement was submitted to and approved by the CDI on September 2, 2003. Federal Taxes paid by the Company during 2009, 2010, and 2011 were: $4,909,952, $3,574,779, and $6,321,453, respectively.

Administrative Services Agreement: As a result of the prior examination, an Administrative Services Agreement was executed in September 2009 between the Company and its affiliate, Old Republic General Services, Inc. (ORGS). Under the agreement, ORGS provides the following services: accounting, functional support, computer services, and auditing. The agreement was submitted pursuant to CIC

Section 1215.4(b)(4) and was approved by the CDI on April 9, 2013. The amounts paid by the Company for these services during 2009, 2010, and 2011 were: $32,522, $40,669, and $31,571, respectively.

TERRITORY AND PLAN OF OPERATION

The Company writes home protection contracts and is authorized in forty-seven states (all except Alaska, Massachusetts and New Hampshire) and the District of Columbia. Direct contract fees written in 2011 were $131,451,572. Direct contract fees written in the top three states in 2011 were as follows: $35,589,784 (27%) in California, $23,325,247 (17.7%) in Texas, and $15,429,030 (11.7%) in Arizona.

Business is written through a sales force of 86 sales representatives who market the contracts to real estate professionals.

REINSURANCE

The Company does not utilize reinsurance.

FINANCIAL STATEMENTS

The financial statements prepared for this examination report include:

Statement of Financial Condition as of December 31, 2011

Underwriting and Investment Exhibit for the Year Ended December 31, 2011

Reconciliation of Surplus as Regards Contract Holders from December 31, 2008 through December 31, 2011

Statement of Financial Condition
as of December 31, 2011

Assets	Ledger and Nonledger Assets	Assets Not Admitted	Net Admitted Assets	Notes
Bonds and Note	$ 79,525,970	$	$ 79,525,970	
Common stocks	2,156,496		2,156,496	
Cash and short-term investments	6,145,754		6,145,754	
Home protection contract fees receivable	7,617,082		7,617,082	
Receivable from parent, subsidiaries and affiliates	391,000		391,000	
Federal income tax recoverable	4,182,029		4,182,029	
Interest, dividends and real estate income due and accrued	972,890		972,890	
Total assets	$100,991,221	$	$100,991,221	
Liabilities, Surplus and Other Funds				
Claims adjusted & unpaid or in process of adjustment			$ 3,885,875	(1)
Claims service expenses			870,345	
Other expenses (excluding taxes, licenses and fees)			3,150,324	
Taxes, licenses and fees (excluding federal income taxes)			311,720	
Federal income taxes (excluding deferred taxes)			43,597	
Unearned home protection contract fees			52,847,096	
All other liabilities			1,226,438	
Total liabilities			62,335,395	
Common capital stock		$ 160,518		
Gross paid-in and contributed surplus		5,459,900		
Unassigned funds (surplus)		32,679,777		
Unrealized gains on equity securities, net of tax		355,631		
Surplus as regards contract holders			38,655,826	
Total liabilities, surplus and other funds			$100,991,221	

Underwriting and Investment Exhibit
for the Year Ended December 31, 2011

Statement of Income

Underwriting Income		
Home protection contract fees earned		$ 130,797,795
Deductions:		
Claims incurred	$ 72,993,930	
Claims service expense incurred	13,379,889	
Other underwriting expenses incurred	31,219,275	
Total underwriting deductions		117,593,094
Net underwriting gain		13,204,701
Investment Income		
Net investment income earned	$ 3,646,297	
Net realized capital gain	485,022	
Net investment gain		4,131,319
Other Income		
Installment payment handling fee	$ 674,730	
Total other income		674,730
Net income before federal income taxes		18,010,750
Federal and foreign income taxes incurred		6,419,151
Net income		$ 11,591,599

Capital and Surplus Account

Surplus as regards contract holders, December 31, 2010		$ 33,439,679
Net income	$ 11,591,599	
Change in nonadmitted assets	(68,719)	
Dividends to stockholders	(6,500,000)	
Change in net deferred taxes	219,355	
Change in unrealized gains (losses) on equity securities, net of tax	(26,088)	
Change in surplus as regards contract holders for the year		5,216,147
Surplus as regards contract holders, December 31, 2011		$ 38,655,826

Reconciliation of Surplus as Regards Contract Holders from December 31, 2008 through December 31, 2011

	Gain in Surplus	Loss in Surplus	
Surplus as regards contract holders, December 31, 2008 per Examination			$ 41,776,077
Net income	$ 27,059,092	$	
Change in nonadmitted assets	223,126		
Dividends to stockholder		31,500,000	
Change in net deferred income tax	742,212		
Change in unrealized capital gains	355,319		
Total gains and losses	$ 28,379,749	$ 31,500,000	
Net decrease in surplus as regards contract holders			(3,120,251)
Surplus as regards contract holders, December 31, 2011, per Examination			$ 38,655,826

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Claims Adjusted and Unpaid or in the Process of Adjustment

Based on the review of the claims payment and reserves subsequent to the examination date, the reserve for the above captioned account appears to be reasonable and has been accepted for the purposes of this examination.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

None.

Previous Report of Examination

Management and Control – General Corporate and Internal Audit Services (Page 5): It was recommended that the Company draft and submit an agreement for affiliated services. An Administrative Services Agreement was executed in September 2009 between the Company and Old Republic General Services, Inc. (ORGS). The agreement was submitted pursuant to California Insurance Code (CIC) Section 1215.4(b)(4) and was approved by the California Department of Insurance (CDI) on April 9, 2013.

Comments on Financial Statement Items – Bonds, Stocks and Short-Term Investments (Page 10): It was recommended the Company move its money market account to a qualified custodian to comply with CIC Section 1104.9. In 2010, an amendment to CIC Section 1192.9(b)(7) was made allowing money market accounts to be held by an investment company that is not a qualified custodian. As a result, the Company is in compliance and no action is required.

ACKNOWLEDGMENT

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

Respectfully submitted,

_____/s/_____

Jennifer Whitehurst, CFE
Examiner-In-Charge
Associate Insurance Examiner
Department of Insurance
State of California