

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

Participating State
and Zone:

California

Filed June 20, 2008

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Los Angeles, California
May 23, 2008

Honorable Alfred W. Gross
Chairman of the NAIC Financial
Condition Subcommittee
Commissioner of Insurance
Virginia Bureau of Insurance
Richmond, Virginia

Honorable Morris Chavez
Secretary, **Zone IV-Western**
Superintendent of Insurance
New Mexico Insurance Division
Santa Fe, New Mexico

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

Dear Chairman, Secretary and Commissioner:

Pursuant to your instructions, an examination was made of the

TICOR TITLE INSURANCE COMPANY

(hereinafter also referred to as the Company) at the primary location of its books and records and main administrative office located at, 601 Riverside Avenue, Jacksonville, Florida 32204. The Company's statutory home office is located at 4050 Calle Real, Santa Barbara, California 93110.

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 was made pursuant to the National Association of Insurance Commissioners' plan of examination. 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.

This examination was conducted with the Company's two California affiliates, Fidelity National Title Insurance Company and Security Union Title Insurance Company.

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; officers', employees' and agents' welfare and pension plans; business in force by states; loss experience; escrow accounts; and sales and advertising.

COMPANY HISTORY

The Company is wholly-owned by Chicago Title and Trust Company (CTTC), an Illinois Corporation. On June 17, 1998, CTTC was spun-off from its former parent, Alleghany Corporation, and became a wholly-owned subsidiary of an independent publicly traded company, Chicago Title Corporation (CTC).

On March 20, 2000, CTC was merged into Fidelity National Financial, Inc. (FNF). CTTC and all of its subsidiaries, including the Company, became subsidiaries under FNF.

On September 27, 2005, the stock of CTTC was contributed to Fidelity National Title Group, Inc. (FNTG).

On October 18, 2005, FNF distributed 17.5% of FNTG's common stock to current shareholders of FNF, while retaining ownership of the remaining 82.5% of FNTG's common stock.

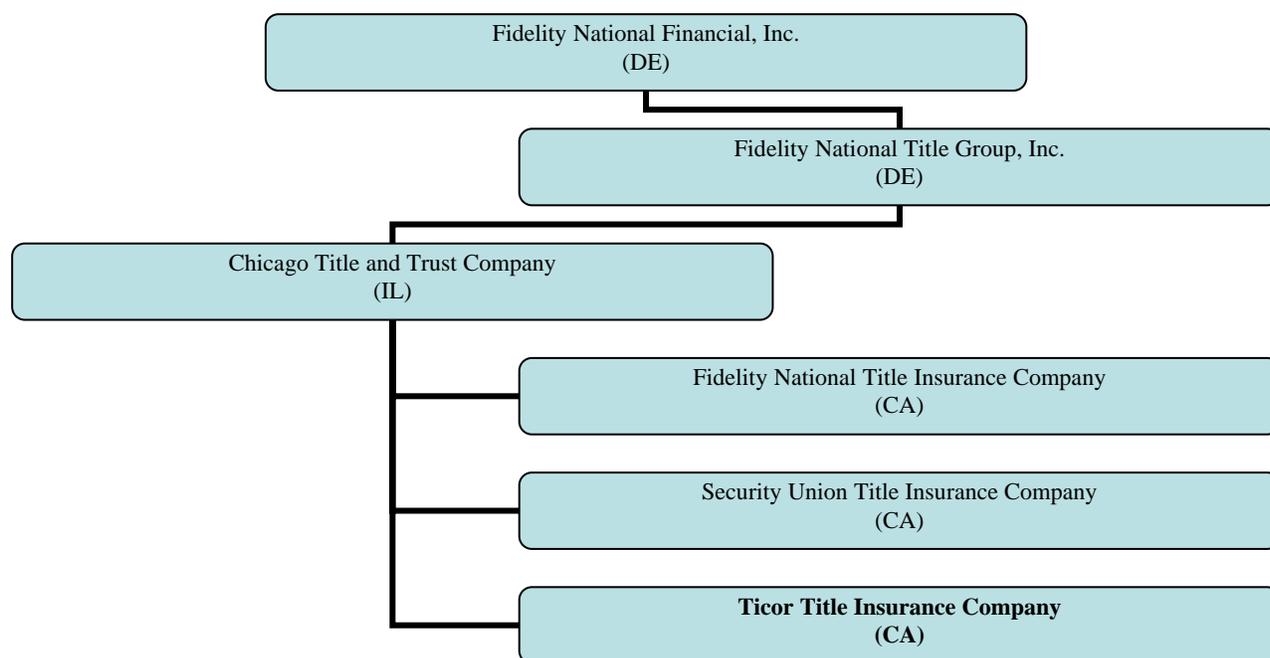
During 2006, FNF completed a corporate restructuring resulting in two separate publicly traded companies, Fidelity National Information Services and Fidelity National Financial, Inc. The restructuring was finalized on November 10, 2006.

During the examination period, the Company declared and paid the following ordinary dividends to its parent, CTTC:

<u>Year</u>	<u>Amount</u>
2004	\$24,108,525
2005	17,000,000
2006	<u>21,000,000</u>
Total	<u>\$62,108,525</u>

MANAGEMENT AND CONTROL

The following abridged organizational chart, which is limited to the Company’s parent along with its California affiliated insurance companies, depicts the Company’s relationship within the holding company system:



All ownership is 100%.

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

Directors

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Christopher Abbinante Barrington, Illinois	President, Eastern Operations Fidelity National Title Group
Roger Scott Jewkes Santa Barbara, California	President, Western Operations Fidelity National Title Group
Erika Meinhardt Jacksonville Beach, Florida	President, Agency Operations Fidelity National Title Group
Anthony John Park Jacksonville, Florida	Executive Vice President and Chief Financial Officer Fidelity National Title Group
Raymond Randall Quirk Jacksonville, Florida	Chief Executive Officer Fidelity National Title Group

Principal Officers

<u>Name</u>	<u>Title</u>
Raymond Randall Quirk	President and Chief Executive Officer
Christopher Abbinante	President, Eastern Operations
Roger Scott Jewkes	President, Western Operations
Erika Meinhardt	President, National Agency Operations
Raymond M. Cavanagh	Executive Vice President
Thomas Edgar Evans, Jr.	Executive Vice President
Harry Statten Geer, Jr	Executive Vice President and Divisional Manager
Curtis James Hoffman	Executive Vice President and Manager
Steven Kent Johnson	Executive Vice President
Jeffrey Raymond Knudson	Executive Vice President
Jack Anthony Marino, Jr.	Executive Vice President
Thomas A. Middaugh	Executive Vice President

<u>Name</u>	<u>Title</u>
Anthony John Park	Executive Vice President and Chief Financial Officer
Peter Tadeusz Sadowski	Executive Vice President
Ernest Donald Smith	Executive Vice President
Alan Lynn Stinson	Executive Vice President
Gary Robert Urquhart	Executive Vice President and General Counsel
Frank Patrick Willey	Executive Vice President

Management Agreements

Master Services Agreement: On 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. Compensation for services is limited to reimbursement of actual expenses and is payable to the affiliates providing the services. For 2004, 2005 and 2006, amounts paid by the Company for services received amounted to \$43,695,596, \$53,896,587, and \$56,813,834, respectively. The California Department of Insurance (CDI) approved this agreement on March 11, 2003.

Personal Property Lease Agreement: The Company and certain affiliates are parties to a Personal Property Lease Agreement with its affiliate, Fidelity Assets Management, Inc. (FAMI), effective April 1, 2002. Under the terms of the agreement, the Company and certain affiliates lease personal property from FAMI for title research. The allocation of the lease payments between the Company and its affiliates is based on the cost of the personal property used. For 2004, 2005 and 2006, the Company paid \$1,259,886, \$1,560,812, and \$1,682,318, respectively. This agreement was approved by the CDI on December 21, 2001.

Cost Sharing Agreement: The Company and certain affiliates are parties to a Cost Sharing Agreement with its affiliate, Rocky Mountain Support Services, Inc. (RMSS), effective March 4,

2005. Under the terms of the agreement, RMSS updates, maintains and manages the title plants owned by the Company. In return, the Company reimburses RMSS its portion of the actual cost and expenses incurred. For 2004, 2005 and 2006, the Company paid \$15,611,384, \$19,088,066, and \$13,394,988, respectively. The CDI approved this agreement on February 24, 2005.

Tax Sharing Agreement: The Company and its affiliates are parties to a Tax Sharing Agreement with its ultimate parent FNF, effective August 20, 2004. Under the terms of the agreement, the allocation of taxes is based on each entity's separate return calculation. The tax settlement with FNF is made within thirty days of the filing of the consolidated return. The amount of taxes paid by the Company for 2004, 2005 and 2006, amounted to \$7,899,948, \$7,538,476, and \$14,461,612, respectively. The Company submitted this agreement for approval to the CDI on May 14, 2008. The agreement is being reviewed by the CDI.

CORPORATE RECORDS

California Insurance Code (CIC) Section 735 states that the Company must inform the board members of the receipt of the examination report. The board should be informed of the report both in the form first formally prepared by the examiners and in the form as finally settled and officially filed by the commissioner. The board must also enter that fact in the board minutes. These requirements were not documented in the Company's board minutes. It is recommended that the Company implement procedures to comply with CIC Section 735.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2006, the Company was licensed to transact title insurance business. The Company also provides escrow and other services to real estate property buyers and mortgage lenders. The Company is licensed in all states except Iowa. The Company is also licensed in the District of Columbia, Guam, Puerto Rico and U.S. Virgin Islands.

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

During 2006, the Company wrote approximately \$357.8 million of direct premiums. Of the direct premiums written, \$48.9 million (13.7%) was written in New York, \$33.7 million (9.4%) was written in Oregon, \$31.5 million (8.8%) was written in Texas and the remaining premiums were written in other states.

GROWTH OF COMPANY

The Company has experienced a considerable decrease in growth after the examination period as shown in the following schedule:

Year or Quarter	Direct Premiums Written	Net Operating Gain	Net Income
2004	\$ 367,587,794	\$ 14,123,155	\$ 20,078,634
2005	299,790,447	16,097,643	29,728,363
2006	357,876,199	26,887,301	43,559,784
2007	327,197,500	17,196,549	16,674,345
2008 (1 st Qtr)	70,137,756	1,962,840	2,235,317

The decline in the Company's growth is attributable to the state of the title insurance industry, which is susceptible to economic cycles and financial impacts relevant to the real estate market. In the past, the Company has benefited from the boom in the real estate market with a sound volume of sale transactions and refinancing activity. However, under the current financial markets, a tightening has occurred in response to the subprime lending issue and the increase in foreclosures which has resulted in a slowdown in the mortgage and real estate markets. The slowdown has resulted in a dampening effect on the Company's operations.

In response to market conditions, the Company has sought to reduce its head count as activity in its title segment declined.

REINSURANCE

Assumed

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

Ceded

The Company 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 a Title Excess of Loss Reinsurance Contract entered into by its ultimate parent, Fidelity National Financial, Inc. (FNF) with various reinsurers. Coverage also applies to 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 following is a summary of the reinsurance contract as of December 31, 2006:

Type of Contract	Reinsurer's Name	Company's Retention	Reinsurer's Maximum Limits
1 st Excess of Loss	<u>Lloyds Underwriter Syndicates: (*)</u> Various Syndicates – 63% <u>Bermuda Markets: (*)</u> AXIS Specialty Limited – 16% IPCRe Limited – 8.5% XL Re Ltd – 2.5% <u>Other Foreign: (*)</u> Muchener Ruckversicherungs – 10%	\$10 million	\$10 million

Type of Contract	Reinsurer's Name	Company's Retention	Reinsurer's Maximum Limits
2 nd Excess of Loss	<u>Lloyds Underwriter Syndicates: (*)</u> Various Syndicates – 48% <u>Bermuda Markets: (*)</u> AXIS Specialty Limited – 15% IPCRe Limited – 8% Montpelier Reinsurance Ltd – 5% XL Re Ltd – 4% <u>Other Foreign: (*)</u> Muchener Ruckversicherungs – 10% Aspen Insurance UK Limited – 10%	\$20 million	\$20 million
3 rd Excess of Loss	<u>Lloyds Underwriter Syndicates: (*)</u> Various Syndicates – 38% <u>Bermuda Markets: (*)</u> AXIS Specialty Limited – 20% IPCRe Limited – 10% Montpelier Reinsurance Ltd – 7.5% XL Re Ltd – 7% <u>Other Foreign: (*)</u> Muchener Ruckversicherungs – 10% Various Others – 7.5%	\$20 million	\$20 million

(*) Reinsurance program utilizes the services of Guy Carpenter & Company, Inc., as reinsurance intermediary.

ACCOUNTS AND RECORDS

This examination experienced difficulties obtaining certain supporting documentation for the Company's information systems. While the Company provided timely information in response to most routine requests, certain requests for various user listings, evidence of testing and monitoring, documentation of approvals and user access restrictions were delayed. It is recommended that the Company maintain documentation to support its controls over its information systems and have it easily accessible for future review.

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	\$ 189,330,648	\$	\$ 189,330,648	
Stocks: Common stocks	23,996,898		23,996,898	
Mortgage loans on real estate:				
First liens	303,781	44,528	259,253	
Other than first liens	101,574	101,574		
Real estate:				
Properties occupied by the company	32,773		32,773	
Properties held for sale	27,000		27,000	
Cash, cash equivalents and short-term investments	18,989,367		18,989,367	(1)
Other invested assets	3,423,523	1,605,694	1,817,829	
Title plant	13,780,142	102,255	13,677,887	
Investment income due and accrued	2,731,575		2,731,575	
Premiums and considerations:				
Uncollected premiums and agents' balances in course of collection	7,786,257	5,711,142	2,075,115	
Current federal and foreign income tax recoverable	1,649,413		1,649,413	
Net deferred tax asset	19,271,026	15,741,544	3,529,482	
Furniture and equipment	143,365	143,365		
Receivables from parent, subsidiaries and affiliates	81,592	17,687	63,905	
Aggregate write-ins for other than invested assets	<u>14,535,205</u>	<u>14,532,719</u>	<u>2,486</u>	
Total assets	<u>\$ 296,184,139</u>	<u>\$ 38,000,508</u>	<u>\$ 258,183,631</u>	
 <u>Liabilities, Surplus and Other Funds</u>				
Known claims reserve			\$ 18,853,507	(2)
Statutory premium reserve			113,406,998	(2)
Other expenses			27,185,501	
Taxes, licenses and fees			6,184,314	
Amounts withheld or retained by company for account of others			2,662,138	
Payable to parent, subsidiaries and affiliates			24,164,548	
Payable for securities			2,649,404	
Aggregate write-ins for liabilities			<u>10,178,703</u>	
Total liabilities			205,285,113	
Common capital stock		\$ 30,000,000		
Gross paid-in and contributed surplus		16,123,418		
Unassigned funds (surplus)		<u>6,775,100</u>		
Surplus as regards policyholders			<u>52,898,518</u>	
Total liabilities, surplus and other funds			<u>\$ 258,183,631</u>	

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

Statement of Income

Operating Income

Title insurance and related income:		
Title insurance premiums earned		\$ 355,805,884
Escrow and settlement services		28,673,329
Other title fees and service charges		<u>23,424,730</u>

Total Operating Income 407,903,943

Deductions:

Losses and loss adjustment expenses incurred	\$ 24,811,893
Operating expenses incurred	<u>356,204,749</u>

Total operating deductions 381,016,642

Net operating gain 26,887,301

Investment Income

Net investment income earned	\$ 26,511,072
Net realized capital gains	<u>1,396,262</u>

Net investment gain 27,907,334

Net income before federal income taxes	54,794,635
Federal and foreign income taxes incurred	<u>11,234,851</u>

Net income \$ 43,559,784

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2005 \$ 74,944,826

Net income	\$ 43,559,784
Net unrealized capital losses	(32,577,940)
Change in net deferred income tax	(1,246,550)
Change in nonadmitted assets	(10,914,793)
Dividends to stockholders	(21,000,000)
Aggregate write-ins for gains in surplus	<u>133,191</u>

Change in surplus as regards policyholders for the year (22,046,308)

Surplus as regards policyholders, December 31, 2006 \$ 52,898,518

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

Surplus as regards policyholders, December 31, 2003, per Examination		\$ 81,962,677		
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;"><u>Gain in Surplus</u></td> <td style="width: 50%; text-align: center;"><u>Loss in Surplus</u></td> </tr> </table>	<u>Gain in Surplus</u>	<u>Loss in Surplus</u>	
<u>Gain in Surplus</u>	<u>Loss in Surplus</u>			
Net income	\$ 93,366,784	\$		
Net unrealized capital losses		38,300,255		
Net deferred income tax	747,545			
Change in nonadmitted assets		25,822,067		
Cumulative effect of changes in accounting principles		8,295,008		
Dividends to stockholders		62,108,525		
Aggregate write-ins for gains in surplus (*)	<u>11,347,367</u>			
Totals	<u>\$ 105,461,696</u>	<u>\$ 134,525,855</u>		
Net decrease in surplus as regards policyholders for the examination		<u>(29,064,159)</u>		
Surplus as regards policyholders, December 31, 2006, per Examination		<u>\$ 52,898,518</u>		

(*) This gain in surplus was the result of two items. During the examination period the Company made adjustments to accrued pension and other post retirement benefit plans resulting in a decrease to surplus of \$3,740,972. During 2005, the Company made a correction to an error in the presentation of the change in non-admitted deferred tax assets, resulting in a gain to surplus of \$15,088,339.

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Cash, Cash Equivalents and Short-Term Investments

A review of the above captioned accounts disclosed that the Company maintains a portion of its short-term investments in Blackrock Provident Institutional Funds (Blackrock). Blackrock, located in Delaware, is not a qualified custodian or sub-custodian as defined under California Insurance Code (CIC) Section 1104.9. It is recommended that the Company comply with CIC Section 1104.9 by maintaining its assets in California with a qualified custodian.

(2) Known Claims Reserve and Statutory Premium Reserve

A Casualty Actuary from the California Department of Insurance evaluated the Company's reserves for known claims and statutory premium. The reserves were determined to be reasonable.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

Corporate Records (Page 6): It is recommended that the Company implement procedures in its board meetings to ensure compliance with CIC Section 735.

Accounts and Records (Page 9): It is recommended that the Company maintain documentation to support its controls over its information systems and have it easily accessible for future review.

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

Previous Report of Examination

Federal Income Tax Allocation Agreement (Page 7): It was noted that the Company did not obtain the approval of the California Department of Insurance (CDI) for the tax allocation agreement. This agreement was submitted to the CDI on May 14, 2008.

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/_____
Gregory J. Lieber, CFE
Examiner-In-Charge
Senior Insurance Examiner
Department of Insurance
State of California