

Report of Examination of
Ohio Bar Title Insurance Company
Columbus, Ohio

As of December 31, 2013

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Columbus, Ohio
October 17, 2014

Honorable Mary Taylor
Lt. Governor/Director
State of Ohio
Department of Insurance (“Department”)
50 West Town Street
3rd Floor – Suite 300
Columbus, Ohio 43215

Dear Madam:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), an examination was made of

Ohio Bar Title Insurance Company

an Ohio domiciled, stock, title insurance Company, hereinafter referred to as the “Company.”

Scope of Examination

The Company was last examined as of December 31, 2008, by the Department. The Department’s current examination covers the period of January 1, 2009, through December 31, 2013.

The examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that the Department plan and perform the examination to evaluate the Company’s financial condition and identify prospective risks including corporate governance, identify and assess inherent risks and evaluate system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

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

For the last four years under examination, the Certified Public Accounting (“CPA”) firm of R. Andrew Gately & Co, provided an unqualified opinion based on Statutory Accounting Principles. The audited financial reports were reviewed during the examination.

The CPA firm of Battelle & Battelle LLP provided an unqualified opinion based on statutory accounting principles for the first year of the period under examination. No disagreements or unresolved differences were noted to have existed between the Company and this predecessor CPA firm.

Management and Control

Board of Directors

Management of the Company is vested in its Board of Directors, which was comprised of the following members as of the examination date:

Name	Principal Occupation
Dennis J. Gilmore	Chief Executive Officer, First American Financial Corporation
Mark E. Seaton	Chief Financial Officer, First American Financial Corporation
Timothy V. Kemp	Chief Regulatory and Compliance Counsel, First American Financial Corporation
Jeffrey S. Robinson	Assistant Secretary and Associate General Counsel, First American Financial Corporation
Christopher M. Leavell	Chief Operating Officer, First American Financial Corporation

Officers

As of the examination date, the following officers were elected and serving in accordance with the Company's Bylaws:

Name	Title
Kevin F. Eichner	President
Michael J. Fromhold	Secretary
Lisa V. McEntee	Assistant Secretary
Patrick G. Farenga	Vice President and Treasurer
Scott Mainwaring	Assistant Treasurer
Gene Aalseth	Vice President
James V. Boxdell, II	Vice President
Richard Cannan	Vice President
James Casson	Vice President
Todd A. Jones	Vice President
Josephine Lubiejewski	Vice President
John P. Megna	Vice President
Dayna S. Patrick	Vice President
Margaret Redman	Vice President
Phillip J. Sholar	Vice President
Evan Zanic	Vice President

Insurance Holding Company System

The Company is a member of a holding company system as defined in Section 3901.32 of the ORC. The following displays the chain of ownership of the Company as of December 31, 2013:

First American Financial Corporation
 First American Title Insurance Company ("First American")
 Ohio Bar Title Insurance Company

Reinsurance

The Company has a reinsurance agreement with First American. Under terms of the agreement, the Company retains the first \$500,000 of primary coverage and cedes 90% of the excess up to \$5,000,000.

The Company did not assume any reinsurance.

Territory and Plan of Operations

The Company was licensed to transact business in the following states: Indiana, Kentucky, Ohio, Pennsylvania and West Virginia.

Financial Statements

The financial condition and the results of its operations for the period under examination as reported and filed by the Company with the Department and audited by the Company's external auditors, are reflected in the following:

Statement of Assets, Liabilities, Surplus and Other Funds
Statement of Operations
Statement of Changes in the Capital and Surplus Account

Statement of Assets, Liabilities, Surplus and Other Funds

December 31, 2013

Admitted assets

Cash and invested assets:

Bonds	\$31,316,254
Common stocks	8,528,498
Cash	4,548,361

Total cash and invested assets 44,393,113

Accrued investment income	273,858
Uncollected premiums and agents' balances	81,405
Current federal and foreign income tax recoverable and interest	12,034
Net deferred tax	490,166

Total admitted assets \$45,250,576

Liabilities and capital and surplus

Liabilities:

Known claim reserve	\$281,734
Statutory premium reserve	15,480,969
Other expenses	196,790
Taxes, licenses and fees (excluding federal and foreign income taxes)	252,349
Amounts withheld or retained by company for account of others	87,660
Payable to parent, subsidiaries and affiliates	378,258

Total liabilities 16,677,760

Capital and surplus:

Common capital stock	1,000,000
Gross paid in and contributed surplus	15,359,845
Unassigned funds	12,212,971

Total capital and surplus 28,572,816

Total liabilities and capital and surplus \$45,250,576

Statement of Operations

**For the Year Ended
December 31, 2013**

Operating Income:	
Title insurance premiums earned	\$16,252,964
Aggregate write-in for other operating income	105
Total operating income	16,253,069
Expenses:	
Loss and loss adjustment expenses incurred	361,471
Operating expenses incurred	13,661,269
Total operating expenses	14,022,740
Net operating income	2,230,329
Investment Income:	
Net investment income	970,145
Net realized capital gains	99,190
Net investment gain	1,069,335
Net income before taxes	3,299,664
Federal and foreign income taxes incurred	894,596
Net Income	\$2,405,068

Statement of Changes in the Capital and Surplus Account (in thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Capital and surplus, prior year end	\$ 18,562	\$ 18,570	\$ 20,449	\$ 22,461	\$ 25,793
Net income	1,874	2,091	2,040	2,743	2,405
Change in net unrealized capital gains (losses)	(155)	24	62	72	468
Change in net deferred income tax	430	(1,052)	(225)	(154)	(253)
Change in non-admitted assets	(143)	889	135	718	(64)
Dividends to stockholders	(2,100)	0	0	0	0
Capital Change-Paid In	175	0	0	0	0
Aggregate write-ins for gains and (losses) in surplus	(73)	(73)	0	(47)	223
Net change in capital and surplus	8	1,879	2,012	3,332	2,779
Capital and surplus, current year end	\$ 18,570	\$ 20,449	\$ 22,461	\$ 25,793	\$ 28,572

Notes to Financial Statements

Investments

The Company's investments were in compliance with ORC Section 3925.08 and valued in accordance with the relevant Statements of Statutory Accounting Principles and the NAIC Securities Valuation Office.

Reserves

The Company's designated actuary, David L. Ruhm, FCAS, MAAA, certified the total reserves for the years covered by the examination.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2013, and is summarized as follows:

Total Admitted Assets	<u>\$45,250,576</u>
Liabilities	\$16,677,760
Unassigned funds	<u>28,572,816</u>
Total Liabilities and Surplus as Regards Policyholders	<u>\$45,250,576</u>

Acknowledgement

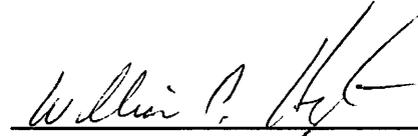
Appreciation is expressed for the assistance extended by the officers and employees of the Company during the course of this examination.

In addition to the undersigned, the following representatives of the Department participated in this examination: Mohammad Arif, CFE, AES, CIDM, CISA, CISSP; and Stephen Bishel, CPA.

Respectfully,



Kevin J. Rupp, CFE
Examiner-In-Charge
Ohio Department of Insurance



William C. Harrington, CFE
Chief Examiner
Ohio Department of Insurance

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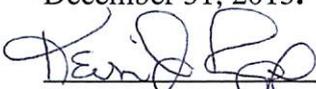
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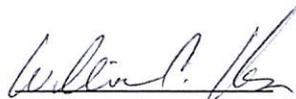
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Verification

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of December 31, 2013.


Examiner-In-Charge

12/16/14
Date


Chief Examiner

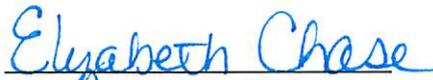
12/16/14
Date

State of Ohio

County of Franklin

Personally appeared before me the above named, Kevin J. Rupp, personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this 16 day of December, 2014.


(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
~~MY COMMISSION EXPIRES MAY 22, 2017~~
My Commission Expires

State of Ohio

County of Franklin

Personally appeared before me the above named, William C. Harrington, personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this 16 day of December, 2014.


(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
~~MY COMMISSION EXPIRES MAY 22, 2017~~
My Commission Expires