

Report on the Examination

As of December 31, 2021

of

Connecticut Attorneys Title Insurance Company

by the





State of Vermont
Department of Financial Regulation
89 Main Street
Montpelier, VT 05620-3101

For consumer assistance:
[Banking] 888-568-4547
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[Securities] 877-550-3907
www.dfr.vermont.gov

James M. Czapiga
President and CEO
Connecticut Attorneys Title Insurance Company

ORDER OF ADOPTION

In accordance with 8 V.S.A. § 3574 (c), I order that the Report on the Examination of Connecticut Attorneys Title Insurance Company for the year ending December 31, 2021 is adopted.

Connecticut Attorneys Title Insurance Company may appeal this order within 30 days of its adoption in accordance with the Vermont Administrative Procedure Act and Department of Financial Regulation Rule 82-1.



Kevin J. Gaffney, Commissioner

__04/18/2023_____
Date



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April 4, 2023

Kevin J. Gaffney, Commissioner
Department of Financial Regulation
89 Main Street
Montpelier, VT 05620-3101

Dear Commissioner Gaffney:

Pursuant to the January 12, 2022 examination order, the Insurance Division's financial examination team has conducted an examination of:

Connecticut Attorneys Title Insurance Company

with its offices located at
101 Corporate Place
Rocky Hill, CT 06067

The examination was performed pursuant to 8 V.S.A. §3563 in order to ascertain the Company's financial condition, ability to fulfill its obligations and compliance with the provisions of Vermont law.



SCOPE OF EXAMINATION

As of December 31, 2021, the financial examination of Connecticut Attorneys Title Insurance Company (CATIC) was performed. The examination was coordinated with the New Jersey Department of Banking and Insurance, concurrent with its examination of New Jersey domiciled affiliate CATIC Title Insurance Company (CATICO). CATIC and CATICO along with a captive insurance company and several non-insurance affiliates are a part of the CATIC Financial, Inc. Group (Financial).

CATIC's last financial condition examination was as of December 31, 2016, for the previous five-year period and was conducted by the Vermont Department of Financial Regulation. A separate Examination Report has been issued for CATICO.

The examination was conducted pursuant to 8 V.S.A. §3563 and guidance provided by the National Association of Insurance Commissioners (NAIC). The examination covered the period from January 1, 2017 through December 31, 2021. The Department conducted the examination in accordance with NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that the Department plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of CATIC and evaluate system controls and procedures used to mitigate those risks. The examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of CATIC were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following CATIC's financial statements.

This examination report includes significant findings of fact, as mentioned in 8 V.S.A. §3574 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or CATIC.

SUMMARY OF SIGNIFICANT FINDINGS

There were no findings in the prior exam report or the current exam report. There were no adjustments made to the annual statement based on this examination.

HISTORY

The Company was founded in 1965 under the name Connecticut Attorneys Title Guaranty Fund, Inc. In 1982, the name changed to Connecticut Attorneys Title Insurance Company. In 2000, CATIC – New was formed as a subsidiary, and in January 2003 all the assets and liabilities of CATIC were transferred to CATIC – New. Also, at this time CATIC changed its name to CATIC Financial, Inc. and became a holding company. CATIC – New then changed its name to Connecticut Attorneys Title Insurance Company and continued to operate under its new Parent, CATIC Financial, Inc (Financial).

During 2020, the corporate structure of the holding company changed to include two new entities: CATIC Hold Co 2 and CATIC Holdings, Inc., resulting with Financial becoming the Ultimate Parent of the holding company. CATIC Hold Co 2 is owned directly by Financial and CATIC Holdings, Inc. is owned by CATIC Hold Co 2. CATIC Holdings, Inc. is now the Parent for CATIC, along with several other entities within the Group. CATIC owns and operates three wholly-owned subsidiaries: CATIC Acquired Properties, LLC, CATIC Insurance (VT), Ltd., and CATIC Exchange, LLC. During the exam period CATIC paid the following dividends to its Ultimate Parent: 2017: \$1 million, 2018: \$2.5 million, 2019: \$1 million, 2020: \$1.7 million and 2021: \$800,000.

MANAGEMENT AND CONTROL

Corporate Records

CATIC's statutory home office is located in South Burlington, Vermont, and CATIC maintains its administrative office in Rocky Hill, Connecticut, where the Company's corporate records are located. Examiners reviewed the minutes of the Board of Directors and key committees thereof and determined that the minutes adequately approve and support CATIC's transactions and events and that the meetings and minutes are following CATIC's articles and By-Laws.

Shareholder

The annual meeting of the shareholders is for the election of Directors and for the transaction of other such business that comes before the meeting. Meetings are held each year on a date and a time determined by the Board of Directors. A majority of shareholders, whether by person or proxy, constitutes a quorum.

Board of Directors

The business affairs of the Company are managed under the direction of the Board of Directors. The Board of Directors consists of no less than five and no more than twelve individuals and who are elected at the annual meeting of the shareholders. At least two-thirds of the Directors must be either an Officer of the Company, a member or Officer of the Ultimate Parent or an equity owner/employee of a law firm which is a member of the Ultimate Parent. A majority of Directors are present in person, but not less than one-third of the whole Board constitutes a quorum.

The following were elected to the Board of Directors of CATIC in accordance with the By-Laws and serving as of December 31, 2021:

<u>Name</u>	<u>Residence</u>
Damon A. Carter CATIC	Connecticut
James M. Czapiga CATIC	Connecticut
Charles R. Ebersol, Jr. Ebersol & McCormick	Connecticut
Kenneth M. Gruder Goldman Gruder & Woods, LLC	Connecticut
Craig T. Hoekenga II Hoekenga & Machado, LLC	Connecticut
Richard A. Lawrence Retired	Connecticut
Linda B. Meyers Webber & Meyers LLC	Connecticut
Andrew D. Mikell CATIC	Vermont
Thomas D. Murphy, Jr. Murphy, McCoubrey, LLP	Massachusetts
Keith S. Shaw Law Office of Keith S. Shaw, LLC	Connecticut
Dinora E. Lopez Ford & Paulekas, LLP	Connecticut
Laura B. Cardillo Pullman & Comley, LLC	Massachusetts

Officers

The Officers of CATIC are a Chairman, a President, one or more Vice Presidents, a Secretary, a Treasurer, and any other Officers that may be appointed in accordance with the By-laws.

The Officers of CATIC as of December 31, 2021 were as follows:

<u>Name</u>	<u>Title</u>
Keith S. Shaw	Chairman of the Board
James M. Czapiga	President and CEO
Kenneth B. Popeleski	Senior Vice President and CFO
Richard A. Hogan	Vice President and Secretary
Guy R. DeFrances, Jr.	Senior Vice President and General Counsel
Damon A. Carter	Senior Vice President and Chief HR Officer
Maurice J. LaCasse	Senior Vice President and CIO
Edward T. Forristall	Senior Vice President and CRO
Michael L. Savenelli, Jr.	Senior Vice President and COO
Christopher J. Condie	Senior Vice President
Neil McNamara	Vice President and Controller

Affiliated Companies

CATIC is part of the CATIC Financial, Inc. holding company system. There are three insurance providers within the Group: CATIC, CATICO and CATIC Insurance (VT), Ltd. (CIVL). The holding company also has several non-insurance entities which provide services affiliated with title insurance.

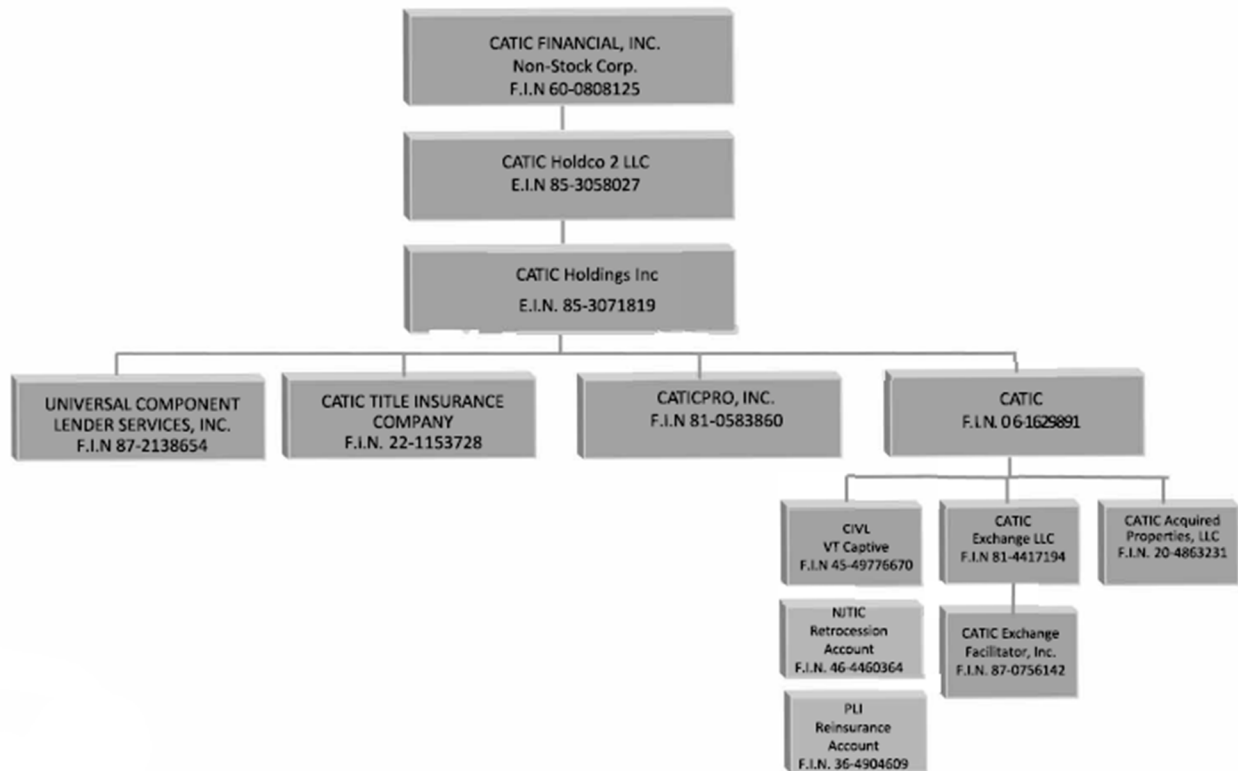
There are management services agreements in place between several entities as some accounting, claims processing and other financial services are shared within the Group.

CATICO (formally known as New Jersey Title Insurance Company or NJTIC) was placed into supervised run-off by the New Jersey Department of Banking and Insurance due to a series of agent defalcations in 2011 resulting in the Company falling below minimum surplus requirements. In 2017, the Group was given approval by both the Department and the New Jersey Department of Banking and Insurance to begin writing policies in CATICO. CATICO began writing new policies in 2018. CATIC reinsures the new business written by CATICO and the older policies continue to be retro ceded to CIVL in accordance with that prior agreement. CATICO retains the first \$50,000 on each policy written, it then cedes \$950,000 to CATIC, the next \$4M in excess of \$1M is then ceded to Lloyd's syndicates and then another \$2M in excess of \$5M is ceded to CATIC.

In 2012, CATIC formed CIVL, a wholly-owned captive insurance company established to provide CATIC with an agents' defalcation insurance policy, as such coverage is not commercially available in the licensed or excess and surplus lines markets. In 2014 (effective December 31, 2013), CIVL created a separate account named CIVL-NJTIC Separate Account to assume the known and unknown (IBNR) claims of NJTIC/CATICO by way of a retrocessional reinsurance agreement, due to \$10 million in defalcation losses that had been reported. During the exam period, CIVL formed another cell (CIVL – RE), for the purpose of reinsuring on a 50-50 quota share basis a portfolio of Attorney's Professional Liability coverage written to certain agents of CATIC by a third party. CATIC also obtains reinsurance coverage for defalcation and social engineering from CIVL, which is further discussed in the reinsurance section.

Organizational Chart

The corporate structure as of December 31, 2021 is as follows:



TERRITORY AND PLAN OF OPERATIONS

CATIC sells residential and commercial title insurance policies through agents and is licensed in twenty-six states. Currently, CATIC primarily writes business in the states of: Connecticut, Florida, Georgia, Maine, Massachusetts, New Hampshire, Ohio, Rhode Island and Vermont. CATIC is also an accredited reinsurer in six states.

REINSURANCE

Ceded

CATIC is a member of the American Title Reinsurance Alliance (ATRA) and through this group the members have executed individual reinsurance treaties with five Lloyd's syndicates. Under

CATIC's treaties the Company retains the first \$3 million of each policy risk and cedes any remaining risk over \$3 million up to \$20 million to the syndicates. CATIC then, through a semi-automatic bulking line slip reinsures any risk greater than \$20 million to \$75 million.

CATIC obtains reinsurance coverages for defalcation and social engineering related losses. CATIC retains the first \$500,000 of aggregate loss and cedes the next \$1 million of aggregate loss to CIVL. Aggregate defalcation losses in excess of \$1.5 million to a limit of \$10 million are ceded to Lloyds of London. For social engineering losses, CATIC retains the first \$100,000 per occurrence of losses and cedes the next \$150,000 of aggregate losses to CIVL. Aggregate social engineering losses in excess of \$150,000 are ceded to Lloyds of London up to a limit of \$3.75 million.

Assumed

Also, as part of the ATRA group CATIC assumes reinsurance from members. CATIC assumes 30% of the group's losses in excess of individual members' retentions ranging from \$250,000 to \$1 million up to \$3 million per occurrence.

CATIC assumes \$950,000 excess of \$50,000 from CATICO on every policy written, the next \$4M in excess of \$1M is then ceded to Lloyd's syndicates and then another \$2M in excess of \$5M is ceded to CATIC.

FINANCIAL STATEMENTS

The following statements are based on the statutory financial statements filed by CATIC with the Vermont Department of Financial Regulation and present the financial condition of the Company for the period ending December 31, 2021.

Statement of Admitted Assets, Liabilities and Capital and Surplus

Cash and Invested Assets:

Bonds	\$ 51,419,303
Common stock	10,579,256
Common stock of CATIC Insurance (VT), Ltd.	1,359,590
Real estate occupied by the Company, net of encumbrances and accumulated depreciation	2,174,312
Cash and short-term investments	22,754,289
Other invested assets	3,380,059

Total cash and invested assets 91,666,809

Accounts and other receivables	2,406,565
Accrued interest	284,911
Receivable from parent, subsidiaries and affiliates	1,634,855
Deferred income taxes	1,054,005
Electronic data processing equipment and software, net	293,216
Title plant	418,373

Total admitted assets \$ 97,758,734

Liabilities:

Known claims reserves	\$ 3,765,723
Statutory premium reserve	38,015,103
Accounts payable and accrued expenses	9,144,701
Income taxes payable	262,416
Payable to affiliates	263,365
Premiums received in advance	115,304
Notes payable	1,047,694

Total liabilities 52,614,306

Capital and Surplus:

Common stock, \$100 and \$200 par value, 5,000 shares authorized, issued and outstanding	1,000,000
Additional paid in capital	31,004,599
Unassigned surplus	13,139,829

Total capital and surplus 45,144,428

Total liabilities and capital and surplus \$ 97,758,734

Statement of Operations

Operating Revenue:

Title insurance premiums earned	\$ 224,251,780
Other title insurance service fees	14,692,184
Mortgage recording and other service fees	<u>6,304,315</u>
 Total operating revenue	 <u>245,248,279</u>

Operating Expenses:

Policy claims and loss adjustment expenses	5,355,368
Title insurance commissions	159,509,696
Compensation and benefits	39,053,083
Other general and administrative expenses	23,133,539
Premium taxes, licenses and fees	<u>4,978,475</u>
 Total operating expenses	 <u>232,030,161</u>

Net operating income	<u>13,218,118</u>
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Investment and Other Income:

Net investment income	1,420,662
Net realized investment gains, net of income tax	329,022
Other income	<u>174,730</u>

Net investment and other income	<u>1,924,414</u>
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Income before federal income taxes	15,142,532
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Federal income tax expense	<u>2,879,737</u>
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Net income	<u>\$ 12,262,795</u>
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Statement of Changes in Capital and Surplus

Surplus as regards policyholders, January 1, 2020	\$ 35,294,644
Net income	12,262,795
Change in deferred income taxes	439,653
Net change in other non-admitted assets	(962,686)
Net change in unrealized losses on investments, net of income tax	(1,089,978)
Dividends to stockholder	<u>(800,000)</u>
Surplus as regards policyholders, December 31, 2021	<u><u>\$ 45,144,428</u></u>

COMMENTS AND RECOMMENDATIONS

There are no significant findings or financial adjustments as a result of this examination. A Comment Letter will be issued to the Board as a result of this exam addressing opportunities for improvement and other items that did not reach a level of significance to warrant inclusion in this report. In such cases, these matters were thoroughly discussed with responsible personnel during the examination.

CONCLUSION

In addition to the undersigned, John Humphries, ASA, MAAA, CFE, CISA, AES, MCM, Supervising Examiner; Eric Free, CFE, ALMI, Examiner in Charge; Wyatt Sample, CFE, CPA, Examiner; Barry Lupus, CFE, CPA, CFE (Fraud), Examiner; Dave Heppen, FCAS, MAAA, Actuarial Partner; and Richard Beverage, FCAS, MAAA, Actuary; from Risk and Regulatory Consulting; Jenny Jeffers, AES, CISA and Joe Detrick, CPA, CISA, AES, CFE, IT Specialists, from Jennan Enterprises; and Miranda Cloutier, AFE, Examiner, participated in the examination. We wish to express our appreciation to the Officers and Directors for the courteous cooperation extended during the examination.

Respectfully submitted,

Karen Ducharme

Karen Ducharme, CPA, CFE
Director of Company Licensing and Examinations
Division of Insurance
Vermont Department of Financial Regulation

STATE OF VERMONT
COUNTY OF WASHINGTON

Karen Ducharme, being duly sworn, deposes and says that the foregoing report submitted by her is true to the best of her knowledge and belief.

Subscribed and sworn to before me

This 18th day of April, 2023

Wafwa A. Stark

Notary Public

my Commission expires 1/31/2025