

Report on the Examination

As of December 31, 2016

of

Connecticut Attorneys Title Insurance Company

by the

Vermont Department of Financial Regulation

Division of Insurance



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

For consumer assistance:
[Banking] 888-568-4547
[Insurance] 800-964-1784
[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, 2016 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.



Michael S. Pieciak, Commissioner

2/26/18

Date



CONNECTICUT ATTORNEYS TITLE INSURANCE COMPANY
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AS OF DECEMBER 31, 2016

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February 19, 2018

Michael S. Pieciak, Commissioner
Department of Financial Regulation
89 Main Street
Montpelier, VT 05620-3101

Dear Commissioner Pieciak:

Pursuant to the November 23, 2016 examination order, the Insurance Division's financial examination team has conducted an examination of:

Connecticut Attorneys Title Insurance Company

with their 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.



Banking
802-828-3307

Insurance
802-828-3301

Captive Insurance
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Securities
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CONNECTICUT ATTORNEYS TITLE INSURANCE COMPANY
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SCOPE OF EXAMINATION

As of December 31, 2016, the financial examination of Connecticut Attorneys Title Insurance Company (CATIC) was performed. CATIC's last financial condition examination was as of December 31, 2011 for the previous four-year period by the Connecticut Insurance Department.

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, 2012 through December 31, 2016. 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.

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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. CATIC owns and operates three wholly-owned subsidiaries: CATIC Acquired Properties, LLC, CATIC Insurance (VT), Ltd., and CATIC Exchange, LLC. During 2016 CATIC paid \$900,000 of dividends to CATIC Financial, Inc.

MANAGEMENT AND CONTROL

Corporate Records

CATIC's statutory home office is located in Williston, Vermont, and CATIC maintains its administrative office in Rocky Hill, Connecticut, the Company's corporate records are located here. 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 in compliance with 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

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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. A majority of Directors constitute 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, 2016:

<u>Name</u>	<u>Residence</u>
Christopher J. Condie 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 CATIC	Connecticut
Thomas D. Murphy, Jr. Murphy, McCoubrey, LLP	Massachusetts
Keith S. Shaw Law Office of Keith S. Shaw, LLC	Connecticut
Denise D. Trevenen Kelly & Trevenen	Connecticut

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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, 2016 were as follows:

<u>Name</u>	<u>Title</u>
Charles R. Ebersol, Jr.	Chairman of the Board
James M. Czapiga	President and CEO
Richard A. Lawrence	Senior Vice President and Treasurer
Richard A. Hogan	Vice President and Secretary
Guy R. DeFrances, Jr.	Senior Vice President and General Counsel
Christopher J. Condie	Senior Vice President – Operations
Maurice J. LaCasse	Senior Vice President – Technology
Edward J. Carroll	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, CATIC Insurance (VT), Ltd. (CIVL) and New Jersey Title Insurance Company (NJTIC). In August 2017, NJTIC changed its name to CATIC Title Insurance Company. 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 CATIC Financial Group.

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

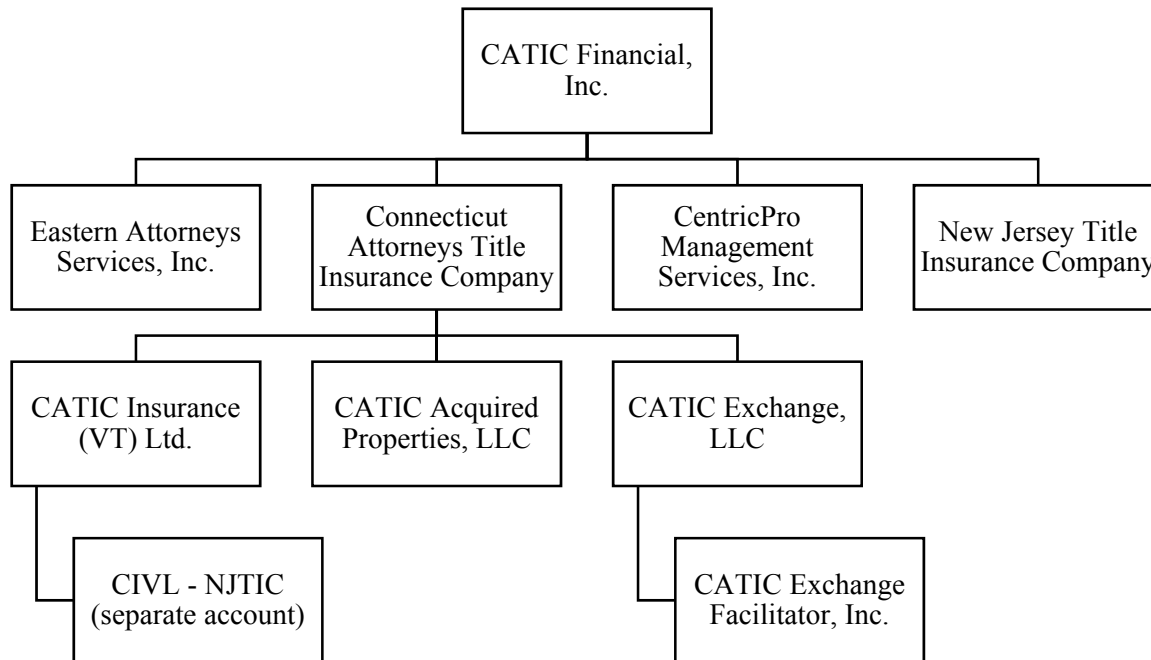
**CONNECTICUT ATTORNEYS TITLE INSURANCE COMPANY
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available in the licensed or excess and surplus lines markets. In 2014 (effective December 31, 2013), CIVL created a separate account named CIVL-NJTIC Separate Account to assume the known and unknown (IBNR) claims of NJTIC by way of a retrocessional reinsurance agreement due to \$10 million in defalcation losses that had been reported as NJTIC was placed into supervised run-off by the New Jersey Department of Banking and Insurance.

In 2017, CATIC has been given approval by both the Department and the New Jersey Department of Banking and Insurance to begin writing in NJTIC again. CATIC will assume all business written by NJTIC in excess of NJTIC's \$50k retention per policy.

Organizational Chart

The corporate structure as of December 31, 2016 is as follows:



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TERRITORY AND PLAN OF OPERATIONS

CATIC sells residential and commercial title insurance policies through agents located in Connecticut, Maine, Massachusetts, Rhode Island, New Hampshire and Vermont. In 2017, CATIC was approved to write business in the State of Florida.

REINSURANCE

CATIC is a member of the American Title Reinsurance Alliance (ATRA) and through this group the members have executed individual reinsurance treaties. 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. CATIC then retains \$10 million in excess of \$20 million and through a semi-automatic bulking line slip reinsures any risk greater than \$30 million.

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.

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, 2016.

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Statement of Admitted Assets

Cash and Invested Assets:

Bonds	\$ 41,997,545
Common stock	6,528,815
Common stock of CATIC Insurance (VT), Ltd.	3,690,992
Real estate occupied by the Company, net of encumbrances and accumulated depreciation	3,109,591
Cash and short-term investments	3,586,945
Other invested assets	2,908,095
Receivable for securities	<u>550,000</u>
 Total cash and invested assets	 62,371,983
 Accounts and other receivables	 1,113,504
Accrued interest	328,275
Federal income tax recoverable	17,160
Receivable from affiliates	70,538
Deferred income taxes	1,493,464
Electronic data processing equipment and software, net	156,919
Title plant	<u>340,680</u>
 Total admitted assets	 <u><u>\$ 65,892,523</u></u>

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Statement of Liabilities and Capital and Surplus

Liabilities:

Known claims reserves	\$ 1,653,678
Statutory premium reserve	21,911,827
Accounts payable and accrued expenses	3,431,756
Premiums received in advance	63,280
Notes payable	<u>4,167,578</u>
 Total liabilities	 <u>31,228,119</u>

Capital and Surplus:

Common stock, \$100 par value, 5,000 shares authorized, issued and outstanding	500,000
Additional paid in capital	27,686,333
Unassigned surplus	<u>6,478,071</u>
 Total capital and surplus	 <u>34,664,404</u>
 Total liabilities and capital and surplus	 <u>\$ 65,892,523</u>

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Statement of Operations

Operating Revenue:

Title insurance premiums earned	\$ 83,768,742
Other title insurance service fees	5,334,584
Mortgage recording and other service fees	<u>974,865</u>
 Total operating revenue	 <u>90,078,191</u>

Operating Expenses:

Policy claims and loss adjustment expenses	2,330,997
Title insurance commissions	57,980,645
Compensation and benefits	15,375,593
Other general and administrative expenses	11,138,123
Premium taxes, licenses and fees	<u>1,815,077</u>
 Total operating expenses	 <u>88,640,435</u>

Net operating income	<u>1,437,756</u>
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Investment and Other Income:

Net investment income	1,148,692
Net realized investment gains, net of income tax	347,106
Other income	<u>7,137</u>

Net investment and other income	<u>1,502,935</u>
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Income before federal income taxes	2,940,691
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Federal income tax expense	<u>876,005</u>
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Net income	<u><u>\$ 2,064,686</u></u>
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Statement of Changes in Capital and Surplus

Surplus as regards policyholders, January 1, 2016	\$ 33,747,253
Net income	2,064,686
Change in deferred income taxes	8,308
Change in non-admitted deferred tax asset	211,262
Net change in other non-admitted assets	7,415
Net change in unrealized gains and losses on investments, net of income tax	(474,520)
Dividends to stockholder	(900,000)
Surplus as regards policyholders, December 31, 2016	<u>\$ 34,664,404</u>

COMMENTS AND RECOMMENDATIONS

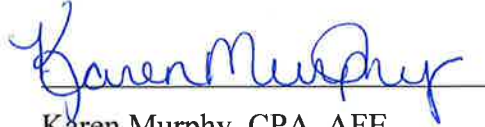
There are no significant findings or financial adjustments as a result of this examination. A Comment Letter will be issued to the Board as a result of this exam addressing opportunities for improvement and other items that did not reach a level of significance to warrant inclusion in this report. In 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; Laura Clark, CPA, Examiner; Dave Heppen, FCAS, MAAA Actuary; and Kristina Gaddis, CFE, CISA, AES, Actuarial Analyst; from Risk and Regulatory Consulting; Jenny Jeffers, AES, CISA, IT Specialist, 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 course of the examination.

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Respectfully submitted,



Karen Murphy, CPA, AFE
Director of Company Licensing and Examinations
Division of Insurance
Vermont Department of Financial Regulation

STATE OF VERMONT
COUNTY OF WASHINGTON

Karen Murphy, 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 7th day of February, 2018



Notary Public