

STATE OF OREGON

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

INSURANCE DIVISION

REPORT OF FINANCIAL EXAMINATION

OF

**OREGON TITLE INSURANCE COMPANY
PORTLAND, OREGON**

NAIC COMPANY CODE 51608

AS OF

December 31, 1996

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November 10, 1997

Honorable Kerry Barnett, Director
Department of Consumer and Business Services
Insurance Division
State of Oregon
350 Winter Street NE, Room 440-4
Salem, Oregon 97310

Dear Director:

In accordance with your instructions and pursuant to ORS 731.300, we have examined the business affairs and financial condition of

**Oregon Title Insurance Company
1515 SW Fifth Avenue
Portland, Oregon 97201**

NAIC Company Code 51608

hereinafter referred to as the "Company." The following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

The examination of the Company was conducted as of December 31, 1996, covering the three year period then ended, and included a review of material transactions or events which occurred subsequent to the examination cut-off date and were noted during the examination.

The examination was conducted pursuant to ORS 731.300 and in accordance with procedures and guidelines prescribed by the National Association of Insurance Commissioners (NAIC) for the purpose of determining the Company's financial condition, ability to fulfill its obligations, the nature of its operations, and compliance with the insurance code. Accounting methods, internal control procedures, records, and other supporting evidence were examined or tested by appropriate methods to the extent deemed necessary and appropriate for the type, volume, and complexity of the accounting system and operations utilized by the Company.

In addition to the above, work papers were reviewed that were prepared by the Company's CPA auditors in their audit of the Company's accounts for the year ended December 31, 1996. A portion of the CPA's work papers have been incorporated into our work papers of the examiner, and have been utilized in determining the scope and areas of emphasis in conducting the examination.

In addition to those items specifically commented upon in this report, other phases of the Company's operations were reviewed, including officers and employees welfare and pensions plans.

COMPANY HISTORY

Oregon Title Insurance Company was incorporated under the laws of the State of Oregon on January 13, 1983, to transact the business of title insurance and to engage in the business as an escrow agent. The original certificate of authority was issued by the Oregon State Insurance Director on March 4, 1983, and authorized the Company to transact title insurance in Oregon in accordance with ORS 731.354.

In 1983, the Company commenced operations upon the acquisition from Commonwealth Land Title Insurance Company the title plant, furniture, fixtures and equipment, work in progress, and other tangible assets in the Oregon counties of Multnomah, Clackamas and Washington. In 1984, the Company acquired the title plants and other assets of a title service company in the Oregon counties of Linn and Benton. In 1989, the Company acquired the title plant and assets of another title service company operating in Lane County, Oregon.

Effective January 1, 1989, the Company elected "S" Corporation status whereby the taxable income of the Company in 1989 and all subsequent years covered by the election is attributed directly to its shareholders.

On November 1, 1994, the Company entered into a merger agreement with Lawyers Title Corporation (LTC), a Virginia corporation. Through the merger agreement, LTC's acquisition corporation - Oregon One, was merged into the Company with the Company being the surviving entity. Also, under the merger agreement, LTC acquired the Company's affiliate - Portland Financial Services Corporation (PFSC).

On November 1, 1994, the Company's shareholders delivered to LTC all certificates representing outstanding shares of the Company stock. In consideration of these

shares, the Company shareholders received a total of 425,000 of LTC common stock. A portion of these shares (318,073) were placed in escrow for indemnification obligations of the indemnifying shareholders.

CAPITALIZATION

As of December 31, 1996, the Articles of Incorporation provide for authorized capital consisting of 100 shares of common stock with a \$0.10 par value.

The Company is in compliance with ORS 733.580 with respect to the investment of required capitalization.

The Company reports dividends in accordance with the requirements of ORS 732.554.

GROWTH OF THE COMPANY

The following exhibit reflects the annual growth of the Company since 1990. The stated amounts were compiled from copies of the Company's filed annual statements and, where indicated, from the current and previous examination reports.

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital & Surplus</u>	<u>Net Income</u>
1990*	\$1,938,927	\$1,744,885	\$ 194,042	\$ 325,710
1991	2,209,690	1,631,536	578,154	119,080
1992	3,527,448	1,962,189	1,565,259	1,619,938
1993*	4,827,825	2,180,461	2,647,364	2,557,807
1994	3,094,620	1,899,570	1,195,050	1,222,685
1995	4,812,835	2,652,665	2,160,170	1,009,088
1996*	6,817,009	3,456,630	3,360,379	1,772,901

*Per examination

LOSS EXPERIENCE

The following exhibit reflects the annual underwriting results of the Company since 1990. The amounts were compiled from copies of the Company's filed annual statements.

<u>Year</u>	<u>Earned Premium</u>	<u>Incurred Losses And LAE</u>	<u>Loss Ratio</u>
1990*	\$3,593,520	\$ 42,824	1.19%
1991	3,454,435	73,860	2.14%
1992	5,386,991	158,955	2.95%
1993*	6,872,520	63,267	0.92%
1994	6,059,507	182,792	3.02%
1995	5,845,560	209,716	3.59%
1996*	7,879,904	381,167	4.84%

MANAGEMENT AND CONTROL

Board of Directors

The Bylaws vest the Company's management and control in a Board of Directors consisting of no less than 5, and no more than 12 directors. A majority of the number of directors constitutes a quorum. The Board of Directors meet the age, number of directors, resident requirement, and all other provisions of ORS 732.305.

The five directors serving the Company at December 31, 1996, were as follows:

<u>Name and Address</u>	<u>Position and Association</u>
Kenneth Astheimer 12615 Amber Terrace Richmond, Virginia	Lawyers Title Insurance Company
John M. Carter 413 Rossmere Drive Midlothian, Virginia	Lawyers Title Insurance Company
Henry P. Ritz 21580 SW Stafford Road Tualatin, Oregon	President Oregon Title Insurance Company

Name and Address**Position and Association**

Ronald A. Rudy
338 NW 84th Place
Portland, Oregon

President
Portland Mortgage

William C. Thomas II
1224 N. Modac # 64
Medford, Oregon

Jackson County Title
Division of Oregon Title

Officers

The following officers were elected and serving at December 31, 1996:

Name**Position**

Henry P. Ritz

President

C. Cleveland Abbe

Executive Vice-President - Counsel

Mary June Summers

Senior Vice-President - Controller

Tony Curcio

Senior Vice-President

James Lewis

Senior Vice-President

Bill Erb

Senior Vice-President

Gary Desalvo

Vice-President

Karen Estrada

Vice-President

Edward J. Zerwekh

Vice-President

Kenneth Astheimer

Vice-President

As a result of the Company's favorable surplus position, reliable state of records, and substantial compliance with the Oregon Insurance Code, it appears that overall, the staff possesses the insurance experience needed to direct, strategically and operationally, the affairs of the Company and hence meet the qualifications to hold a Certificate of Authority under ORS 731.386.

As of December 31, 1996, the Company did not have any management contract or exclusive agency contracts in effect that are prohibited by ORS 732.215 and ORS 732.220, respectively.

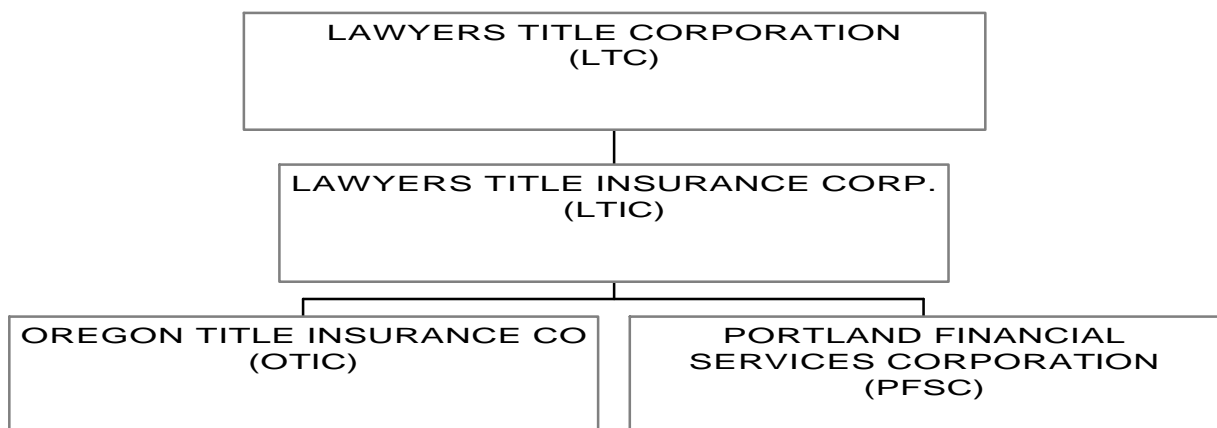
The Company, as a member of an insurance company holding system, has made timely holding company registration filings in accordance with ORS 732.551 and OAR 836-27-010.

AFFILIATED COMPANIES

Portland Financial Services Corporation (PFSC) - is affiliated through common ownership with the Company and was incorporated under Oregon law on December 14, 1990. PFSC was organized to provide escrow accounting services for Oregon Title Insurance Company as required by the Oregon Real Estate Commissioner.

Lawyers Title Corporation (LTC) - was formed as a holding company under the laws of the Commonwealth of Virginia on June 24, 1991. Its primary subsidiary is Lawyers Title Insurance Corporation (LTIC).

Lawyers Title Insurance Corporation (LTIC) - is the Company's immediate parent as of November 1, 1994. LTIC has been engaged in the title insurance business since 1925. LTIC's services are offered through a nationwide network of branches, service offices, agencies and subsidiaries. Subsequent to year-end the Company purchased Jackson County Title in Medford, Oregon. The title plant continues to be owned by the Company's parent, Lawyers Title Insurance Corporation. Below is an organizational chart depicting the reporting lines.



MANAGEMENT AFFIRMATION

CONFLICT OF INTEREST

The Company requires key employees, officers and directors to disclose any conflict of interest on a signed conflict of interest questionnaire. From a review of the conflict of interest questionnaires, it appeared that the affected personnel performed due diligence in disclosing all and any potential conflicts of interest. No exceptions were noted.

CORPORATE RECORDS

Board of Director Minutes

The Company records minutes of the Board of Directors in sufficient detail to verify the actions taken by the Board. In addition, it was noted the Board approves investments as required by ORS 733.730. These minutes support the transactions of the Company and action taken by its officers.

Articles of Incorporation

The Articles of Incorporation appear to be in conformity with Oregon statutes and no changes have been made to the articles during the period of this examination.

Bylaws

The Bylaws appeared to be in conformity with Oregon statutes and were amended once during the period covered by this examination. The following change was made by the Board of Directors on April 26, 1996:

Article V Section 4 which read:

The corporation shall not pay any salary, compensation or emolument to any officer, trustee or director of the corporation, nor any salary, compensation, or emolument other than commission, amounting in any year to more than [\$40,000.00] \$50,000.00, to any person, unless such payment is first authorized and directed by vote of two thirds of the Board of Directors of the corporation, duly taken and recorded in the minutes of a board meeting. Commissions include amounts paid under incentive and bonus programs approved by majority vote of the Board of Directors.

Was changed to read:

The corporation shall not pay any salary, compensation or emolument to any officer, trustee or director of the corporation, nor any salary, compensation, or emolument other than commission, amounting in any year to more than \$60,000.00, to any person, unless such payment is first authorized and directed by vote of two thirds of the Board of Directors of the corporation, duly taken and recorded in the minutes of a board meeting. Commissions include amounts paid under incentive and bonus programs approved by majority vote of the Board of Directors.

INTERNAL SECURITY

Fidelity Bonds

The Company is insured up to \$1,000,000 per occurrence, with a \$250,000 deductible, and \$25,000,000 in aggregate against losses from acts of dishonesty and fraud by its employees. Fidelity bond coverage was found to exceed the minimum coverage recommended by the NAIC.

The Company and its affiliates, by endorsement to its parent Lawyers Title Corporation, policies are provided protection against property and liability loss. Coverage is provided for loss due to fire, property damage, workers' compensation liability, general liability, automotive liability, escrow agency bond, and directors and officer's liability. All insurance coverages were determined to be adequate as of the date of this report.

Internal Audit Function

The firm of Ernst & Young, Certified Public Accountants, was retained by the Company to audit its statutory financial statements for the years under examination. As a part of these audits, reports on internal control structure were issued with no material weaknesses noted.

Internal Controls were independently tested by the examiners. Their findings are noted under Internal Controls - General.

OFFICERS AND EMPLOYEES WELFARE AND PENSION PLANS

The Company, as a member of Lawyers Title Insurance Corporation, provides its employees and their dependents with medical, dental, short and long term disability programs and life and AD&D benefits. Under these programs employees can take advantage of paying their share of the expense of the plan with pre-tax or tax free dollars.

In addition, the Company's employees are eligible to participate in the parents retirement programs, including a 401K plan, savings and a stock ownership plans. and a long term disability plan.

TERRITORY AND PLAN OF OPERATION

The Company transacts title insurance in the State of Oregon. The Company has offices in Clackamas, Lane, Marion, Multnomah, Washington, Benton, Linn and Polk counties. All business is processed through one of the Company's 4 title plant operations located in Portland, Corvallis, Eugene, Salem, and has a partnership in the Tri-county Title Plant with 6 other title insurers. In addition, the Company engages in the business of escrow as it pertains to real estate transactions.

REINSURANCE

The Company maintains an excess loss reinsurance treaty with its parent Lawyers Title Insurance Corporation (LTIC). Primary retention "maximum risk" was the lesser of \$500,000 or 50% of surplus to policyholders. The charge for this coverage is \$.25 per \$1,000 of ceded liability. In April 1996, the treaty was amended to read the lesser of \$1,000,000 or 50% of surplus to policyholders. Subsequent to the examination date, the treaty was amended to read the lesser of \$1,500,000 or 50% of surplus to policyholders. The maximum risk to the reinsurer is \$5,000,000.

The Company does not retain on any one subject of insurance an amount exceeding 50% of its surplus to policyholders which meets the provisions of ORS 731.504.

The Company is party to a facultative reinsurance agreement for excess reinsurance with its parent LTIC. The treaty calls for OTIC to assume a portion of the large risks which its parent LTIC, (ceding company) wishes to portion to other reinsurers as well as to OTIC. All transactions must conform to the appropriate American Land Title Association Facultative Reinsurance Agreement and its schedules or such other forms as may be promulgated by the State of Oregon for use by the title industry. During the course of this examination the Company assumed such business but did not record the premiums received for the coverage in the manner prescribed by the NAIC Accounting and Practices manual. No recommendation is made as the amount of these transactions would have a minimal impact on the financial statements of the Company. All reinsurance contracts contain an insolvency clause which stipulates that in the event of insolvency, the reinsurer will remain fully liable for its share of loss to conform with ORS 731.508(3).

ACCOUNTS AND RECORDS

In general, the Company's records and source documentation supported the amounts presented in the Company's December 31, 1996, annual statement and were maintained in a manner by which the financial condition was readily verifiable as required by ORS 733.170. As of December 31, 1996, all disbursements in excess of \$100 were supported by signed vouchers or related documents as required by ORS 732.320.

Attention is directed to the following issues as a result of this examination.

General Interrogatories

On November 1, 1994, the Company was purchased by LTIC. All outstanding stock of OTIC was tendered to LTIC at that time. In exchange, LTIC received 100 shares of common capital stock with a par value of \$.10 or \$10. The annual statement reflected 86,200 shares outstanding with a par of \$.10 or \$8,620 incorrectly. No recommendation is warranted as the Company has made the correction in the third quarter filing with the State.

Unclaimed Property

As of the date of the examination, the Company has established procedures to account for and remit checks outstanding over one year to the Oregon Division of State Lands in accordance with ORS 98.352. The Company filed reports for 1994 and 1995 to the Division of State Lands. However, the report for 1996 has not been filed and a request for extension is being considered for the 1997 report. No written procedures are available for processing and reporting unclaimed funds. **I strongly, recommend the Company immediately file its 1996 unclaimed property report or request an extension to comply with its internal procedures for transferring and reporting all unclaimed funds to the Oregon Division of State Lands in accordance with the provisions of ORS 98.352.**

Internal Controls - Information Systems

The Company does not have a dedicated information systems department. In its place the accounting department is using an accounting software package. Daily, the accounting department is updating their records with a back-up routine built into the process. However, the Company is not storing the data at an offsite storage location. **I recommend the Company take the necessary steps to insure proper back-up**

procedures are conducted and to store the back-up information at a location off site. This recommendation is made pursuant to the provisions of ORS 731.302 and the NAIC Examiners Handbook. (pg. I-106 (j))

Title Insurance Premiums and Fees

The examination reflected receivables in excess of 90 days old. These receivables are nonadmitted on a statutory basis. Some of these accounts also reflected current receivables which would be nonadmitted on a statutory basis but were not as the Company, subsequent to year end and prior to the completion of the field work, received funds to cover these receivables. In addition, the Company has established a reserve for possible losses on receivables. No recommendation will be made as the Company has received funds to cover these receivables.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

The Company has complied with all of the recommendations made in the 1993 report of examination with the following exception:

"I recommend the Company immediately comply with its internal procedures for transferring and reporting all unclaimed funds to the Oregon Division of State Lands in accordance with the provisions of ORS 98.352." Corrective measures were initiated for 1994 and 1995, however, reporting for 1996 is not yet complete. (see page 16)

OREGON TITLE INSURANCE COMPANY
STATEMENT OF ASSETS, LIABILITIES AND OTHER FUNDS
As of December 31, 1996

<u>ASSETS</u>	<u>Ledger Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>
Bonds (Note 1)	\$2,642,750		\$2,642,750
Cash and short-term investments	2,381,429		2,381,429
Title plants	1,284,336		1,284,336
Title insurance premiums and fees	356,824	(154,198)	202,626
Electronic data processing	234,198	(61,908)	172,290
Interest, dividends, and real estate income due and accrued	56,700		56,700
Aggregate write-ins other than invested assets	<u>304,636</u>	<u>(227,758)</u>	<u>76,878</u>
Total Assets	<u>\$7,260,873</u>	<u>\$ (443,864)</u>	<u>\$6,817,009</u>

LIABILITIES

Known claim reserves		\$ 37,341
Statutory premium reserve		1,737,331
Other expenses (Note 2)		458,407
Taxes, licenses and fees (Note 3)		60,003
Federal and foreign income tax		54,680
Amounts withheld or retained by company on account of others (Note 4)		475,630
Payable to parent affiliate		631,365
Aggregate write-ins liabilities		<u>1,873</u>
Total Liabilities		<u>\$3,456,630</u>
Common capital stock (Note 5)		\$10
Gross paid in Capital (Note 5)		463,659
Unassigned funds (Note 6)		<u>2,896,710</u>
Surplus as regards policyholders		<u>\$3,360,379</u>
Total Liabilities, Surplus and Other Funds		<u>\$6,817,009</u>

No Adjustment To The Surplus Has Been Made As A Result Of This Examination

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE
FINANCIAL STATEMENTS**

**OREGON TITLE INSURANCE COMPANY
OPERATIONS AND INVESTMENT EXHIBIT
STATEMENT OF INCOME**

<u>OPERATING INCOME</u>	<u>Balance per Company</u>	<u>Adjustments</u>	<u>Balance per Examination</u>
Title insurance premiums	\$ 7,879,904		\$ 7,879,904
Escrow and settlement services	3,632,222		3,632,222
Other title fees and service charges	1,074,921		1,074,921
Aggregate write-ins for other operating income	<u>263,244</u>		<u>263,244</u>
 Total Operating Income	 <u>\$12,850,291</u>		 <u>\$12,850,291</u>
Deductions:			
Loss and loss adjustment expense incurred	\$331,033		\$331,033
Operating expenses incurred	10,152,363		10,152,363
Aggregate write-ins for other operating deductions	<u>(3,569)</u>		<u>(3,569)</u>
Total Operating Deductions	<u>\$10,479,827</u>		<u>\$10,479,827</u>
Net operating gain (loss)	\$2,370,464		\$2,370,464
Investment income	<u>252,500</u>		<u>252,500</u>
Net income before Federal income tax	2,622,964		2,622,964
Federal income tax incurred	<u>850,063</u>		<u>850,063</u>
Net Income	<u>\$1,772,901</u>		<u>\$1,772,901</u>
 <u>CAPITAL & SURPLUS ACCOUNT</u>			
Surplus as regards policyholder, prior year	\$2,160,170		\$2,160,170
Gains and (losses) in surplus			
Net income	\$1,772,901		\$1,772,901
Change in nonadmitted assets	(331,064)		(331,064)
Capital charges:			
Paid in	(241,628)		(241,628)
Change in surplus as regards policyholders surplus	<u>\$1,200,209</u>		<u>\$1,200,209</u>
Surplus as regards policyholders, December 31, 1996	 <u>\$3,360,379</u>		 <u>\$3,360,379</u>

No Adjustment To The Surplus Has Been Made As A Result Of This Examination

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE
FINANCIAL STATEMENTS**

NOTES TO FINANCIAL STATEMENTS

Note 1 - Bonds

Bond values were generally stated at amortized cost using the straight line method. The Company's assets are invested in primarily high quality US government bonds. States Territories, and possessions. A quality distribution of bonds is presented below:

<u>Year</u>	<u>Total Book Value</u>	<u>Market Value</u>	<u>Non-Investment Grade*</u>	<u>Percentage of Portfolio</u>
1990	\$ 798,920	\$ 821,573	-0-	0.00%
1991	789,574	848,856	-0-	0.00
1992	1,396,637	1,456,077	-0-	0.00
1993	1,809,109	1,923,233	-0-	0.00
1994	1,947,711	1,943,708	-0-	0.00
1995	2,014,294	2,122,630	-0-	0.00
1996	\$2,642,750	\$2,717,203	-0-	0.00%

*Investment grade is defined by the NAIC as those securities with an NAIC Security Valuation Office (SVO) rating of "1" or "2."

Note 2 - Other Expenses

Balance per company	\$994,040
Examination reclass	<u>535,633</u>
Balance per examination	<u>\$458,407</u>

The Company reported general ledger accounts relating to taxes, payroll withholds and reconveyance fees as other expenses which should be classed as amounts withheld or retained and to taxes, licenses and fees. NAIC Annual Statement Instructions for Title Companies suggests these type of expenses are more appropriately categorized to amounts withheld or retained by company and to taxes, license and fees. (pg. 27 & 28)

Note 3 - Taxes, Licenses and Fees

Balance per Company	\$ 0
Examination reclass	<u>60,003</u>
Balance per examination	<u>\$60,003</u>

The Company recorded liabilities for accrued expenses other, (premium taxes) as other expenses. The NAIC Annual Statement Instructions (pg. 27) suggests these type of liabilities are more appropriately categorized to taxes, licenses and fees.

Note 4 - Amounts Withheld or Retained by Company As Agent or Trustee

Balance per Company	\$ 0
Examination reclass	<u>475,630</u>
Balance per examination	<u>\$475,630</u>

The Company recorded liabilities for escheatable funds, united way, garnishments, flexible spending accounts and reconveyance fees as other expenses. The NAIC Annual Statement Instructions (pg. 27 & 28) suggests these type of expenses are more appropriately categorized to amounts withheld or retained by the company.

Note 5 - Common Capital Stock & Gross Paid In and Contributed Surplus

Capital Stock

Balance per company	\$8,620
Examination adjustment	<u>(8,610)</u>
Balance per examination	<u>\$ 10</u>

Gross Paid In and Contributed Surplus

Balance per company	\$455,049
Examination adjustment	<u>8,610</u>
Balance per examination	<u>\$463,659</u>

Common capital stock of the Company was misstated after the purchase by LTIC. All outstanding stock of OTIC was tendered to LTIC at that time. In exchange, LTIC received 100 shares of common capital stock with a par value of \$.10. The annual statement reflected 86,200 shares outstanding with a par of \$.10 or \$8,620 incorrectly.

Note 6 - Unassigned Funds

Balance per company	\$3,127,279
Examination adjustment	<u>230,569</u>
Balance per examination	<u>\$2,896,710</u>

As part of the sales agreement to Lawyers Title Insurance Corporation, all previously issued and outstanding shares of Oregon Title Insurance Company's capital stock became extinguished at the conclusion of the sale. However, the Company has erroneously classified 13,800 shares as treasury stock. As a result, an examination adjustment of \$230,569 has been made from treasury stock to unassigned funds.

Note 7 - Treasury Stock

Balance per company	\$230,569
Examination adjustment	<u>(230,569)</u>
Balance per examination	<u>\$ 0</u>

See Note 6

RECONCILIATION OF EXAMINATION CHANGES

After evaluation of the assets and providing for all known liabilities and reserves, the following reflects examination reclassifications that resulted in no change to the surplus reported by the Company, as of December 31, 1996.

Surplus as regards policyholders reported by the Company as of December 31, 1996	<u>\$3,360,379</u>
Other expenses (Note 2)	(535,633)
Taxes, licenses and fees (Note 3)	60,003
Amounts withheld or retained by Company as agent or trustee (Note 4)	475,630
Common capital stock (Note 5)	(8,610)
Gross paid in and contributed surplus (Note 5)	8,610
Unassigned funds (Note 6)	(230,569)
Treasury stock (Note 7)	<u>230,569</u>
Total examination adjustments to reserves and unassigned funds	0
Surplus as regards policyholders per examination	<u>\$3,360,379</u>

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Page

- 16 I strongly, recommend the Company immediately file its 1996 unclaimed property report or request an extension to comply with its internal procedures for transferring and reporting all unclaimed funds to the Oregon Division of State Lands in accordance with the provisions of ORS 98.352.
- 16 I recommend the Company take the necessary steps to insure that proper offsite storage is available for backup information. This recommendation is made pursuant to the provisions of ORS 731.302 and the NAIC Examiners Handbook. (pg. I-106(j))

CONCLUSION

During the three year period covered by this examination, surplus increased from \$2,647,364 as of December 31, 1993, to \$3,360,379 as of December 31, 1996, as shown in this report of examination. Comparative assets and liabilities are shown below:

	December 31,		
	<u>1996</u>	<u>1993</u>	<u>Change</u>
Assets	\$6,817,009	\$4,827,825	\$ 1,989,184
Liabilities	<u>3,456,630</u>	<u>2,180,461</u>	<u>1,276,169</u>
Surplus	<u>\$3,360,379</u>	<u>\$2,647,364</u>	<u>\$ 713,015</u>

SUBSEQUENT EVENT

During the course of the examination Lawyers Title Corporation, parent to Lawyers Title Insurance Company and ultimate parent to Oregon Title Insurance Company, entered into an agreement with the intent to merge with the Reliance Group. During the first quarter of 1998 the merger was completed and the combined company is named LandAmerica Financial Group.

ACKNOWLEDGMENT

The cooperation and assistance extended by the officers and employees of the Company during the examination process are gratefully acknowledged.

In addition to the undersigned, Thomas Farrelly, CFE, and Michael Phillips, CPA, CFE, insurance examiners for the State of Oregon, Department of Consumer and Business Services, Insurance Division, participated in the examination.

Respectfully submitted,

Timothy R Hurley, CFE
Supervising Insurance Examiner
Insurance Division
Department of Consumer and Business Services
State of Oregon

AFFIDAVIT

STATE OF OREGON)
) ss
County of Marion)

Timothy Hurley, CFE, being duly sworn, deposes and says the preceding report of financial examination as of December 31, 1996, of Oregon Title Insurance Company, Portland, Oregon, subscribed by him is true and correct to the best of his knowledge and belief.

Timothy R. Hurley, CFE
Supervising Insurance Examiner
Insurance Division
Department of Consumer and Business Services
State of Oregon

Subscribed and sworn to before me this ____ day of _____, 1998.

Notary Public for the State of Oregon
My Commission Expires: _____