

**REPORT ON EXAMINATION OF**  
**COMMONWEALTH LAND TITLE INSURANCE COMPANY OF NEW JERSEY**

**PARISPPANY, NEW JERSEY 07054**

**AS OF DECEMBER 31, 2005**

**NAIC GROUP CODE 0099**

**NAIC COMPANY CODE 21105**

**F I L E D**

**JUN 26 2007**

**COMMISSIONER  
NJ DEPT OF BANKING & INSURANCE**

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**State of New Jersey**  
**DEPARTMENT OF BANKING AND INSURANCE**  
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TRENTON, NJ 08625-0325

**JON S. CORZINE**  
*Governor*

**STEVEN M. GOLDMAN**  
*Commissioner*

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June 7, 2007

Honorable Commissioner Steven M. Goldman  
Commission of Banking and Insurance  
State of New Jersey  
Trenton, New Jersey, 08625

Commissioner:

In accordance with the authority vested in you by the Revised Statutes of New Jersey, an examination has been made of the assets and liabilities, method of conducting business and other affairs of the:

**COMMONWEALTH LAND TITLE INSURANCE COMPANY OF NEW JERSEY**  
**PARSIPPANY, NEW JERSEY 07054**  
**NAIC GROUP CODE 0099**  
**NAICCOMPANY CODE 51195**

a domestic insurer duly authorized to transact the business of insurance in the State of New Jersey. Hereinafter, the Commonwealth Land Title Insurance Company of New Jersey will be referred to in this report as the "Company" or "CLTICNJ".

## **SCOPE OF THE EXAMINATION**

The financial condition examination was called by the Commissioner of Banking and Insurance of the State of New Jersey pursuant to the authority granted by Section 17:23-22 of the New Jersey Revised Statutes.

The examination was made as of December 31, 2005, and addressed the three-year period from December 31, 2002, the date of the last Financial Condition Examination. During this period the Company's net admitted assets increased from \$32,511,830 to \$42,556,369, liabilities increased from \$6,095,144 to \$9,850,594, and surplus as regards to policyholders increased from \$26,416,686 to \$32,705,775.

The conduct of the examination was governed by the procedures outlined in the NAIC Financial Condition Examiners Handbook and followed accepted procedures of regulatory authorities and generally accepted insurance company examination standards.

In determining the emphasis to be placed on specific accounts, consideration was given to the Company's system of internal control, the nature and size of each account, its relative importance to solvency and the results of the analytical reviews performed within the New Jersey Department of Banking and Insurance.

Based upon examination review, special emphasis was not assigned to any accounts. The following accounts were assigned standard emphasis:

- Bonds
- Common Stocks
- Cash and Short Term Investments
- Title Insurance and Premiums and Fees Receivable
- Federal and Foreign Income Tax Recoverable and Interest thereon
- Electronic Data Processing
- Interest, Dividends and Real Estate Income Due and Accrued
- Receivable from Parents, Subs and Affiliates
- Known Claim Reserves
- Statutory Premium Reserve
- Other Expenses
- Taxes Licenses and Fees
- Federal and Foreign Income Taxes
- Premiums and Other Considerations received in advance

The remaining balance sheet accounts were assigned either reduced emphasis or analytical review status for purposes of this examination.

In addition to the above balance sheet accounts, the following areas were reviewed:

- Compliance with Prior Report on Examination
- History and Kinds of Business
- Territory and Plan of Operation
- Reinsurance
- Parents, Subsidiaries and Affiliates
- Intercompany Agreements
- Management and Control
- Continuity of Operations
- Conflict of Interest
- Fidelity Bond and Other Insurance Coverage's
- Employee Welfare and Pension Plans
- Accounts and Records
- Treatment of Policyholders

An overview of management controls reflecting proper management authorizations, document execution and supervisory accounting controls was conducted during the examination. This review was done in order to ascertain that proper and adequate management and supervisory controls were being exercised and to determine the control risk level and ultimately the amount of emphasis placed on each account. Based on our review of Exhibit B, discussions with the Department's EDP Specialist concerning the completion of Exhibit C by the Company, the cycle questions and verification of Company responses to these questions on a test basis, the intended reliance on the Company's control environment has been determined to be Medium.

The examination report, contained herein, will address significant balance sheet accounts and, if necessary, comments on those accounts which involve departure from laws, regulations or rules, or which are deemed to require special explanations or descriptions.

## **COMPLIANCE WITH PRIOR REPORT ON EXAMINATION RECOMMENDATIONS**

### Parents, Subsidiaries and Affiliates

#### 2002 Examination Recommendation

It was noted during the last examination that the only stock certificate issued for the Company was in the name of Industrial Valley Title Insurance Company which was merged into the Company's parent and no longer exist. It was recommended that the Board of Directors cancel the existing stock certificate and issue a new certificate reflecting the correct name of the holder.

#### Company Response

The Board of Directors intends to cancel the existing stock certificate for the Company and issue a new certificate reflecting the correct name of the holder.

#### 2005 Examination Findings

The Company has complied and has issued a stock certificate showing Commonwealth Land Title Insurance Company as the sole shareholder.

## Inter-Company Agreements

### 2002 Examination Recommendation

It was noted that the Company had made several Inter-Company Agreements effective, before properly executing those agreements. It was recommended that the Company properly execute agreements prior to their effective dates.

### Company Response

The Company will strive to properly execute all Inter-Company Agreements prior to their effective dates.

### 2005 Examination Findings

There were no new intercompany agreements entered into during this examination period. All agreements reviewed were properly executed.

## Management and Control

### 2002 Examination Recommendation

It was noted that the Company does not consistently reflect approval in its BOD minutes for actions taken on its investments by its parent LandAmerica or the presentation and approval of the Examination Report. It was AGAIN recommended that the Company include the presentation, review and approval of investments as well as the Examination Report in the BOD minutes.

### Company Response

The Company will strive to consistently reflect approval of transactions taken on its investments by the Investment Funds Committee of LandAmerica Financial Group, Inc. in the Company's Minute Books as well as the presentation and approval of the New Jersey Examination Report.

### 2005 Examination Findings

The Company has complied with the recommendation. All investment transactions were properly noted in the Minutes as was the presentation and approval of the prior New Jersey Report on the Examination.

## Accounts and Records

### 2002 Examination Recommendation

It was recommended that the Company strengthen their internal controls and guidelines for the accurate and proper care and documentation of the Company's business affairs, operations and intercompany transactions.

### Company Response

LandAmerica is currently in the process of implementing the provisions of Section 404 of the Sarbanes-Oxley Act. This process is designed to augment and refine internal controls within the LandAmerica and its subsidiaries. Under the provisions of the Act, controls will be certified both by management and the Company's external auditors.

### 2005 Examination Findings

The Company has complied with the recommendation. LandAmerica is currently in the process of implementing the provisions of Section 404 of the Sarbanes-Oxley Act. This process is designed to augment and refine internal controls within the LandAmerica and its subsidiaries. Under the provisions of the Act, controls will be certified both by management and the Company's external auditors.

### **HISTORY AND KIND OF BUSINESS**

The Company was originally known as the West Jersey Title and Guaranty Company and was incorporated under and by virtue of the provisions of an Act of the Legislature of New Jersey entitled "An Act Concerning Corporations" approved April 17, 1875 and the several acts supplemental and amendatory thereof. The certificate was received in the Office of the Clerk of Camden County on March 6, 1888.

The name of the Company was later changed to Continental Title Insurance Company by an amendment to the certificate of organization dated January 31, 1975 that was approved by the Attorney General on February 24, 1975.

On May 4, 1995, in accordance with the provisions of N.J.S.A. 17:26-1, the Company changed its name to Commonwealth Land Title Insurance Company of New Jersey. On May 10, 1995, the change of the Company's name was approved by the State of New Jersey and was effective on June 1, 1995.

On February 27, 1998, LandAmerica Financial Group, Inc. (LandAmerica), domiciled in Virginia, purchased the Company along with its parent, the Commonwealth Land Title Insurance Company ("CLTIC"), domiciled in Pennsylvania, and its subsidiaries from Reliance Insurance Company.

The Company's capital consists of 50,000 authorized and outstanding shares with \$10 par value for a total value of \$500,000 at December 31, 2005.

The Company is presently authorized in the State of New Jersey to transact the kind of insurance specified in paragraph "h", of N.J.S.A. 17:17-1.

The company's statutory home office in the State of New Jersey is located at 90 East Halsey Road Parsippany, New Jersey 08054. The agent upon whom legal process against the Company may be served in New Jersey is A. Roger Blauvelt whose office is located at the above address

The examination was conducted at the home office of the Company's ultimate parent, LandAmerica Financial Group, Inc. being located at 5600 Cox Road, Glen Allen, VA 23060.

### **STATUTORY DEPOSITS**

The Company has two securities on deposit with the State of New Jersey that are available to all policyholders as of December 31, 2005.

<u>State</u>	<u>Security</u>	<u>Par Value</u>	<u>Market Value</u>
New Jersey	US Treasury Note	\$250,000	\$246,925
New Jersey	New Jersey State Transit	300,000	307,197

Each special deposit was verified by direct confirmation. No exceptions were noted.

## **TERRITORY AND PLAN OF OPERATION**

The Company is a wholly owned subsidiary of Commonwealth Land Title Company, which is a subsidiary of LandAmerica Financial Group, Inc. (parent), a stock company. The Parent is a regional title insurance holding company that writes title insurance through its subsidiaries. Commonwealth Land Title Company of New Jersey is licensed in New Jersey, Delaware, Hawaii, Maryland, and Pennsylvania.

The Company operates as a primary insurer and subsidiary of its parent company LandAmerica Financial Group Inc. The Commonwealth Land Title Insurance of New Jersey is licensed to write Title insurance only. The Company writes title insurance through direct and agency operations, for residential and commercial real estate primarily in the State of New Jersey and provides escrow and settlement services in connection with real estate services.

The Company does not utilize Third Party Administrators (TPA) or Managing General Agents (MGA). The Company is not Producer-Controlled nor does it use a reinsurance intermediary.

The Company's business plan to promote, sell and increase its market share in title insurance basically has 4 parts. They are: 1) recruiting new agents; 2) securing more business from existing CLTICNJ agents which represent other underwriters; 3) increasing sales from Company-owned direct offices and 4) pursuing potential acquisition opportunities. In 2005, the Company marketed its products through 76 independent agents and 7 branch offices.

The Company has no other sources of business income other than its title insurance writings, except for miscellaneous related fees that are not generated from title insurance and escrow. This miscellaneous income amounted to \$1,627 from District of Columbia, \$2,521 from Florida, \$2,663 from New York, \$1,064 from Pennsylvania and \$142 from Virginia.

The Company management does not develop an annual budget for CLTICNJ. CLTICNJ increases business by appointing new agents. Budgets are developed for office locations rather than for the companies whose insurance is sold in the office. Strategic planning is done by the holding Company LandAmerica and its executive managers. The Company does produce a Future Financial Position Forecast. The Company's admitted assets were slightly lower than those projected while the net income was slightly higher.

The Company also maintained several regional offices in New Jersey. They were located at: 1) 464 Valley Brook Ave, Lyndhurst, NJ 07071; 2) 119 Prospect Street, Ridgewood, NJ 07451; 3) 90 East Halsey Road, Parsippany, NJ 07054; 4) 575 Route 28 West, Raritan, NJ; 5) 252 Washington Street, 2<sup>nd</sup> Floor, Toms River, NJ 08753; 6) Linwood Oaks 2<sup>nd</sup> Floor, PO Box 5382, Cherry Hill, NJ 08034; 7) 392 Springfield Ave, PO Box 700, Summit NJ 07902; 8) 650 New Road, PO Box 75, Linwood, NJ 08221.

### Service Agreements

The Company is party to a Custodian Agreement with Crestar Bank, part of the SunTust Bank doing business in Virginia, dated October 1, 1998. The bank is now known as SunTrust Bank. The agreement does contain the necessary indemnification clause as required by the NAIC.

The Company is also party to an Asset Management Agreement with Deutsche Investment Management Americas Inc (DIMA) dated November 13, 1998. This agreement was originally with Scudder Kemper Investments Inc. which was bought by DIMA. It was noted however, that the investment agreement was still in the name of Scudder Kemper Investments even though they have changed their name to DIMA.

It is recommended that the Company get their investment agreement rewritten and executed to reflect the change from Scudder Kemper Investments to Deutsche Investment Management Americas Inc.

Effective January 1, 2007, the accounting processing of assets managed by DIMA was outsourced to Princeton Financial Services. Please see section titled Subsequent Events.

### CORPORATE RECORDS

The Company's By-Laws, which were amended in May 1, 2006, stipulate that the annual meeting of shareholders will be held at such time and place as shall be designated in the notice of such meeting, for the purpose of electing directors and for the transaction of such other business as may properly be brought before the meeting. Special meetings of the stockholders shall be held at any time, at such place as shall be designated in the notice of such meeting. Special meetings of the stockholders may be called at any time by the Chairman of the Board, the President, the Board of Directors or the holders of not less than one/fifth of all the shares outstanding and entitle to vote at the particular meeting.

The Board of Directors governs the business and affairs of the Company. Each director shall be elected by the shareholders at each annual meeting and shall hold office for the term in which he or she is elected or until that director's successor shall have been elected, unless otherwise provided in the Articles of Incorporation. The number of directors shall be not less than three nor more than twenty, but shall be increased as and when required by the Articles of Incorporation and, subject to the provisions of the Articles of Incorporation, may be increased or decreased at any time by amendment of the By-laws, provided the number of directors shall not be less than three. A majority of the number of directors then fixed pursuant to the By-laws, acting at a meeting duly assembled, shall constitute a quorum for the transaction of business.

A review of the minutes of the Board of Director's meetings noted that they were well attended by the Company's Directors, and that the proceedings of the meetings were done in compliance with the Company's state charter and By-Laws. The Board minutes also indicated that the Company's overall transactions and events were adequately supported and approved. A review of the signed affidavits of each member of the Board indicated that he had received and reviewed a copy of the December 31, 2002 financial condition examination report. Evidence of this review and approval has been documented in the September 8, 2004 Board minutes.

## MANAGEMENT AND CONTROL

The President and his delegated officers under the guidance of the Board of Directors manage the business, property and affairs of the Company.

### Directors

The Company's bylaws state the property, affairs and business of the Company shall be managed by its Board of Directors consisting on not less than four nor more than twenty persons. The elected directors shall hold office for one year and until their successors have been duly elected and qualified. The annual meeting of the Board of Directors will be held without notice at the place and immediately following the Shareholders annual meeting. At all meetings of the Board, a majority of the members of the Board shall constitute a quorum for the transaction of business.

The Company's Board of Directors consisted of four individuals that were employees of the Company's parent LandAmerica Financial Group, Inc. (LandAmerica). The Bylaws provide that the Board may appoint three or more Directors to constitute an Executive Committee. The Board, however, has elected not to have any committees in place as of December 31, 2005. LandAmerica maintains six committees that serve the interest of the Company. These committees consist of the following:

Audit Committee  
Executive Committee  
Finance Committee

Corporate Governance Committee  
Executive Compensation Committee  
Investment Funds Committee

The Board of Directors approved dividend payments to the holder of record of the Company's 50,000 shares of common stock, in the amount of \$6,300,000 on April 30, 2005 and \$6,900,000 on July 30, 2003.

The Board of Directors approved dividend payments to the holder of record of the Company's 50,000 shares of common stock, in the amount of \$6,300,000 on April 30, 2005 and \$6,900,000 on July 30, 2003.

It was determined that the Company is in compliance with N.J.S.A. 17:27A-4 (d) which states that one third of the board members must not be officers or employees of the Company. It also states that these provisions shall not apply to a domestic insurer, if the entity controlling the company has a board that meets the requirements. CLTICNJ only has 4 board members, but its complete control is by LandAmerica. Per review it was determined that 10 out of the 12 board member for LandAmerica are outside directors, and therefore the Company is in compliance with N.J.S.A. 17:27A-4 (d) (3). N.J.S.A. 17:27A-4 (d) (4) requires at least one or more committees comprised solely of outside directors who are not officers or employees of the insurer or of any entity controlling, controlled by, or under common control with, the insurer and who are not beneficial owners of a controlling interest in the voting securities of the insure or any such entity. The committee shall be responsible for recommending the selection of independent certified public accountants, reviewing the insurer's financial condition, the scope and results of the independent audit and any internal audit, nominating candidates for director for election by shareholders or policyholders, evaluating the performance of officers deemed to be principal officers or the insurer and recommending to the Board of Directors, the selection and

compensation, including bonuses or other special payments, of the principal officers. Per review it was determined that all members of the Audit Committee, the Executive Compensation Committee and the Corporate Governance Committee are outside directors. Therefore the Company is in compliance with N.J.S.A. 17:27A-4 (d).

At December 31, 2005, the Directors of the Company were as follows:

<u>Name</u>	<u>Principal Occupation</u>
George William Evans	Senior Executive Vice President Commonwealth Land Title Insurance Company
Melissa Anne Hill	Executive Vice President Transnation Title Insurance Company
Glyn Jon Nelson	Executive Vice President Transnation Title Insurance Company
Jeffrey Charles Selby	Executive Vice President LandAmerica Financial Group, Inc.

#### Officers

The Officers of the Company shall be chosen by the Board of Directors at its first meeting after the election of Directors by the Stockholders and shall consist of the President, one or more Vice Presidents, a Secretary and a Treasurer. From time to time the board may appoint the Chairman of the Board, any Vice-Chairman of the board and any Chairman of the Executive Committee as an executive officer and may appoint one or more Executive Vice President, Senior Vice Presidents, Assistant Secretaries, Assistant Treasurers and such other officers, agents and employees as it may deem proper. Any two offices may be held by the same person, except the office of President and Secretary, but no officer may act in more than one capacity on behalf of the Company where action by two or more officers is required.

The Officers of the Company who were elected and serving at December 31, 2005 are as follows:

<u>Name</u>	<u>Office</u>
Theodore Lindy Chandler Jr	President and Chief Executive Officer
Anna Mastracco King	Secretary, Vice President & Corporate Counsel
Christine Ranney Vlahcevic	Chief Financial Officer
George William Evans	Senior Executive Vice President
Michelle Hacker Gluck	Executive Vice President & General Counsel
William Chadwick Perrine	Senior Vice President
Ronald Burgess Ramos	Senior Vice President
John Phillip Rapp	Senior Vice President
Jeffrey Charles Selby	Senior Vice President

## REINSURANCE

The Company had reinsurance agreements and treaties in force at December 31, 2005 providing excess, catastrophe, pro rata and facultative reinsurance for various lines of business written. The various reinsurance treaties and contracts in effect and the maximum limits of reinsurance are summarized as follows:

### Ceded Reinsurance

CLTICNJ maintains an automatic reinsurance agreement with its affiliate Commonwealth Land Title Insurance Company (Pennsylvania). Effective September 1, 1995, the agreement is automatic above \$200,000. Per multiple addendums, it is scheduled to expire September 1, 2010.

CLTICNJ was party to an automatic reinsurance agreement with Marquette Title Insurance Company (Vermont). Effective April 1, 2003, the agreement provided a 50/50 quota share reinsurance for generally all policies written for a fixed dollar amount not to exceed \$1.5 million per risk as pertaining to land purchased from Pulte Home Corporation. This agreement was terminated effective February 23, 2005.

CLTICNJ was party to a facultative agreement with Commonwealth Land Title Insurance Company (Pennsylvania). Effective September 24, 1994 and still in effect until cancelled by the parties, this treaty reinsures the North Fork Bank, its successors and/or assigns, as their respective interests may appear. Limits of liability are \$88,780,000: primary loss risk at \$5,000,000 and secondary loss risk at 45,780,000 in respects to CLTIC with holds a 54.643% of the liability. Lawyers Title Insurance Company (Virginia) holds 45.357% of the liability with secondary coverage at \$38,000,000.

### Assumed Reinsurance

The Company is party to a facultative reinsurance agreement covering a single transaction consisting of three title insurance loan policies (all through Wachovia Bank) with its affiliate, Lawyers Title Insurance Company (Virginia), along with four other affiliates. Lawyers Title retains \$5,000,000 of primary risk and \$54,410,000 of secondary risk (43.148% of \$126,100,000 limits of secondary risk). The remaining 56.852% of secondary risk is dividing among the five affiliates with CLTICNJ holding 6.491%. Maximum exposure is \$8,185,700.

The Company is party to a facultative reinsurance agreement covering a single transaction consisting of two title insurance loan policies (one through Design Centers of America, LLC, a Delaware limited liability company and the other through German American Capital Corporation) with its affiliate, Lawyers Title Insurance Company (Virginia), along with three other affiliates. Lawyers Title retains \$5,000,000 of primary risk and \$113,820,085 of secondary risk (46.457% of \$245,000,000 limits of secondary risk). The remaining 53.543% of secondary risk is dividing among the four affiliates with CLTICNJ holding 2.511%. Maximum exposure is \$6,151,869.

The NAIC Statements of Statutory Accounting Principles SSAP No. 62 Property and Casualty Reinsurance as well as N.J.S.A. 17:51B and N.J.A.C. 11:2-28 were reviewed in consideration of these five agreements. It was noted that three of the treaties (Alta Tertiary - North Fork (ceded)

and Wachovia Bank (assumed) and Design Centers/German American Capital (assumed) were in violation of SSAP No. 62. The rates charged are not in the contract which technically violates Paragraph 8 "Required Terms for Reinsurance Agreements" subparagraph "c" which states that "The agreement shall constitute the entire contract between the parties and must provide no guarantee of profit, directly or indirectly, from the reinsurer to the ceding entity or from the ceding entity to the reinsurer". The agreements also violate "d" which states that: "The agreement must provide for reports of premiums and losses, and payment of losses, no less frequently than on a quarterly basis, unless there is no activity during the period. The report of premiums and losses shall set forth the ceding entity's total loss and loss expense reserves on the policy obligations subject to the agreement, so that the respective obligations of the ceding entity and reinsurer will be recorded and reported on a basis consistent with this statement. There are no provisions for reports, premiums or losses other than to allow that losses will be paid.

It is recommended that the Company rewrite or amend their reinsurance agreements in order for the agreements to be in compliance with NAIC SSAP No. 62 paragraph 8 subparagraph "c" and "d".

The Company was in compliance with N.J.S.A. 17:51B and N.J.A.C. 11:2-28 due to the fact that the Company took no reinsurance credits as of December 31, 2005.

## **REGULATION OF INSURANCE HOLDING COMPANY SYSTEMS**

The Company is a member of an insurance holding Company system as defined in N.J.S.A. 17:27A-1. As of December 31, 2005 all of the outstanding shares of the Company are owned by Commonwealth Land Title Company Insurance Company, a Pennsylvania company, which in turn is a wholly-owned subsidiary of LandAmerica Financial Group Inc., a Virginia holding company.

A review of the Company's holding company registration statements and amendments thereto indicated that the Company is in compliance with N.J.S.A. 17:27A-3 Sections a-j, requiring registration of those insurers who qualify as determined by N.J.S.A. 17:27-A-1.

An organization chart follows which reflects the Company and its parent:

LandAmerica Financial Group Inc.

<b>LandAmerica Financial Group, Inc.</b>	VA
Buyers Home Warranty Company	VA
Buyers Real Estate Services, Inc.	CA
<b>Commonwealth Land Title Insurance Company</b>	PA
Atlantic Title & Abstract Company	DE
ATACO, Inc.	PA
Commercial Settlements, Inc.	DC
Commonwealth Land Title Company	CA
<b>Commonwealth Land Title Insurance Company of New Jersey</b>	NJ
Edge Rock, Inc.	DE
LandAmerica Albuquerque Title Company, Inc.	NM
LandAmerica Reinsurance Services, Inc.	VT
Portland Financial Services Corporation	OR

County Title Holding Corporation	CA
Golden Escrow, Inc.	CA
San Diego County Holding Company	CA
Southland Title of San Diego	CA
Southland Title Corporation	CA
Southland Title Equities, Inc.	CA
Southland Title of Orange County	CA
Stoneridge Escrow Corporation	CA
GeoData Research Systems, Inc.	FL
Inspectech, Inc.	VA
LFG Processing Corporation	VA
LandAmerica Alliance Company	VA
USA Title Affiliates, Inc.	VA
LandAmerica Assessment Corporation	VA
LandAmerica Commercial Search Services Company	VA
LandAmerica Credit Services, Inc.	DE
LandAmerica Exchange Company	MD
LandAmerica Insurance Agency, Inc.	VA
LandAmerica OneStop, Inc.	VA
LandAmerica Survey Company	VA
LandAmerica Tax and Flood Services, Inc.	CA
LandAmerica Valuation Corporation	VA
Lawyers Title Insurance Corporation	VA
Lawyers Holding Corporation	VA
Lawyers Title Company	CA
LandAmerica Account Servicing, Inc.	AZ
LandAmerica Default Services Company	CA
3Arch Financial Services Corporation	DE
Lawyers Title of Arizona, Inc.	AZ
Lawyers Title of Nevada, Inc.	NV
Lawyers Title Realty Services	VA
Property Title Insurance Corporation	PR
APEX Title Insurance Corporation	PR
Cancellation Services, Inc.	PR
Title Investors Group, Inc.	TX
Land Title Insurance Company	CA
Title Insurance Company of America	TN
LoanCare Servicing Center, Inc.	CA
Orange County Bancorp	CA
Centennial Bank	CA
Transnation Title Insurance Company	AZ
Escrow Support Network	CA
Gateway Title Company	CA
Title Transfer Services, Inc.	CO
Transnation Title & Escrow, Inc.	DE
Transnation Title Insurance Company of New York	NY

## **INTER-COMPANY AGREEMENTS**

The Company had the following inter-company agreements in effect at December 31, 2005:

### Services, Cost and Expense Allocation Agreement

The Company had a Service, Cost and Expense Allocation Agreement with its affiliate Lawyer Title Insurance Corporation. This agreement, dated September 1, 1998, provides that Lawyer Title will provide administrative services, assist with the administration of claims, internal audit and product quality review services, accounting services, cash management services, legal, banking and public relations services and support. This agreement is on-going; however, either party may terminate the agreement upon 30 days written notice.

### Premium Concentration and Claims Payment Agreement

The Company had a Premium Concentration and Claims Payment Agreement with its parent LandAmerica Financial Group Inc. This agreement, dated September 1, 1999, provides that LandAmerica may, at the request of the Company, accept premium deposits and perform revenue concentration services, including tracking, attribution, and cash management. Money collected by LandAmerica will be held in a fiduciary capacity and paid over to the Company at least monthly. It also provides that LandAmerica may pay claim losses and benefits. All such payments will be repaid to LandAmerica on a dollar for dollar basis. This agreement is on-going; however, either party may terminate the agreement upon 30 days written notice.

### Consolidated Federal Income Tax Liability Allocation and Payment Agreement

The Company had a Consolidated Federal Income Tax Liability Allocation and Payment Agreement with its parent LandAmerica Financial Group Inc. This agreement, dated March 1, 1998, is a basic tax allocation agreement wherein the Company joins in the filing of an income tax return with the Parent for all taxable periods for which the Company is required or permitted. The Company agrees to file such consents, elections and documents and take other actions as may be necessary or appropriate for the Parent to carry out the consolidated tax filing. The method adopted to allocate the Group's tax liability is set forth in its affiliate company, Lawyers Title Insurance Corporation's "Policy for Allocation and Sharing Income Taxes" dated March 4 1992, that was attached to the agreement. This method was elected on a prior return filed by the Parent and cannot be changed without written consent by the Commissioner of Internal Revenue. This method essentially allocates total separate return taxes to members of the Group realizing profits during a taxable year and provides benefits to members of the Group incurring losses and credits that result in actual decreases in tax liability for the year. The agreement may be terminated if the termination is approved by the Commissioner of Internal Revenue, as required by the appropriate Treasury Regulations sections. The agreement may also be terminated if (i) The parent and the subsidiary agree in writing to such termination, (ii) If membership in the group ceases or is terminated for any reason whatsoever, or (iii) The parent fails to include the subsidiary in the return for any taxable period.

### Consolidated Payroll Accounts Agreement

The Company was party to a Consolidated Payroll Accounts Agreement with its parent LandAmerica Financial Group Inc. This agreement, dated September 1, 1999, provides that LandAmerica may, at the request of the Company, pay wages, salaries, benefits, worker's compensation, insurance and related expenses and obligations for personal employment by the Company. It also provides that LandAmerica may handle accounts payable that may arise in the normal course of business. All such payments will be repaid to LandAmerica on a dollar for

dollar basis. For any direct purchases or services made by LandAmerica, in conjunction with the above services, the Company agreed to pay LandAmerica an amount equal to the actual cost or the services or purchases, determined on a proportional allocation, reasonably related to the purchase or the Company's use of the service. This agreement is on-going; however, either party may terminate the agreement upon 30 days written notice.

#### Employee Service Agreement

The Company was party to an Employee Service Agreement with its affiliate Lawyers Title Insurance Corporation. This agreement, dated January 4, 2002, provides that Lawyers Title will share its employees with the Company and provide employee administration, payment of fees, provide the place of performance of these services and performance reports. The Company agrees that the Lawyer Title employees are not employees of the Company and that the employees operate solely under the control and direction of Lawyers Title. In consideration for the performance of the services, the Company will pay an amount equal to the actual cost of the services used or as determined on proportional allocation reasonably related to each of the Company's use of the services. This agreement is on-going; however, either party may terminate the agreement upon 30 days written notice.

#### **POLICY ON CONFLICT OF INTEREST**

The Company's parent has established a formal policy regarding conflicts of interest and business conduct within its Business Ethics Questionnaire. All directors, officers and employees of the Company are required to read and review the Business Ethics Questionnaire and sign and return to the Company's Secretary on an annual basis and attached a code of conduct certification letter.

#### **EMPLOYEE WELFARE AND PENSION PLAN**

As of December 31, 2005, the Company has no employees. However, through an Employees Service agreement, discussed in this report under the heading "Intercompany Agreements," it is serviced by the employees of its affiliate Lawyers Title Insurance Company. The ultimate parent of these affiliates, LandAmerica Financial Group Inc., offers a pension plan and a 401K plan for all of the qualified employees of its subsidiaries. This is a qualified deferred contribution plan as determined by the IRS.

The Company's ultimate parent LandAmerica provides a comprehensive Company benefit plan for all of its affiliate employees which includes a Savings and Stock Ownership Plan (401 k); an employee non-contributory Cash Balance Retirement Plan; a pre-tax dollar medical and dependent care expense plan as well as several insurance plans. The insurance plans include a PPO and an EPO Anthem Blue Cross health plan, a Kaiser Permanente health plan, as well as disability, accident, life insurance and income protection.

The Company employees have paid time off which is accrued on each pay period to be used for occasional illness or vacation. The Company also has a tuition reimbursement program. After six months of service the employee is eligible to receive up to \$3,000 annually in tuition assistance or \$5,000 for graduate-level courses provided that the courses are business-related.

The Company also offers its employees real estate transaction reimbursement. If the employee purchases, sells or refinance a primary residence through a LandAmerica office, they can be reimbursed for the title insurance premium and fees for escrow, search, exam, flood certification, and tax service once each year.

The LandAmerica Foundation also matches eligible contributions that are made by employees up to \$5,000 annually. Available to retirees and active employees with one year of service, the funds cover contributions to organizations such as schools, universities and charitable organizations.

## **FIDELITY BOND AND OTHER INSURANCE COVERGES**

The Company's parent, LandAmerica, carries all the following insurance coverages with the Company as a named insured as part of the group. Employees (of LandAmerica) are not individually bonded, rather the Company maintains two Fiduciary Bond policies with Lloyds of London which are in excess of the NAIC maximum recommended fidelity bond coverage amount.

The first policy is a Blanket Bond & Computer Crime Insurance Policy (Section 1) and Professional Liability (Section 2). Limit of coverage is \$25 million for both sections and the retention is: Section 1: \$500,000 each and every loss, but \$2.5 million for each and every loss directly or indirectly involving an agent; Section 2: \$20 million for each and every single loss, for first 4 losses. Thereafter, the retention is \$10 million each and every loss.

The second policy is an Excess Crime and Professional Liability Insurance policy which provides \$25 million in liability protection in excess of \$25 million. It also provides one automatic reinstatement at pro rata to amount of loss.

The Company also carries a Directors' & Officers' Liability that provides coverage up to \$15 million (aggregate limit) including defense costs. There is no retention for D&O coverage. However, there is a \$3 million retention, each claim, for Company reimbursement for claims paid by the Company due to wrongful acts, and a \$3 million retention, each claim, for a Company Securities liability claim.

In addition to the Fidelity Bond coverage and the D&O coverage, the Company has other insurance policies designed to protect the Company and its employees. They include a Deluxe Property Coverage which provides property coverage for numerous office sites around the United States; Boiler and Machinery insurance which provides comprehensive coverage for all pressure, mechanical and electrical apparatus; General Commercial Liability insurance (Standard Workers Compensation & Employers Liability Policy) which provides coverage for losses in which the company is legally obligated to pay for bodily injury or property damage arising out of its operations; Commercial Business Auto insurance which provide coverage for losses due to bodily injury and/or property damage caused by an accident and resulting from ownership, maintenance or use of a covered auto; Worker's Compensation insurance which provides for the payment of benefits determined according to the laws of the various jurisdictions for covered occupational injuries or disease, including death incurred by a covered employee.

The Company also carries a Commercial Umbrella Liability insurance policy which provides an additional layer of liability protection above the underlying liability policies. General limits of liability under this policy are \$35,000,000 each occurrence with \$35,000,000 annual aggregate and \$0 self-insured retention. The Company also carries Commercial Excess Liability which is in 3 layers: 1st layer is \$15 million xs \$35 million each occurrence/annual aggregate; 2nd layer is \$25 million xs \$50 million each occurrence/annual aggregate; and the 3rd layer is \$25 million xs \$75 million each occurrence/annual aggregate. The Company also carries Group Personal Excess Liability insurance which provides personal liability coverage, auto coverage, recreational vehicles coverage, uninsured/underinsured motorist coverage and watercraft liability coverage for officers of the Company.

## **POLICY FORMS AND UNDERWRITING PRACTICES**

The Company files its rates and forms with the New Jersey Department of Banking and Insurance (NJDOBI) for title insurance. All forms are submitted by the NJ Land Title Insurance Rating Bureau and as such, filing and approval is between them and the Department. However, if the Company wishes to file a deviation, it does so itself. The Company filed one such deviation on January 5, 2005. According to NJDOBI, the Company also uses "The New Jersey Handbook of Title Practice" by Larry Fineberg. The Company also uses the intranet version of SingleSource.

All policy forms used by the Company were approved by the American Land Title Association (ALTA).

## **ACCOUNTS AND RECORDS**

### **General Ledger System**

Revenue and expense transactions for the Company are generated by local operations and reported periodically during the month to LandAmerica's subsidiary, Lawyers Title Insurance Corporation with whom the Company maintains a Services, Cost and Expense Allocation Agreement. These revenues and expenses are posted to LandAmerica's GEAC accounting software, general ledger program for the accounts of Commonwealth Land Title Insurance Company of New Jersey. The GEAC program is maintained and managed by the general accounting department's Shared Resource Center (SRC) which is operated and maintained by Lawyers Title Insurance Corporation at LandAmerica's headquarters in Richmond, Virginia. It was noted that the investment accounting system, SunGuard EPS (Enterprise Portfolio Systems), did not directly interface to the GEAC general ledger until 2006. The Investment Accounts Department prepares journal entries monthly from reports from EPS that are compared to the Transaction summary for accuracy, exported into Excel and then uploaded to the General Ledger. In 2006, the PeopleSoft was implemented replacing the GEAC system. Adequate controls appear to be in place. The general ledger system was tested and reconciled to the annual statement. No concerns were noted in the review of the General Ledger system.

## **Premium and Loss System**

Revenues are derived from direct billing and independent agent accounts. All branches in New Jersey report via their Transaction Services Production Systems (Genesis, Ramquest, DSI Impact, etc. This information is fed into the Centralized Revenue Recognition Accounts Receivable (CRRAR) system. Revenues are entered into the system at the branches and on a weekly basis; the Revenue Accounting Department at SRC (Shared Resource Center, i.e. the home office in Richmond) extracts and downloads the information into the Revenue Accounting System (RAS) which interfaces with the General Ledger. All deposits, premium taxes, commissions, distribution of settlement funds, the recording of revenue transactions, the processing of the Statutory Premium Reserve, etc., are calculated, recorded and posted to the appropriate accounts in the G/L on a weekly basis. Additionally, a file of all deposit transactions is sent to the Bank Reconciliation Department's ReconNet System, which is part of the bank reconciliation process. Agency Revenue (as opposed to Direct Revenue from Company shops whose systems are directly accessed by CRRAR) is sent to the Company's Agency Service Center (ASC) based in Louisville, Kentucky. ASC processes all agency remittances and revenues. It takes ASC 3+ business days into the current (new) month to key all of the information received from agents by previous calendar month-end. Once keyed in, all information is then downloaded to the RAS. Reconciliation of information from the ASC and One Stop (Philadelphia) is reconciled on a monthly basis. As part of the month end process, Revenue Accounting reconciles the Accounts Receivable Trial Balance to the General Ledger. A/R aging reports are reviewed either hard copy from the unit location (not applicable to New Jersey), or sent via electronic data file. The electronic files are downloaded into an excel file. The General Ledger information is downloaded into a separate column in the file and is compared to the field information. Any variances are reviewed and any variance over \$10,000 is investigated. The deposits file from CRRAR is then used by the Bank Reconciliation Department at SRC and reconciled to the bank statements and G/L. These processes are reviewed and audited by Internal Audit, who examines a sample of branch operations annually to ensure compliance with internal control procedures.

Claims are processed using Mitrastech's Matter Management System. Once the claim reaches the attorney, it is entered into the Team Connect Enterprise System (TCE). Once entered into TCE, the Briefs Report and the General Information Report can be printed to verify that all of the information is correct. On a monthly basis, TCE information is imported into the G/L and the Bank Reconciliation System (UAR) by Ken Martin. This information is used by the Company to perform the TCE to G/L reconciliation and also the bank reconciliation.

## **Investment System**

The Company's investment related transactions are handled through its SunGuard Enterprise Portfolio System a computerized investment and accounting program maintained by the Company's affiliate Lawyers Title Insurance Corporation. This system maintains a historical inventory of securities owed, calculates interest accruals, capital gain, amortization of premiums and accrual of discounts. This system began interfacing with the GEAC system in 2006.

## **Other Systems**

Other operating systems used by the Company include:

Accounts Payable - PeopleSoft  
Fixed Assets - Global  
HR/Payroll - Ceridian  
Real Estate Management - Fischer

### **ADVERTISING AND SALES MATERIAL**

A review of the Company's advertising and sales materials disclosed that the Company is in compliance with N.J.S.A. 17:18-10 and that there were no material inconsistencies between the Company's sales material and the Company's policies.

### **TREATMENT OF POLICYHOLDERS**

N.J.S.A. 17:29B-4 requires all companies to maintain a complete record of all complaints that it has received since the date of its last examination. A review of Company records indicates that as of December 31, 2005, the Company does maintain a complaint register and is in compliance with N.J.S.A. 17:29b-4.

### **CONTINUITY OF OPERATIONS**

A business continuity plan is necessary to help ensure the Company can adequately recover from a system failure or business interruption in a timely fashion and without the loss of significant data. Management should assess how the Company's reputation and financial status would be impacted in the event of a major processing disruption and, based on this assessment, develop an appropriate continuity plan that would help to ensure the Company can adequately recover from a system failure or business disruption in a timely fashion.

The Company has created a formal, comprehensive business continuity plan, including a disaster recovery plan in regards to asset, business continuity, directors and officers. The Company has failed to adequately implement their disaster recovery plan.

It is recommended that the Company adequately provide the proper resources to implement its Disaster Recovery Plan.

## **FINANCIAL STATEMENTS AND OTHER EXHIBITS**

The financial statements and other exhibits contained in this report are listed below:

Exhibit A      Balance Sheet at December 31, 2005 and December 31, 2002

Exhibit B      Summary of Operations for the Three Year Period Ending December 31, 2005

Exhibit C      Capital and Surplus Account for Three Year period Ending December 31, 2005

COMMONWEALTH LAND TITLE INSURANCE COMPANY OF NEW JERSEY  
BALANCE SHEET AT DECEMBER 31, 2005 AND DECEMBER 31, 2002

	Current Examination @ 12/31/05	Company @ 12/31/05	Examination Change	Note Number	Previous Examination @ 12/31/02
<u>Assets</u>					
Bonds	\$29,959,219	\$29,959,219	\$0	1	\$20,837,100
Mortgage Loans on Real Estate - First Liens	68,494	68,494	0		71,711
Cash and Short-Term Investments	8,031,509	8,031,509	0		9,758,733
Investment Income Due and Accrued	365,007	365,007	0		323,621
Agents' Balances or Uncollected Premiums:					
Premiums and agents' balances in course of collection	88,052	88,052	0		237,619
Net Deferred Tax Asset	205,329	205,329	0		586,899 *
Electronic Data Processing Equipment	5,395	5,395	0		2,521
Receivable from Parent, Subsidiaries and Affiliates	<u>3,833,364</u>	<u>3,833,364</u>	<u>0</u>		<u>1,158,604</u>
<b>Total Admitted Assets</b>	<u>\$42,556,369</u>	<u>\$42,556,369</u>	<u>\$0</u>		<u>\$32,976,808</u>
<u>Liabilities</u>					
Known Claim Reserve	\$950,353	\$950,353	\$0	2	\$1,085,903
Statutory Premium Reserve	6,343,239	6,343,239	0	3	4,891,545
Other Expenses	296,609	296,609	0		81,655
Taxes, Licenses and Fees	1,809	1,809	0		18,210
Federal and Foreign Income Taxes	2,224,643	2,224,643	0		464,978 *
Premiums and Other Considerations Received in Advance	33,941	33,941	0		17,831
<b>Total Liabilities</b>	<u>\$9,850,594</u>	<u>\$9,850,594</u>	<u>\$0</u>		<u>\$6,560,122</u>
<u>Surplus and Other Funds</u>					
Common Capital Stock	500,000	500,000	0		500,000
Gross Paid-in and Contributed Surplus	3,150,068	3,150,068	0		3,150,068
Unassigned Funds (Surplus)	<u>29,055,707</u>	<u>29,055,707</u>	<u>0</u>		<u>22,766,618</u>
<b>Surplus as Regards Policyholders</b>	<u>\$32,705,775</u>	<u>\$32,705,775</u>	<u>\$0</u>	4	<u>\$26,416,686</u>
<b>Total Liabilities, Surplus and Other Funds</b>	<u>\$42,556,369</u>	<u>\$42,556,369</u>	<u>\$0</u>		<u>\$32,976,808</u>

\* Reported in 2002 Examination Report as Part of Federal and Foreign Income Taxes Recoverable and Interest Thereon

**EXHIBIT B****COMMONWEALTH LAND TITLE INSURANCE COMPANY OF NEW JERSEY  
SUMMARY OF OPERATIONS FOR THE  
THREE YEAR PERIOD ENDING DECEMBER 31, 2005**

<b><u>OPERATING INCOME</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>
Title Insurance Premiums Earned	\$45,858,840	\$45,077,289	\$37,677,058
Escrow and Settlement Services	882,665	793,010	991,449
Other Title Fees and Service Charges	<u>2,039,920</u>	<u>2,413,666</u>	3,115,528
Total Operating Income	<u>48,781,425</u>	<u>48,283,965</u>	<u>41,784,035</u>
<b><u>DEDUCT</u></b>			
Loss and Loss Adjustment Expenses Incurred	\$1,347,469	\$1,832,693	\$610,298
Operating Expenses Incurred	<u>40,017,037</u>	<u>38,094,461</u>	<u>31,824,884</u>
Total Deductions	<u>\$41,364,506</u>	<u>\$39,927,154</u>	<u>\$32,435,182</u>
Net Underwriting Gain or (Loss)	<u>\$7,416,919</u>	<u>\$8,356,811</u>	<u>\$9,348,853</u>
<b><u>INVESTMENT INCOME</u></b>			
Net Investment Income Earned	\$1,520,080	\$1,228,858	\$1,230,932
Net Realized Capital Gains or (-) Losses	<u>(48,150)</u>	<u>(31,677)</u>	<u>3,715</u>
Net Investment Gain	<u>\$1,471,930</u>	<u>\$1,197,181</u>	<u>\$1,234,647</u>
Net Income After Capital Gains Tax and Before All Other Federal Income Taxes	<u>\$8,888,849</u>	<u>\$9,553,992</u>	<u>\$10,583,500</u>
Federal and Foreign Income Taxes Incurred	<u>2,770,237</u>	<u>3,194,800</u>	<u>3,534,227</u>
Net Income	<u>\$6,118,612</u>	<u>\$6,359,192</u>	<u>\$7,049,273</u>

**EXHIBIT C****COMMONWEALTH LAND TITLE INSURANCE COMPANY OF NEW JERSEY  
CAPITAL AND SURPLUS ACCOUNT FOR  
THREE YEAR PERIOD ENDING DECEMBER 31, 2005**

	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Net Income</b>	<u>\$6,118,612</u>	<u>\$6,359,192</u>	<u>\$7,049,273</u>
<b><u>GAINS AND LOSSES (-) IN SURPLUS</u></b>			
Net Unrealized Capital Gains or (-) Losses	\$0	\$0	\$0
Change in Net Deferred Income Tax	(24,625)	113,723	58,337
Change in Non Admitted Assets	174,711	(236,395)	(117,939)
Dividends to Stockholders	(6,300,000)	0	(6,900,000)
Prior Year Tax Adjustment	<u>(5,800)</u>	<u>0</u>	<u>0</u>
<b>Total Other Surplus Gains or (-) Losses</b>	<u><b>(\$6,155,714)</b></u>	<u><b>(\$122,672)</b></u>	<u><b>(\$6,959,602)</b></u>
<b>Increase or (-) Decrease Surplus as Regards Policyholders</b>	<b>(\$37,102)</b>	<b>\$6,236,520</b>	<b>\$89,671</b>
<b>Surplus as Regards Policyholders December 31, Previous Year</b>	<u><b>\$32,742,877</b></u>	<u><b>\$26,506,357</b></u>	<u><b>\$26,416,686</b></u>
<b>Surplus as Regards Policyholders December 31, Current Year</b>	<u><b>\$32,705,775</b></u>	<u><b>\$32,742,877</b></u>	<u><b>\$26,506,357</b></u>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1 BONDS

The Company reported Bonds in the amount of \$29,959,219 as of December 31, 2005. This amount represented 70% of its net admitted assets. The Company reported its bonds at amortized value as prescribed by the NAIC.

### NOTE 2 KNOWN CLAIMS RESERVES

At December 31, 2005, the Company reported a net liability for Known Claim Reserves of \$950,353. A review of the reserves for known claim reserves was completed under the direction of the Property and Casualty Actuarial Division of the New Jersey Department of Banking and Insurance.

The examination performed reconciliations of the Known Claim Reserves from annual statement page 8, "Unpaid Losses and Loss Adjustment Expenses" to Schedule P of the Company's annual statement.

The Company was able to provide loss reports for Known Claim Reserves that were able to reconcile the appropriate Schedule P schedules to calendar year and line of business.

At December 31, 2005, the Company reported Paid Losses and Allocated Loss Adjustment Expenses Paid of \$1,059,889. This amount was accepted for purposes of the examination.

The examination performed reconciliations of the Paid Losses and Allocated Loss Adjustment Expenses Paid from annual statement page 7, "Losses Paid and Incurred" to Schedule P of the Company's annual statement.

In the reconciliation of Schedule P-Part 1 - Summary, Schedule P-Part 1A - Policies Written Directly and Schedule P-Part 1B - Policies Written Through Agents, it was determined by this examination that the Company was not able to produce loss reports that tied to calendar year and by line of business to the appropriate Schedule P schedules for Paid Losses and Allocated Loss Adjustment Expenses Paid.

It is recommended by this examination that the Company in future annual statements be able to produce loss reports that ties calendar year and line of business to the appropriate Schedule P annual statement pages for Paid Losses and Allocated Loss Adjustment Expenses Paid.

### NOTE 3 STATUTORY PREMIUM RESERVES

At December 31, 2005, the Company reported a liability for Statutory Premium Reserves in the amount of \$6,343,239. This amount was accepted for purposes of the examination.

The examination performed a reconciliation of the statutory premium reserve (SPR) additions for the year 2005. The examination noted no exceptions.

The examination performed a test of the underlying data used to calculate the SPR additions for 2005 using ACL for Windows. It was determined by this examination that the Company's controls pertaining to the input of underlying data from the Agency Service Center was inadequate.

It is recommended that the Company improve their internal controls over data input into the Company system from the Agency Service Center.

Note 4 CAPITAL AND SURPLUS

The Company reported capital and surplus in the amount of \$32,705,775 at December 31, 2005 as summarized:

Common Capital Stock	\$ 500,000
Gross Paid In and Contributed Surplus	3,150,068
Unassigned Funds (Surplus)	<u>29,055,707</u>
Total	<u>\$32,705,775</u>

At December 31, 2005, CLTICNJ's common capital stock is comprised of 50,000 shares (authorized, issued and outstanding) with a \$10.00 par value share.

Commonwealth Land Title Insurance Company owned all shares of the Company

No capital contributions were received during the examination period.

This examination did not result in any material findings that impacted the Company's reported unassigned surplus. The company meets the requirements for minimum capital and surplus as of December 31, 2005.

## **SUMMARY OF RECOMMENDATIONS**

### Territory and Plan of Operation (Page 9)

It is recommended that the Company get their investment agreement rewritten and executed to reflect the change from Scudder Kemper Investments to Deutsche Investment Management Americas Inc.

### Reinsurance (Page 13)

It is recommended that the Company rewrite or amend their reinsurance agreements in order for the agreements to be in compliance with NAIC SSAP No. 62 paragraph 8 subparagraph “c” and “d”.

### Continuity of Operations (Page 18)

It is recommended that the Company adequately provide the proper resources to implement its Disaster Recovery Plan.

### Known Claim Reserves (Page 23)

It is recommended by this examination that the Company in future annual statements be able to produce loss reports that ties calendar year and line of business to the appropriate Schedule P annual statement pages for Paid Losses and Allocated Loss Adjustment Expenses Paid.

### Statutory Premium Reserve (Page 26)

It is recommended that the Company improve their internal controls over data input into the Company system from the Agency Service Center.

## **SUBSEQUENT EVENTS**

In 2006, the Company decided to eliminate its Investment Department and outsource the investment accounting to Princeton Financial Services (PFS) via an Investment Accounting Services Agreement dated January 1, 2007. For the fee specified in the agreement, PFS will provide all transaction recording and review, cash processing, valuation of assets, regulatory reporting and other reports or customization of reports as need by the Company. Assets are still managed by Deutsche Investment Management Americas, Inc. under the requirements of the Investments Guidelines as set forth by the Board of Directors.



COMMONWEALTH LAND TITLE INSURANCE COMPANY OF NEW JERSEY

I, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2005 to the best of my information, knowledge and belief.

Respectfully Submitted,

/S/

James D Grimes Jr., CPA, CFE

Financial Examiner

INS Consultants, Inc. Representing the New  
Jersey Department of Banking and Insurance –  
Office of Solvency Regulation Division

State of New Jersey  
County of Mercer

Subscribed and sworn to before me, on this 18th day of June, 2007.

/S/

Notary Public of New Jersey

My commission expires: January 21, 2008