REPORT ON EXAMINATION AS TO THE CONDITION OF

CATIC TITLE INSURANCE COMPANY (“CATICO”)

PARSIPPANY, NEW JERSEY 07054

AT DECEMBER 31, 2018

NAIC COMPANY CODE 51187

F I L E D

MARCH 24, 2020

Commissioner
Department of Banking & Insurance

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DEPARTMENT OF BANKING AND INSURANCE
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PHIL MURPHY
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SHEILA OLIVER
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MARLENE CARIDE
Commissioner

January 10, 2020

Honorable Marlene Caride
Commissioner of Banking and Insurance
State of New Jersey
20 West State Street
Trenton, New Jersey 08625

Commissioner:

In accordance with the authority vested in you by the provisions of N.J.S.A. 17:23-22, a financial condition examination has been made of the assets and liabilities, methods of conducting business and all other affairs of the:

CATIC TITLE INSURANCE COMPANY
2001 ROUTE 46 WATERVIEW PLAZA, SUITE 310
PARSIPPANY, NJ 07054
N.A.I.C. COMPANY CODE 51187
N.A.I.C. GROUP CODE 4255

a domestic title insurance company authorized to transact business in the State of New Jersey, and hereafter referred to in this report as “CATICO,” or “Company.”

SCOPE OF EXAMINATION

This comprehensive financial condition examination was called by the Commissioner of the New Jersey Department of Banking and Insurance (hereafter "NJDOBI" or "Department") pursuant to the authority granted by **Section 17:23-22** of the New Jersey Annotated Revised Statutes.

The examination covered the five-year period from December 31, 2013, the date of the last examination, through December 31, 2018, and included material transactions and/or significant events occurring subsequent to the examination date. During this five-year period, the Company's assets decreased from $6,638,498 to $3,393,883; liabilities decreased from $5,947,910 to $2,061,839 and total surplus increased from $690,588 to $1,332,044.

The conduct of the examination was governed in accordance with the procedures of the National Association of Insurance Commissioners (NAIC) and followed regulatory procedures prescribed or permitted by NJDOBI.

All financially significant accounts and activities of the Company were considered in accordance with the examination process. The examiners also relied upon audit work performed by the Company's independent public accountants when and where appropriate in whole or in part.

A review was made of the following matters to ascertain the Company's financial condition and its conformity with the insurance laws and incorporated as part of the written report and or made part of the examination work papers:

Company History
Territory and Plan of Operation
Management and Control
Corporate Records
Policy on Conflict of Interest
Holding Company System
Intercompany Agreements
Fidelity Bond and Other Insurance Coverages
Employee Welfare and Benefit Plans
Accounts and Records
Continuity of Operations
Commitments and Contingencies
Fraud

COMPLIANCE WITH PRIOR EXAMINATION REPORT RECOMMENDATIONS

Company History: Page #4:

It was noted that during 2012 CATICO relocated to 2001 Route 46, Waterview Plaza, Suite 310, Parsippany, New Jersey.

It was recommended that the Company execute a certificate of amendment and modify the Articles of Incorporation to reflect the correct statutory address. The Company complied with the recommendation.

Continuity of Operations Page #11:

It was noted that the Company has not performed any simulated disaster recovery tests, which would identify any existing and or unforeseen impediments in restoring the various critical Company operations in a timely manner.

It was again recommended the Company perform a broad disaster recovery simulation test as to identify any existing and or potential impediments in restoring critical Company operations in a timely manner and the Company did so.

It was noted during the current examination that CATICO maintains a disaster recovery plan, through its parent CATIC Financial, Inc., in order to maintain the stability and continuity of the Company's operations in the event of a manmade or natural disaster.

CATIC Financial, Inc. purchased CATICO in December of 2006. In order to become as efficient as possible, a review of personnel and systems was performed as to receive the biggest savings benefit possible. Over time, most of CATICO's back-office systems were migrated to the servers at CATIC Financial, Inc., in Rocky Hill, Connecticut. Then, as various software systems and their resulting data were resident on servers in Rocky Hill, Connecticut they became subject to the overall back-up and restoration process or disaster recovery function in Rocky Hill rather than at CATICO in New Jersey.

Further, since the ceasing of writing business effective with any policy dates after July 27, 2011, and with the further downsizing of the personnel of CATICO, the disaster recovery function has been handled as part and parcel of CATIC Financial, Inc.'s systems.

COMPANY HISTORY

The Company was incorporated under the original name "New Jersey Realty Title Insurance Company" on June 9, 1937. Business operations began on July 29, 1937, under a certificate of authority allowing the Company to engage in the business of insurance "against loss or damage on account of encumbrances upon or defects in titles to real property" as specified under subsection "h" of **N.J.S.A. 17:17-1.**

On June 30, 1993, the Company was purchased by ***Edge Partners, LLC*** (formerly NJT Holdings, Inc.) from the Resolution Trust Corporation, acting as a receiver for Colonial Federal Savings and Loan. In connection with this purchase, the Company filed an amended Certificate of Incorporation dated November 30, 1993, with the Commissioner of NJDOBI changing the name of the Company to "New Jersey Title Insurance Company" and its principal office to 35 Waterview Boulevard, Parsippany, New Jersey.

On December 21, 2006, the Company was acquired by ***CATIC Financial, Inc.*** ("CATIC Financial"), a parent holding company domiciled in Delaware. CATIC Financial is also the parent company of ***Connecticut Attorneys Title Insurance Company*** ("CATIC"), New England's largest domestic and only Bar-Related® title insurance underwriter. The interrelationships of these companies are further elaborated upon under the section titled '*Holding Company System*.'

During April 2011, the Company's management learned that the largest title insurance agency with whom the Company had been doing business had ceased operations and had been involved in a fraudulent scheme to divert to its own use, monies received to pay off prior mortgages and taxes on properties subject to the title insurance binders issued by the Company. The Company's management subsequently held meetings with the agency's management and counsel and, based upon information provided to the Company during those meetings and upon further independent investigation, determined that the Company had been exposed to significant liability.

During May 2011, management learned that a second agency with whom the Company had been doing business since 2001, had also been involved in a fraudulent scheme to divert to its own use, monies received to pay off prior mortgages and taxes on properties subject to the title insurance binders issued by the Company. The Company's management subsequently held meetings with that agency's management and agency counsel and, based upon information provided to the Company during those meetings and upon further investigation, determined that the Company had been exposed to significant liability. As a result of the financial effect of the foregoing matters, the Company's June 30, 2011 statutory capital and surplus position fell below the minimum threshold for capital and surplus required by NJDOBI to whose regulatory jurisdiction the Company is subject.

Upon order of the NJDOBI dated July 26, 2011, and with notice to agents by the Company of the same date, effective July 27, 2011, agents were directed to cease and desist writing commitments for or issuing closing protection letters to lenders, with the effect of having the Company cease and desist incurring further liability for any polices. Pursuant to this order, commitments and closing protection letters issued prior to July 27, 2011 were honored by the Company. Also on July 27, 2011, the Company's third-party rating agency, Demotech, Inc., informed management that it had withdrawn its Financial Strength Rating of 'A' ("A Prime"), previously assigned to the Company as a result of its deteriorating financial position.

On September 1, 2011 the Company and CATIC Financial consented both to the form and entry of a Consent Order of Administrative Supervision (the "Consent Order") issued by the Commissioner of the NJDOBI and began working with NJDOBI staff and a Deputy Administrative Supervisor appointed by the NJDOBI to facilitate a solvent run-off of the Company's business operations. Pursuant to the terms of the Consent Order, the Company and CATIC Financial agreed to certain enhanced reporting requirements and further agreed not to enter into specific transactions without NJDOBI approval. New Jersey Title Insurance Company ceased writing new business on July 27, 2011.

On March 7, 2014, the Company entered into a retroactive reinsurance agreement together with CATIC Financial, Inc., Connecticut Attorneys Title Insurance Company ("CATIC") (a Connecticut domiciled title insurer) and CATIC's wholly-owned subsidiary CATIC Insurance (VT), Ltd. ("CIVL") (a Vermont domiciled captive insurance company) (the "Retroactive Reinsurance Agreement" or the "Agreement"). Under the terms of the Agreement, CIVL agreed to fully reinsure all of the Company's policy liabilities, including all unpaid loss and loss adjustment expenses, all monies escrowed or retained for the account of others in consideration of a Company policy of title insurance being issued, and all monies due under reinsurance contracts. In exchange, the Company agreed to transfer to CIVL all of its cash, invested assets and other assets other than those necessary to settle the Company's other liabilities and ongoing expenses. In connection with the Agreement, CATIC, subject to conditions imposed by the Connecticut Department of Insurance, agreed to maintain capital levels in CIVL sufficient for CIVL to successfully runoff and pay all claims losses, loss adjustment expenses and any and all other obligations assumed from the Company.

On March 7, 2014, the Company, together with CATIC Financial, Inc., CATIC and CIVL, consented to a Modified Consent Order of Administrative Supervision and Termination of the Memorandum of Understanding issued by the Commissioner (the "Modified Consent Order"). The Modified Consent Order, which was issued as a result of the Retroactive Reinsurance Agreement and Intercompany Services Agreement, modified certain terms of the Consent Order and requires the Company to maintain a minimum level of capital and surplus of $200,000, and grants the Company certain permitted accounting practices.

On August 7, 2017, after receiving permission from NJDOBI, the Company changed its name to CATIC Title Insurance Company ("CATICO" or "The Company"). After six years of runoff operations, the Company requested and was granted permission to begin accepting commitments and offering new policies, subject to some restrictions including keeping surplus in accordance with the Consent Order. The Company wrote its first new business in December of 2017.

TERRITORY AND PLAN OPERATION

In June 2012, the Company, CATIC Financial and NJDOBI entered into a Memorandum of Understanding, which imposed additional considerations necessary to facilitate the solvent run-off of the Company's business and operations and to assure it maintains sufficient assets to cover its projected liabilities. The specific terms of the Memorandum of Understanding remain confidential by mutual agreement between CATIC Financial, the Company and the NJDOBI. In connection with the execution of the Memorandum of Understanding, the Company received certain permitted accounting practices from the NJDOBI. The Company continued to operate under the terms of the Memorandum of Understanding until March 7, 2014.

On March 7, 2014, the Company, together with CATIC Financial, Inc., CATIC and CIVL, consented to a Modified Consent Order of Administrative Supervision and Termination of the Memorandum of Understanding issued by the Commissioner (the "Modified Consent Order"). The Modified Consent Order, which was issued as a result of the Retroactive Reinsurance Agreement and Intercompany Services Agreement, modified certain terms of the Consent Order and requires the Company to maintain a minimum level of capital and surplus of $200,000, and grants the Company certain permitted accounting practices.

On August 7, 2017, after receiving permission from NJDOBI, the Company changed its name to CATIC Title Insurance Company. After six years of runoff operations, the Company requested and was granted permission to begin accepting commitments and offering new title policies, subject to some restrictions including maintaining minimum surplus in accordance with the Consent Order. The Company wrote its first new title business in December of 2017. The company only writes in New Jersey and New York.

TREATMENT OF POLICYHOLDERS

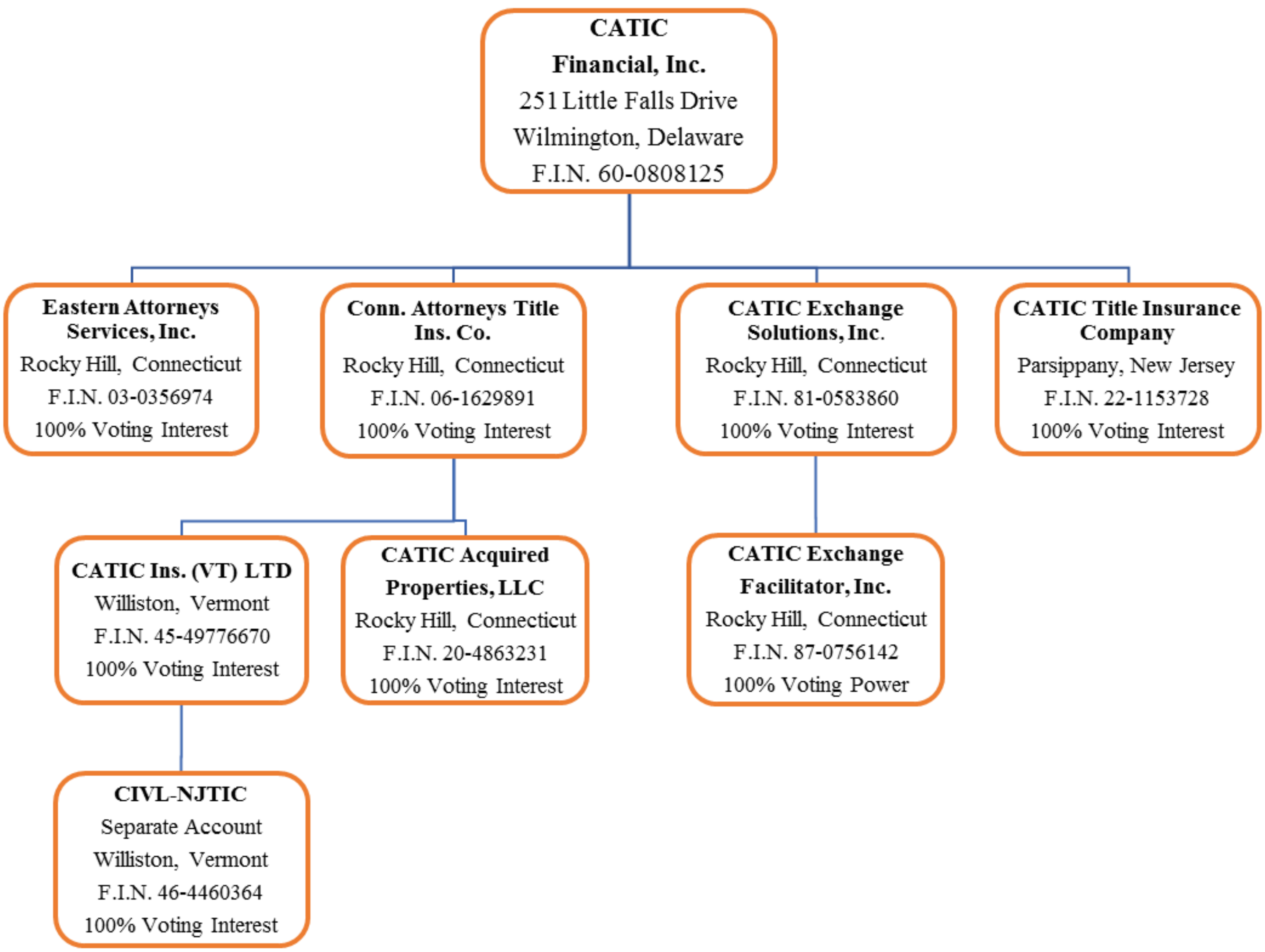
The review and test check of complaints filed in the Company's complaint log indicated that the Company maintains its complaint log in accordance with **N.J.S.A. 17:29B-4(10)**.

HOLDING COMPANY SYSTEM

Affiliated Companies

The Company is a member of a holding company system as defined in **N.J.S.A. 17:27A-1** and as such has registered with the Department by filing the required statements in compliance with *section 3* of the same Act. All authorized and outstanding stock shares of the Company are fully owned by CATIC Financial, Inc.

The following chart illustrates the interrelationship of the particular companies within the holding company system as of December 31, 2018:



Inter-Company Agreements

On February 23, 2018, CATIC purchased $850,000 of additional Surplus Notes from CATICO. This was in compliance with a *Memorandum of Understanding* between CATIC Financial, CATICO and the NJDOBI. The need for additional capital in CATICO as of December 31, 2017, came about as a result of the December 22, 2017 enactment of the *Tax Cuts and Jobs Act of 2017* that lowered the going forward corporate tax rate to 21% thus adversely affecting the December 31, 2017 tax valuation of CATICO's admitted deferred tax assets. Such 2018 purchase has been accounted for as if a 2017 transaction as a permitted practice by the NJDOBI. On September 4, 2018, CATICO redeemed in full the $850,000 Surplus Note plus accrued interest.

Tax Allocation Agreement

The Company maintains a tax allocation agreement with CATIC Financial, Inc., which governs the filing of federal income and in some cases, state and local taxes on a consolidated basis. The agreement stipulates that each company's tax burden would be computed in accordance with each entity's proportionate share of the tax liability on a stand-alone basis. The separate tax return liability is computed without regard to the carryover of any tax attribute that is not allowed in the computation of the consolidated tax liability. Such items include but are not limited to tax attributes that may have existed prior to an acquisition.

Memorandum of Understanding

In June 2012, the Company, CATIC Financial, Inc., and NJDOBI entered into a Memorandum of Understanding, which imposed additional considerations necessary to facilitate the solvent run-off of the Company's business and operations and to assure it maintains sufficient assets to cover its projected liabilities. The specific terms of the Memorandum of Understanding remain confidential by mutual agreement between CATIC Financial, Inc., the Company and the NJDOBI. In connection with the execution of the Memorandum of Understanding, the Company received certain permitted accounting practices from the NJDOBI. The Company continued to operate under the terms of the Memorandum of Understanding until March 7, 2014.

Modified Consent Order of Administrative Supervision and Termination of the Memorandum of Understanding

On March 7, 2014, the Company, together with CATIC Financial, Inc., CATIC and CIVL, consented to a Modified Consent Order of Administrative Supervision and Termination of the Memorandum of Understanding issued by the Commissioner (the "Modified Consent Order"). The Modified Consent Order, which was issued as a result of the Retroactive Reinsurance Agreement and Intercompany Services Agreement, modified certain terms of the Consent Order and requires the Company to maintain a minimum level of capital and surplus of $200,000, and grants the Company certain permitted accounting practices.

Retroactive Reinsurance Agreement

On March 7, 2014, prior to issuance of the financial statements, the Company entered into a retroactive reinsurance agreement, which was approved by the NJDOBI with an effective date of December 31, 2013. As such, the Company has recorded the effect of this agreement in its statutory financial statements as of and for the year ended December 31, 2013. The following summary documents our understanding of the agreements:

On March 7, 2014, the Company entered into a retroactive reinsurance agreement together with CATIC Financial, Inc., Connecticut Attorneys Title Insurance Company ("CATIC") (a Connecticut domiciled title insurer) and CATIC's wholly-owned subsidiary CATIC Insurance (VT), Ltd. ("CIVL") (a Vermont domiciled captive insurance company) (the "Retroactive Reinsurance Agreement" or the "Agreement"). Under the terms of the Agreement, CIVL agreed to fully reinsure all of the Company's policy liabilities, including all unpaid loss and loss adjustment expenses, all monies escrowed or retained for the account of others in consideration of a Company policy of title insurance being issued, and all monies due under reinsurance contracts. In exchange, the Company agreed to transfer to CIVL all of its cash, invested assets and other assets other than those necessary to settle the Company's other liabilities and ongoing expenses.

In connection with the Retroactive Reinsurance Agreement, CATIC agreed to maintain capital levels in CIVL sufficient for CIVL to successfully runoff and pay all claims losses, loss adjustment expenses and any and all other obligations assumed from the Company.

Entry into the Retroactive Reinsurance Agreement was approved by all of the domiciliary Insurance Commissioners to whose jurisdiction the Company, CATIC and CIVL are subject with an effective date of December 31, 2013. As such, effects of the Retroactive Reinsurance Agreement are reflected in the financial statements of CATIC, CIVL and CATICO as of and for the year ended December 31, 2013.

The Company accounts for retroactive reinsurance in accordance with Statement of Statutory Accounting Principles No. 62R Property and Casualty Reinsurance (SSAP 62R). SSAP 62R requires the presentation of loss and loss adjustment expense reserves on a gross basis with a corresponding contra-liability for retroactive reinsurance ceded on the statutory statement of admitted assets, liabilities and capital and surplus. Further, SSAP 62R requires surplus arising under the retroactive reinsurance agreement to be recorded as segregated surplus until such time as the actual retroactive reinsurance recoveries exceed the consideration paid.

In accordance with SSAP 62R, the Company has recorded retroactive reinsurance recoverable from CIVL totaling $6,208,000 as a contra-liability and has recorded the gain recognized totaling $596,536 as segregated surplus in the accompanying statutory statement of admitted assets, liabilities and capital and surplus as of December 31,2013.

The collectability of retroactive reinsurance recoverable is subject to the solvency of the reinsurer. At December 31, 2013, CIVL exceeds the minimum capital and surplus requirements of its State of domicile. CIVL's stockholder, CATIC, subject to conditions imposed by the Connecticut Department of Insurance, has agreed to maintain capital levels in CIVL sufficient for CIVL to successfully runoff and pay all claims losses, loss adjustment expenses and any and all other obligations assumed from the Company. In the event that CIVL is unable to meet any or all of its obligations under the Agreement, the Company would be liable for such defaulted amounts. Management currently believes the balance of retroactive reinsurance recoverable is fully realizable and therefore no allowance for uncollectible amounts has been recorded.

As of December 31, 2013, the Company has a payable to CIVL totaling $5,114,934. Under the terms of the Agreement, this payable is required to be settled through payment of $2,020,555 in March 2014, payment of $709,516 upon receipt of the Company's federal income tax recoverable and $2,384,863 upon receipt of payments from affiliated entities for use of the Company's net operating loss carryforwards to offset federal taxable income under the group tax-sharing agreement. In March 2014, the Company made the first required payment to CIVL totaling $2,020,555. In October 2014, the Company made the required payment of $709,516. In September 2015, the Company made a payment of $19,458. In December 2016, the Company made a payment of $350,000. In December 2017, the Company made a payment of $225,000.

In 2018, claim losses and loss adjustment expenses totaling $1,646,905 were paid directly by CATICO, but the Company has been reimbursed by CIVL-NJTIC, under the terms of the retro-reinsurance agreement, for $1,387,625 of the amounts paid, and CATICO had a receivable from CIVL-NJTIC of $259,280 as of December 31, 2018.

Prior to December 31, 2013, the Company had ceded title policy risks to other insurance companies in order to limit and diversify its risk. The Company has not paid or recovered any reinsurance losses through such reinsurance agreements during the year ended December 31, 2018.

REINSURANCE AGREEMENT

On July 1, 2017, the Company entered into an intercompany reinsurance agreement with CATIC to effect distribution of the risk insured and to give additional assurances to lenders and others entitled to protection under policies of title insurance issued by the Company. Under the agreement, the Company agreed to retain the first $50,000of risk on each policy issued and to cede secondary loss risk up to $30,000,000 to CATIC as the reinsurer in excess of its retention.

MANAGEMENT & CONTROL

Board of Directors

The business and property of the Company is managed and controlled by the Board of Directors (hereafter "the Board"), except as otherwise provided by the by-laws. The by-laws stipulate that the Board is to consist of no less than three (3) nor more than eight (8) members, as determined from time to time by resolution of the Board. Members are elected on an annual basis by the shareholders of CATIC Financial. As of December 31, 2018, the Board consisted of six members, three of which were outside directors. The duly elected members were as follows:

Name and Address	Principal Occupation
Tony E. Jorgensen	Attorney The Jorgensen Law Firm, LLC
James M. Czapiga	President & CEO CATIC Title Insurance Company
Thomas D. Murphy	Attorney Murphy McCoubrey
Robert L. Fisher, Jr.	Attorney Cramer & Anderson, LLP
Stephen Maggiola	SVP and Counsel CATIC Title Insurance Company

The Board's composition meets the prerequisites of **N.J.S.A. 17:27A-4d**, paragraph 3, which requires that at least one-third of the membership be made up of outside directors only.

The by-laws of CATICO have provisions for the establishment of committees as required under **N.J.S.A. 17:27A-4d (4)**. The Company has satisfied this requirement through the ultimate controlling entity CATIC Financial, Inc., which has appointed committee/s as per section 4d, paragraph 5.

Officers

The by-laws stipulate that officers of the Company shall consist of a President, Chief Executive Officer, Treasurer, and Secretary, and if desired, a Vice President and a Controller. Other officers may be appointed, as the Board may deem advisable. Officers are elected annually by the Board. The following is a list of officers who were serving at December 31, 2018:

Name	Office(s)
James M. Czapiga	President & CEO
Richard Lawrence	Vice-President &Treasurer
Richard A. Hogan	Secretary
Charles M. Brady	Vice President – Claims
Edward Carroll	Asst. VP & Controller

Guy R. DeFrances, Jr.	SVP
Lawrence Bell	SVP and State Counsel
Stephen Maggiola	SVP

CORPORATE RECORDS

A review of the Company's corporate minutes indicated that transactions and events were adequately approved and supported. The Board's review and approval of the previous examination report was duly noted and documented in its minutes.

POLICY ON CONFLICTS OF INTEREST

The Company maintains a program for the disclosure of conflicts of interest. Each year members of the Board and managerial staff are required to complete a formal questionnaire to disclose any act or outside affiliation that is likely to conflict with that individual's official duties with CATICO.

ACCOUNTS AND RECORDS

The Company uses FMS-II software for the general ledger, accounts payable, and receivables accounting functions. The Company uses W-5 Claims Management software for claims loss and LAE reserves. Payment information and details are reconciled to the general ledger on a monthly basis.

Cash receipts from title operations and all other incoming receipts are entered on a manual basis using the FMS-II software. Agencies maintain premium files and regularly send remittance reports to the Company.

The AP clerk and the Director of Administration are the only individuals authorized to perform cash disbursements. Checks over $30,000 require two signatures.

Investments are maintained by an outside investment agent, Prime Advisors.

Audited Financials: Pursuant to **N.J.A.C. 11:2-26.4** an annual audit was performed by the CPA firm Grant Thornton, LLP, and an audited financial CPA report was filed with the NJDOBI. The report contains a synopsis of the major audit activities and results thereof in the corporate area.

EMPLOYEE WELFARE AND BENEFIT PLANS

401(k) Savings and Profit-Sharing Plan

The Company has a 401(k) savings and profit-sharing plan that covers substantially all employees subject to age and service requirements. The Company matches a portion of each employee's contributions to the plan and may also provide for additional, discretionary profit-sharing contributions at the sole discretion of the Board of Directors. Company contributions to the 401(k) plan for the years ended December 31, 2018 totaled $15,975. The Company did not make a discretionary contribution in 2018.

Defined Benefit Plan

The Company previously sponsored a non-contributory defined benefit pension plan. However, all benefits were "frozen" on July 31, 1993. Further, effective July 31, 2015, CATICO completed a process of transferring its frozen pension plan obligations to its parent holding company, CATIC Financial, Inc. This transaction was recorded on the books of the Company effective July 31, 2015. The 2015 gain in statutory surplus for NJTIC from this transaction was $305,488. CATICO no longer has any liability for this frozen pension plan.

FIDELITY BOND AND OTHER INSURANCE COVERAGES

The following outline shows the types and amounts of coverage that were in force at December 31, 2018:

Type of Coverage	Amount of Limits
Financial Institution Bond	$5,000,000 (Forgery or Alteration) $5,000,000 (Computer Fraud) $ 150,000 Single loss deductible
Commercial General Liability	$1,000,000 (Each occurrence) $ 500,000 (Damage to rented premises) $1,000,000 (Personal injury) $ 10,000 (medical expense -any one person) $2,000,000 (General aggregate)
Automobile Liability	$1,000,000 (Combined single limit) $1,000,000 (Each accident, any auto, hired autos, and non-owned autos)
Umbrella and Excess Liability	$10,000,000 (Each occurrence) $10,000,000 (Aggregate)
Workers' Compensation and Employer's Liability	$ 100,000 (Each accident) $ 500,000 (Disease - policy limit) $ 100,000 (Disease - each employee)
D&O/EPLI Liability	$ 13,000,000 (Each policy year/ each loss)
Fiduciary Liability	$ 7,000,000 (Each policy year/ each loss)

A review of the NAIC requirement guidelines for minimum amount of fidelity insurance indicated that the Company is adequately protected.

CONTINUITY OF OPERATIONS

CATICO maintains a disaster recovery plan, through its parent CATIC Financial, Inc., in order to maintain the stability and continuity of the Company's operations in the event of a manmade or natural disaster.

CATIC Financial, Inc., purchased CATICO in December of 2006. In order to become as efficient as possible, a review of personnel and systems was performed as to receive the biggest savings benefit possible. Over time, most of CATICO's back-office systems were migrated to the servers at CATIC Financial, Inc., in Rocky Hill, Connecticut. Then as various software systems and their resulting data were resident on servers in Rocky Hill, Connecticut they became subject to the overall back-up and restoration process or disaster recovery function in Rocky Hill rather than at CATICO in New Jersey.

Further, since the ceasing of writing business effective with any policy dates after July 27, 2011, and with the further downsizing of the personnel of CATICO, the disaster recovery function has been handled as part and parcel of CATIC Financial, Inc.'s systems.

FINANCIAL STATEMENTS

Financial statements and other exhibits are presented as listed below:

Exhibit – A: Statement of Financial Position as of December 31, 2018

Exhibit – B: Statement of Operating Results for the Five-Year Period ended December 31, 2018

Exhibit – C: Capital and Surplus Account for the Five-Year Period ended December 31, 2018

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018

Exhibit A

ASSETS	Balance per Examination	Balance per Company	Examination Change	Notes
Bonds	$225,000	$225,000		
Cash & Short Term Investments	1,723,870	1,723,870		
Investment Income Due and Accrued	1,381	1,381		
Federal and Foreign Income Tax Recoverable	2,324	2,324		
Net Deferred Tax Asset	1,130,180	1,130,180		
EDP Equipment and Software	6,735	6,735		
Receivable from PSA	304,393	304,393		
Total Admitted Assets	$3,393,883	$3,393,883		
LIABILITIES				
Known Claims Reserve	$978,850	$978,850		1
Statutory Premium Reserve	2,318,098	2,318,098		
Supplemental Reserve	58,933	58,933		
Other Expenses (excluding taxes, licenses and fees	104,955	104,955		
Taxes, Licenses and Fees	38,367	38,367		
Payable to PSA	67,081	67,081		
Aggregate Write ins for Other Liabilities	-1,504,445	-1,504,445		
Total Liabilities	$2,061,839	$2,061,839		
CAPITAL AND SURPLUS				
Aggregate write-ins for Special Surplus Funds	$5,611,461	$5,611,461		2
Common Capital Stock	500,000	500,000		
Surplus Notes	4,750,000	4,750,000		
Gross Paid-in and Contributed Surplus	3,386,801	3,386,801		
Unassigned Funds (Surplus)	-12,916,218	-12,916,218		
Surplus as Regards Policyholders	$1,332,044	$1,332,044		
Total Liabilities, Capital and Surplus	$3,393,883	$3,393,883		

PLEASE NOTE: THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE STATEMENTS

STATEMENT OF OPERATING RESULTS
FOR THE FIVE YEAR PERIOD ENDED DECEMBER 31, 2018

EXHIBIT B

	2014	2015	2016	2017	2018
OPERATING INCOME					
Premium Earned	-466,432	856,536	538,490	-28,981	1,187,060
Other Title Fees and Service Charges	35,548	10,040	4,164	890	99,897
Total Operating Income	-430,884	866,576	542,654	-28,091	1,286,957
Expenses:					
Loss and Loss Adjustment Expenses	2,654,702	1,331,590	1,217,458	1,612,732	1,140,946
Operating Expenses Incurred	444,371	276,342	122,843	115,370	1,301,133
Total Operating Expenses	3,099,073	1,607,932	1,340,301	1,728,102	2,442,079
Net Operating Gain or (Loss)	-3,529,957	-741,356	-797,647	-1,756,193	-1,155,122
INVESTMENT INCOME					
Net Investment Income Earned	13,182	492	1,568	2,732	-5,870
Net Realized Capital Gains or (Losses)	12,598	0	0	0	0
Net Investment Gain or (Loss)	25,780	492	1,568	2,732	-5,870
OTHER INCOME					
Aggregate Write Ins for Miscellaneous Income	3,121,134	255,834	678,968	1,656,953	1,001,753
Total Other Income	3,121,134	255,834	678,968	1,656,953	1,001,753
Net Income after Capital Gains & before other taxes	-383,043	-485,030	-117,111	-96,508	-159,239
Federal and Foreign Income Taxes Incurred	57,214	-339,053	-386,067	-21,529	-4,454
Net Income	-440,257	-145,977	268,956	-74,979	-154,785

CAPITAL AND SURPLUS ACCOUNT FOR THE
FIVE YEAR PERIOD ENDED DECEMBER 31, 2018

EXHIBIT C

	2014	2015	2016	2017	2018
Surplus as regards policyholders, December 31, Previous Year	690,588	503,233	683,656	680,615	1,271,590
Net Income	-440,257	-145,977	268,956	-74,979	-154,785
Change in Net Deferred Income Tax	55,124	-280,727	-271,997	-684,046	-15,397
Change in Non Admitted Assets	-1,346	1,075	0	0	-59,436
Change in Supplemental Reserves	0	0	0	0	-58,931
Change in Surplus Notes	250,000	0	0	850,000	-850,000
Surplus Adjustment: Paid in				500,000	1,200,000
Aggregate W/I's for Gains & Losses in Surplus	-50,876	606,052	0	0	-997
Change in Surplus for the Year	-187,355	180,423	-3,041	590,975	60,454
Surplus as Regards Policyholders December 31, Current Year	503,233	683,656	680,615	1,271,590	1,332,044

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – KNOWN CLAIMS RESERVES

The Known Claim Reserve as reported by the Company amounted to $978,850 at December 31, 2018. A review was made of claim files and loss payments which supported the loss liabilities and expenses as reported in the annual statement. The annual statement's Schedule P was reconciled to the Company's detail listing supporting claims.

Reserves were calculated in accordance with the NAIC reserve requirements. The Department's Property and Casualty Actuarial Unit and the Company's actuarial consulting firm, Milliman, Inc., performed a complete actuarial analysis of Loss and LAE reserve established by the Company. These reviews indicated that this liability was reasonably stated. The liability reported by the Company, therefore, has been accepted for the purpose of this examination.

The Company establishes a liability for all known unpaid policy claims and loss adjustment expenses (known claims reserve) in an amount estimated to be sufficient to cover all costs required to settle reported claims. In accordance with New Jersey Statute, the Company would normally establish a Statutory Premium Reserve to defer a portion of gross premiums received. The amount of statutory premium reserve is based on a statutorily prescribed formula applied to the net liability retained by the Company, which is then amortized into title insurance premiums earned in accordance with a statutorily prescribed schedule. However, the Company has received the approval of the NJDOBI (as a permitted practice) to record its policy claims and loss adjustment expense reserves at management's best estimate of the projected IBNR at December 31, 2018.

The Company develops its estimate of the IBNR claims based upon an independent actuarial valuation. Current economic and business trends are also reviewed and used in the reserve analysis. These include real estate and mortgage market conditions, changes in residential and commercial real estate values, and changes in the levels of defaults and foreclosures that may affect claims levels and patterns of emergence, as well as Company-specific factors that may be relevant to past and future claims experience.

Results from the valuation include, but are not limited to, a range of IBNR reserve estimates and a central point estimate for the IBNR as of the end of the reporting period. The third-party actuary's valuation uses generally accepted actuarial methods and is used to validate the accuracy of the total of the known claims reserves. Management selects its best estimate of projected IBNR from within the range of reserve estimates reported by the third-party actuary. It is likely that a change in the estimate will occur in future years and such change may be material.

NOTE 2 – CAPITAL AND SURPLUS

Aggregate Write-Ins for Special Surplus Funds

At December 31, 2018, the reported aggregate write-ins for surplus funds totaled $5,611,461.

Common Capital Stock

The outstanding stock of the Company at December 31, 2018, consisted of 375,000 shares of common stock with a par value of one dollar and thirty-three cents ($1.33 1/3) per share for a total capital of $500,000.

Surplus Notes

At December 31, 2018, the Company reported an amount of $4,750,000 in surplus notes.

The Company has surplus note payable to CATIC Financial totaling $4,750,000 at December 31, 2018 and requires semi-annual interest only installments at a fixed rate of 6.08%, with a balloon principal payment due on February 1, 2019. All payments of principal and interest are subject to the prior written approval of the NJDOBI. Pursuant to the terms of the Memorandum of Understanding and Modified Consent Order, the Company has not paid or accrued interest on the surplus notes for the years ended December 31, 2018 and 2017.

On February 23, 2018, CATIC purchased $850,000 of additional Surplus Notes from CATICO. This was in compliance with a *Memorandum of Understanding* between CATIC Financial, CATICO and the NJDOBI. The need for additional capital in CATICO as of December 31, 2017, came about as a result of the December 22, 2017 enactment of the *Tax Cuts and Jobs Act of 2017* that lowered the going forward corporate tax rate to 21% thus adversely affecting the December 31, 2017 tax valuation of CATICO's admitted deferred tax assets. Such 2018 purchase has been accounted for as if a 2017 transaction as a permitted practice by the NJDOBI. On September 4, 2018, CATICO redeemed in full the $850,000 Surplus Note plus accrued interest.

Gross Paid-in and Contributed Surplus

The Gross Paid-in and Contributed Surplus reported by the Company at December 31, 2018 totaled $3,386,801.

Unassigned Funds

Total Unassigned Funds, as reported by the Company, yielded a negative amount of $12,916,218.

SUBSEQUENT EVENTS

Board of Directors

At the Annual Meeting of the CATICO Board of Directors, held on September 4, 2019, Lawrence Craig Bell was appointed to the Board of Directors.

CONCLUSION

This statutory financial condition examination was conducted by the undersigned with the support of the Department's field and office staff.

The courteous assistance and cooperation of the Company's officers, employees and certified public accounting firm is acknowledged.

Respectfully submitted,

Neeraj Gupta

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Neeraj Gupta, CFE
Examiner-in-Charge
Representing the State of New Jersey
INS Consultants, Inc.

Under the supervision of,

Nancy Lee Chice

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Nancy Lee Chice
New Jersey Certified Financial Examiner
New Jersey Department of Banking and Insurance

CATIC TITLE INSURANCE COMPANY

I, Neeraj Gupta, the undersigned, hereby certify that the foregoing Report of Examination accurately discloses, to the best of my knowledge, all material and relevant information related to the financial condition of CATIC Company in accordance with the NAIC Financial Condition Examiners Handbook and New Jersey State Regulations.

Respectfully submitted,

Neeraj Gupta

Neeraj Gupta, CFE
Examiner-in-Charge
Representing the State of New Jersey
INS Consultants, Inc.

Under the supervision of,

Nancy Lee Chice

Nancy Lee Chice
New Jersey Certified Financial Examiner
New Jersey Department of Banking and Insurance

State of New Jersey
County of Mercer

Subscribed and sworn to before me, Sheila Tkacs, on this 28th day of January, 2020.

Sheila M. Tkacs
Notary Public of New Jersey

My commission expires July 2020