REPORT ON EXAMINATION AS TO THE CONDITION OF

CATIC TITLE INSURANCE COMPANY (“CATICO”)

PARSIPPANY, NEW JERSEY 07054

AT DECEMBER 31, 2021

NAIC COMPANY CODE 51187

FILED

April 25, 2023

COMMISSIONER

NEW JERSEY DEPARTMENT

OF

BANKING AND INSURANCE

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DEPARTMENT OF BANKING AND INSURANCE
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PHIL MURPHY
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SHEILA OLIVER
Lt. Governor

MARLENE CARIDE
Commissioner

April 4, 2023

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 financial condition examination was called by the Commissioner of Banking and Insurance of the State of New Jersey ("NJDOBI"), pursuant to the authority granted by N.J.S.A. 17:23-22 of the New Jersey Revised Statutes ("N.J.S.A").

The examination addresses the period from December 31, 2019, the date of the last examination, to December 31, 2021, the date of the last examination. During this three-year period under examination the Company's assets decreased from $3,718,194 to $3,288,310; liabilities decreased from $2,657,555 to $1,785,882 and total surplus increased from $1,060,644 to $1,502,428.

This examination was conducted in accordance with the 2021 edition of the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook (the "NAIC Handbook"). This examination was conducted on a group basis led by the Vermont Department of Financial Regulation – Insurance Division ("VDFR"). It was governed in accordance with the procedures of the NAIC and followed regulatory procedures prescribed or permitted by the NJDOBI. The scope of the examination was based upon the focus of certain specific key risk areas as determined by a risk assessment analysis through the use of control testing. Risks were assessed based upon its impact to the Company's financial condition and its future results. An assessment of the Company's management, corporate governance and information systems were utilized to identify, control, assess and manage its business and financial reporting risks. The overall objectives of the examination were as indicated below:

- Analyze business risk activities focusing on examination procedures in those areas deemed to have a greater risk to the Company's overall operations identifying significant operation issues and/or deviations from statutory accounting practices that affect solvency assessment.
- Identify significant deviations from New Jersey insurance laws, regulations and department directives.
- Ensure compliance with the standards prescribed in the revised NAIC Handbook, NAIC accreditation/codification standards and procedures and NJDOBI Departmental policies and procedures.
- Identify and report significant operational and internal control deficiencies and assess the Company's risk management processes.
- Assess the quality and reliability of corporate governance to identify, assess and manage the risk environment facing the insurer in order to identify current or prospective risk areas.
- Assess the risk that the Company's surplus is not materially misstated.
- Provide a foundation for profile of the Company's operations, risks and results to be utilized by regulatory authorities.

All other financial matters were reviewed and determined not to be material for discussion in this report.

Use of Others' Work

The VDFR, acted as the lead state of the CATIC Financial Group examination, included its domestic insurance companies and the insurance company, CATICO, domiciled within the participating state, New Jersey, as of December 31, 2021. Many of the areas and related processes reviewed during the examination are common to all the companies, including CATICO. Those areas included shared information technology ("IT") systems, enterprise risk management, internal audit functions, and premiums and claims systems. In an effort to increase efficiency and avoid duplication of work, the examiner utilized work performed by the VDFR where appropriate.

Reliance was placed on the work papers of Grant Thornton LLP. Based on the external auditor review assessment performed by the VDFR, the overall conclusion noted that reliance could be placed on the external auditor to the extent deemed appropriate based on professional judgment.

COMPLIANCE WITH PRIOR EXAM REPORT RECOMMENDATIONS

Continuity of Operations:

It was noted that the Company had not performed a simulated disaster recovery tests and that through the acquisition of CATICO by Connecticut Attorneys Title Insurance Company ("CATIC") the back-office systems were migrated to the servers at CATIC Financial, Inc. ("CATIC Financial"). As such, the servers became subject to the overall back-up and restoration process or disaster recovery function of CATIC Financial. A similar finding was noted during the examination. The Company's Business Continuity and Disaster Recovery Plans are out-of-date and have not been tested. During the review of the back-up and replication testing it was noted that the Company did not track the status of the replication from Andover to Dallas.

It was recommended the Company update the Business Continuity and Disaster Recovery plans and conduct annual reviews and update process to keep the plans up-to-date. Additionally, it was recommended the Company obtain evidence of the successful completion of replication from Andover to Dallas.

HISTORY AND KIND OF BUSINESS

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 a parent holding company domiciled in Delaware. CATIC Financial is also the parent company of 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, CATIC 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, 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 title policies, subject to some restrictions including keeping surplus in accordance with the Consent Order. The Company wrote its first new title business in December of 2017.

In August 2020, CATIC Holdco 3 was formed as a Delaware limited liability company. It holds all issued and outstanding shares of CATIC, CATICO and CATICPro, Inc.

TERRITORY AND PLAN OPERATION

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 late in 2017.

The company writes residential and commercial Title Insurance policies in New Jersey, New York and Pennsylvania. As of December 31, 2021, there were a total of 200 unaffiliated independent attorney/agents writing business.

STATUTORY DEPOSIT

As of December 31, 2021, the Company reported $225,000 par value for New Jersey statutory deposits held by the NJDOBI on behalf of the Company in accordance with N.J.A.C. 11:24-11.4.

TREATMENT OF POLICYHOLDERS

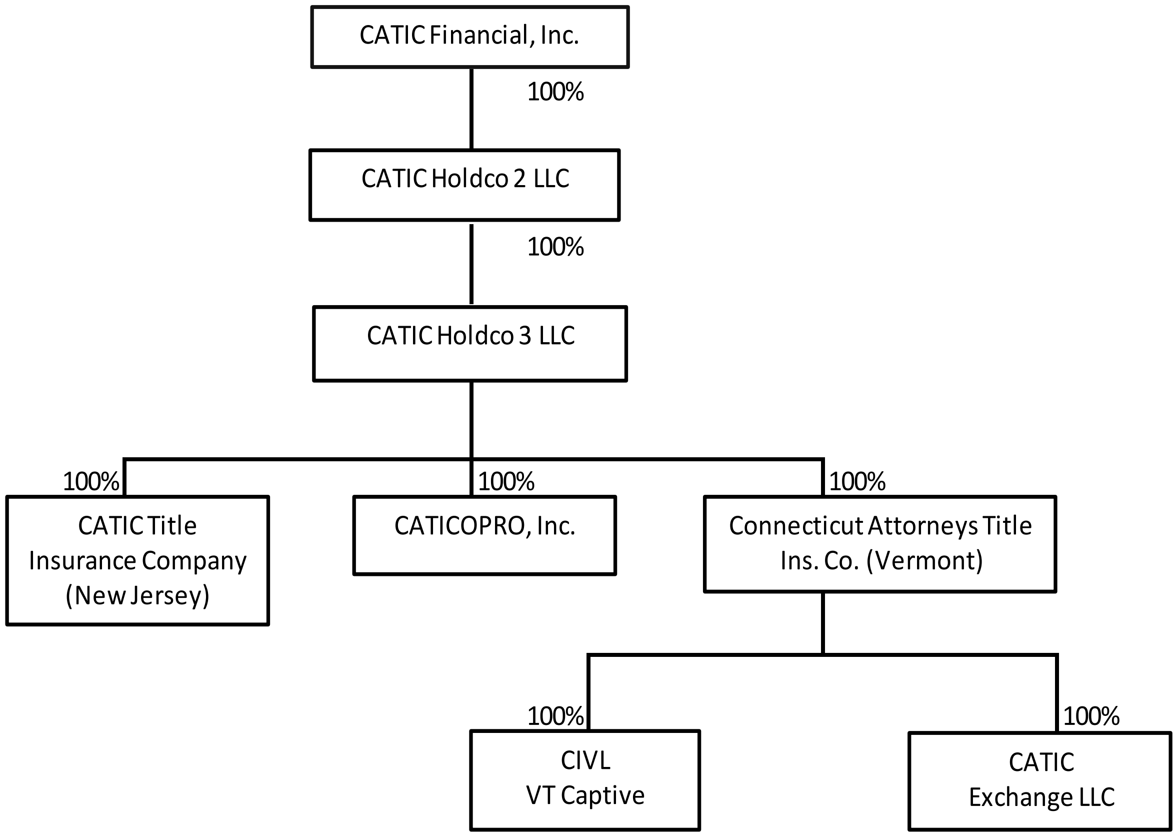
The review and test check of complaints filed in the Company's complaint log indicated that the Company maintains its complaint log in accordance with N.J.S.A. 17:29B-4(10).

HOLDING COMPANY SYSTEM

Affiliated Companies

As of December 21, 2021, 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 NJDOBI 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 Holding 3 LLC.

The following chart illustrates the interrelationship of the particular companies within the holding company system as of December 31, 2021:



<u>INTERCOMPANY AGREEMENTS</u>

<u>Tax Allocation Agreement</u>

Until September 1, 2020, the Company maintained a tax allocation agreement with CATIC Financial, 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.

As of September 1, 2020, the Company entered into a new tax allocation agreement in which it will continue to be included in a consolidated federal income tax return, but with its new parent, CATIC Holdco 3, LLC and its affiliates. The Company has a written agreement which sets forth the manner in which the total combined federal income tax is allocated to each entity which is party of the consolidation. CATIC will continue as the designated tax parent in this new agreement. Pursuant to this agreement, the Company has the right to recoup federal income taxes paid in the prior years in the event of future net losses that it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

<u>Claims Management Services Agreement:</u>

CATICO and CIVL-NJTIC Separate Account ("CIVL-NJT"), a separate account of CIVL, a Vermont domiciled captive insurance company wholly-owned by CATIC, entered into a Claims Management Services Agreement effective January 1, 2021, whereby CIVL-NJT pays a fixed monthly amount of $3,300 to CATICO to reimburse for claims management and related employee costs.

Management and Services Agreement:

Effective January 1, 2021, CATICO and CATIC entered into a Management and Services Agreement, whereby CATIC will provide Controller, accounting and payroll taxes services, for a fixed monthly fee of $1,450.

Modified Consent Order of Administrative Supervision

On January 27, 2017, Consent Order C17-101, the Company, agreed to continue to be under administrative supervision, write new title commitments, title insurance policies and Insured Closing Letters and engage in other activities normally associated with being a title insurance company subject to the conditions of this Modified Consent Order and the provisions of C14-101 that are not expressly modified or superseded. The Company shall maintain minimum capital and surplus of $1,000,000.

Retroactive Reinsurance Agreement

On March 7, 2014 effective as of December 31, 2013, CATICO entered into a retroactive reinsurance agreement with CIVL-NJT. This agreement covers policies written prior to CATICO's resumption of writing new policies in 2018.

Reinsurance Agreements

On January 1, 2021, 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 $50,000 of risk on each policy issued and to cede secondary loss risk up to $1,000,000 to CATIC as the reinsurer in excess of its retention. Any amount over that will be reinsured with several Lloyd's Syndicates up to a value of $5,000,000. Liability over $5,000,000 million but not to exceed an additional $2,000,000 are reinsured by CATIC and then retroceded through CATIC's reinsurance arrangements with Lloyd's syndicates, mirroring the prior arrangements for this layer of liability.

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 five (5) nor more than twelve (12) members, as determined from time to time by resolution of the Board. Members are elected on an annual basis by the shareholder CATIC Financial. As of December 31, 2021, the Board consisted of seven (7) members, of which four (4) are outside directors. The duly elected members as of December 31, 2021 were as follows:

Name	Principal Occupation
Lawrence Craig Bell	Senior Vice President, CATICO
James M. Czapiga	President, CATICO, CATIC and CFI
Robert Lownds Fisher	Attorney, Cramer & Anderson, LLP
Kenneth Marc Gruder	Attorney, Goldman, Gruder & Woods, LLC
Tony Elsoe Jorgenson	Attorney, The Jorgenson Law Firm, LLC
Stephen Paul Maggiola	Senior Vice President and Counsel, CATICO
Thomas Daniel Murphy, Jr.	Attorney, Murphy McCaubrey

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, which has appointed committees as per section 4d, paragraph 5.

Officers

The By-laws stipulate that officers of the Company shall consist of a President, one or more Vice Presidents, a Treasurer, and a Secretary. Officers are elected annually by the Board. The following is a list of officers who were serving at December 31, 2021:

Name	Office(s)
James M. Czapiga	President & CEO
Kenneth B. Popeleski	Treasurer & CFO
Richard A. Hogan	Secretary
Lawrence C. Bell	Senior Vice President & State Counsel
Neil McNamara	Vice President & Controller

CORPORATE RECORDS

A review of the minutes of the Board meetings noted that all meetings were well attended. The Board minutes also indicated that the Company's overall transactions and events were adequately supported and approved.

POLICY ON CONFLICTS OF INTEREST

The Company through its ultimate parent, CATIC Financial, 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.

POLICY FORMS AND UNDERWRITING PRACTICES

The Company underwrites Title Insurance within the states of New Jersey, New York and Pennsylvania. The Company uses various underwriting resources and employ attorney underwriters in each of the states where it operates.

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.

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.

FIDELITY BOND AND OTHER INSURANCE COVERAGES

At December 31, 2021, the Company maintained a fidelity bond in the amount of $5,000,000. A review of the NAIC requirement guidelines for minimum amount of fidelity insurance indicated that the Company is adequately protected. Additionally, the Company is a listed insured under an Excess Bond with a $3,500,000 limit for each and every claim and in the aggregate inclusive of Costs and Expenses. However, it drops down to attach at $500,000 in total, comprising of $250,000 Sublimit on CIVL policy and excess of $250,000 aggregate retention for Social Engineering Losses.

The Company maintained an insurance program in conjunction with its affiliate, CATIC, designed to protect its assets and employees arising out of normal business of Title Insurance. Coverage included, but was not limited to, Directors & Officers, Cyber, Business Income, Data Breach, General Liability, Auto, Workers' Compensation, and Umbrella Excess.

TREATMENT OF POLICYHOLDERS AND CLAIMANTS

The examination determined that the Company is in compliance with N.J.S.A. 17:29B-4(10), which requires an insurer to maintain a complete record of all consumer complaints since its previous examination.

CONTINUITY OF OPERATIONS

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

As noted in the Compliance with Prior Examination Report Recommendation on page 5, there was a repeat finding that the Company's Business Continuity and Disaster Recovery plans are out-of-date and were not tested. Outdated Business Continuity and Disaster Recovery Plans introduce the risk that the Company may not be able to effectively/efficiently recover or continue operations when a disaster occurs. It is recommended the Company update these plans and perform an annual review and, if necessary, update its process to keep plans up-to-date.

FINANCIAL STATEMENTS

Financial statements and other exhibits are presented as listed below:

Exhibit – A: Balance Sheet as of December 31, 2021

Exhibit – B: Summary of Revenue and Expenses for the Three Year Pending ending December 31, 2021

Exhibit – C: Capital and Surplus Account for the Three Year Pending ending December 31, 2021

CATIC Title Insurance Company

Balance Sheet at December 31, 2021

Exhibit A

	Current Examination at 12/31/2021	Balance per Company at 12/31/2021	Examination Change	Note Number
Assets				
Bonds	$225,000	$225,000	$0	1
Cash & short term	2,998,924	2,998,924	0	
Investment income due and accrued	1,382	1,382	0	
Net deferred tax asset	63,004	63,004	0	
Total Net Admitted Assets	$3,288,310	$3,288,310	$0	
Liabilities				
Known claims reserve	$1,086,216	$1,086,216	$0	2
Statutory premium reserve	2,761,233	2,761,233	0	2
Supplemental Reserve	0	0	0	
Other expenses (excluding taxes, licenses and fees	408,800	408,800	0	
Taxes, licenses and fees due or accrued	374,637	374,637	0	
Payable to parent, subsidiareis and affiliates	177,229	177,229	0	
Aggregate write-ins for other liabilities	(3,022,233)	(3,022,233)	0	
Total liabilities	$1,785,882	$1,785,882	$0	
Capital and Surplus				
Aggregate writ-ins for special surplus funds	$5,611,461	$5,611,461	$0	3
Common capital stock	500,000	500,000	0	3
Surplus notes	4,750,000	4,750,000	0	3
Gross paid in and contributed surplus	5,586,811	5,586,811	0	3
Unassigned funds (surplus)	(14,945,844)	(14,945,844)	0	3
Surplus	$1,502,428	$1,502,428	$0	
Total Liabilities, Capital and Surplus	$3,288,310	$3,288,310	$0	

Exhibit B

CATIC Title Insurance Company
Summary of Revenue and Expenses for the
Three Year Period Ending December 31, 2021

	2021	2020	2019
Title insurance premiums earned	$ 17,132,754	$ 10,523,193	$ 5,635,913
Escrow and settlement services	2,356	0	0
Other title fees and service charges	1,328,520	792,348	355,150
Total Operating Income	$ 18,463,630	$ 11,315,541	$ 5,991,063
Loss and loss adjustment expenses incurred	535,558	515,038	435,580
Operating expenses incurred	18,874,511	12,336,391	6,648,454
Total Operating Expenses	$ 19,410,069	$ 12,851,429	$ 7,084,034
Net operating gain or (loss)	(946,439)	(1,535,888)	(1,092,971)
Net investment gain (loss)	3,721	3,676	3,380
Aggregate write-ins for miscellaneous income or (loss) or other deductions	1,370,428	513,443	91,856
Net income, after capital gains tax and before all other federal income taxes	$ 427,710	$ (1,018,769)	$ (997,735)
Federal and foreign income taxes incurred	348,129	(1,137,190)	(456,680)
Net income	$ 79,581	$ 118,421	$ (541,055)

Exhibit C

CATIC Title Insurance Company
Summary of Revenue and Expenses for the
Three Year Period Ending December 31, 2021

	2021	2020	2019
Capital and surplus, beginning of year	$ 1,232,539	$ 1,060,044	$ 1,332,044
Net Income (Loss)	79,581	118,421	(541,055)
Change in net deferred income tax	31,120	(926,183)	(111,345)
Change in nonadmitted assets	59,206	(57,164)	(74,149)
Change in supplemental reserves	366,973	(62,589)	(245,451)
Cumulative effect of change in accounting principles	(666,991)	0	0
Surplus adjustment: Paid in	400,000	1,100,010	700,000
Aggregate write-ins for gains and losses in surplus			
Change in surplus as regards policyholders for the year	269,889	172,495	(272,000)
Capital and surplus, end of year	$ 1,502,428	$ 1,232,539	$ 1,060,044

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BONDS

At December 31, 2022, CATICO reported an asset for bonds of $225,000, which was accepted for purposes of this examination.

NOTE 2 – KNOWN CLAIMS RESERVES

The Known Claim Reserve as reported by the Company amounted to $1,086,216 at December 31, 2021. 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 NJDOBI'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 2021, the Company discontinued the permitted practice of booking to management's best estimate and its calculation, in accordance with New Jersey Statute. The Company established 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.

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.

The Property and Casualty Actuarial Division of the NJDOBI reviewed the Actuarial Report on the Actuarial Examination of the CATIC Group and accepted the reported reserves without adjustment.

NOTE 3 – CAPITAL AND SURPLUS

Aggregate Write-Ins for Special Surplus Funds

At December 31, 2021, the reported aggregate write-ins for surplus funds totaled $5,611,461.

Common Capital Stock

The outstanding stock of the Company at December 31, 2021 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

The Company has surplus notes payable to CATIC Financial totaling $4,750,000 at December 31, 2021 and requires semi-annual interest only installments at a fixed rate of 6.08%, with a balloon principal payment due on February 1, 2029. 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 year ended December 31, 2021.

Gross Paid-in and Contributed Surplus

The Gross Paid-in and Contributed Surplus reported by the Company at December 31, 2021 totaled $5,586,811.

Unassigned Funds

Total Unassigned Funds, as reported by the Company, yielded a negative amount of $14,945,844.

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.

Reinsurance Retention

On May 20, 2022, the Company requested approval of a change to its current reinsurance treaty from $50,000 to $500,000. NJDOBI approved this change on June 25, 2022 through not disapproving the change within a 30-day period after notification and requiring the Company to maintain a minimum level of capital and surplus of $2,500,000.

Re-domesticating

The Company is considering re-domesticating to the State of Florida by the end of 2023. Discussions with the Florida Office of Insurance Regulation are in the preliminary stages.

CONCLUSION

This statutory financial condition examination was conducted by the undersigned with the support of the NJDOBI'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,

Darlene Lenhart-Schaeffer

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Darlene Lenhart-Schaeffer, CFE, CISA
Examiner-in-Charge
Representing the State of New Jersey
Risk and Regulatory Consulting, LLC

Under the supervision of,

Nancy Lee Chice

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Nancy Lee Chice
CFE Reviewer – Supervising Examiner
New Jersey Department of Banking and Insurance

AFFIDAVIT

I, Darlene Lenhart-Schaeffer, 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 CATICO in accordance with the NAIC Handbook and New Jersey State Regulations.

Respectfully submitted,

Darlene Lenhart-Schaeffer

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Darlene Lenhart-Schaeffer, CFE, CISA
Examiner-in-Charge
Representing the State of New Jersey
Risk and Regulatory Consulting, LLC

Under the supervision of,

Nancy Lee Chice

____

Nancy Lee Chice
CFE Reviewer – Supervising Examiner
New Jersey Department of Banking and Insurance

State of New Jersey
County of Mercer

Subscribed and sworn to before me, on this __________ day of ____________, 2023.

____

Notary Public of New Jersey

My Commission expires: ______________________

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State of New Jersey
DEPARTMENT OF BANKING AND INSURANCE
DIVISION OF INSURANCE
OFFICE OF SOLVENCY REGULATION
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PHIL MURPHY
Governor

SHEILA OLIVER
Lt. Governor

MARLENE CARIDE
Commissioner

April 4, 2023

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 financial condition examination was called by the Commissioner of Banking and Insurance of the State of New Jersey ("NJDOBI"), pursuant to the authority granted by N.J.S.A. 17:23-22 of the New Jersey Revised Statutes ("N.J.S.A").

The examination addresses the period from December 31, 2019, the date of the last examination, to December 31, 2021, the date of the last examination. During this three-year period under examination the Company's assets decreased from $3,718,194 to $3,288,310; liabilities decreased from $2,657,555 to $1,785,882 and total surplus increased from $1,060,644 to $1,502,428.

This examination was conducted in accordance with the 2021 edition of the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook (the "NAIC Handbook"). This examination was conducted on a group basis led by the Vermont Department of Financial Regulation – Insurance Division ("VDFR"). It was governed in accordance with the procedures of the NAIC and followed regulatory procedures prescribed or permitted by the NJDOBI. The scope of the examination was based upon the focus of certain specific key risk areas as determined by a risk assessment analysis through the use of control testing. Risks were assessed based upon its impact to the Company's financial condition and its future results. An assessment of the Company's management, corporate governance and information systems were utilized to identify, control, assess and manage its business and financial reporting risks. The overall objectives of the examination were as indicated below:

- Analyze business risk activities focusing on examination procedures in those areas deemed to have a greater risk to the Company's overall operations identifying significant operation issues and/or deviations from statutory accounting practices that affect solvency assessment.
- Identify significant deviations from New Jersey insurance laws, regulations and department directives.
- Ensure compliance with the standards prescribed in the revised NAIC Handbook, NAIC accreditation/codification standards and procedures and NJDOBI Departmental policies and procedures.
- Identify and report significant operational and internal control deficiencies and assess the Company's risk management processes.
- Assess the quality and reliability of corporate governance to identify, assess and manage the risk environment facing the insurer in order to identify current or prospective risk areas.
- Assess the risk that the Company's surplus is not materially misstated.
- Provide a foundation for profile of the Company's operations, risks and results to be utilized by regulatory authorities.

All other financial matters were reviewed and determined not to be material for discussion in this report.

Use of Others' Work

The VDFR, acted as the lead state of the CATIC Financial Group examination, included its domestic insurance companies and the insurance company, CATICO, domiciled within the participating state, New Jersey, as of December 31, 2021. Many of the areas and related processes reviewed during the examination are common to all the companies, including CATICO. Those areas included shared information technology ("IT") systems, enterprise risk management, internal audit functions, and premiums and claims systems. In an effort to increase efficiency and avoid duplication of work, the examiner utilized work performed by the VDFR where appropriate.

Reliance was placed on the work papers of Grant Thornton LLP. Based on the external auditor review assessment performed by the VDFR, the overall conclusion noted that reliance could be placed on the external auditor to the extent deemed appropriate based on professional judgment.

COMPLIANCE WITH PRIOR EXAM REPORT RECOMMENDATIONS

Continuity of Operations:

It was noted that the Company had not performed a simulated disaster recovery tests and that through the acquisition of CATICO by Connecticut Attorneys Title Insurance Company ("CATIC") the back-office systems were migrated to the servers at CATIC Financial, Inc. ("CATIC Financial"). As such, the servers became subject to the overall back-up and restoration process or disaster recovery function of CATIC Financial. A similar finding was noted during the examination. The Company's Business Continuity and Disaster Recovery Plans are out-of-date and have not been tested. During the review of the back-up and replication testing it was noted that the Company did not track the status of the replication from Andover to Dallas.

It was recommended the Company update the Business Continuity and Disaster Recovery plans and conduct annual reviews and update process to keep the plans up-to-date. Additionally, it was recommended the Company obtain evidence of the successful completion of replication from Andover to Dallas.

HISTORY AND KIND OF BUSINESS

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 a parent holding company domiciled in Delaware. CATIC Financial is also the parent company of 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, CATIC 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, 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 title policies, subject to some restrictions including keeping surplus in accordance with the Consent Order. The Company wrote its first new title business in December of 2017.

In August 2020, CATIC Holdco 3 was formed as a Delaware limited liability company. It holds all issued and outstanding shares of CATIC, CATICO and CATICPro, Inc.

TERRITORY AND PLAN OPERATION

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 late in 2017.

The company writes residential and commercial Title Insurance policies in New Jersey, New York and Pennsylvania. As of December 31, 2021, there were a total of 200 unaffiliated independent attorney/agents writing business.

STATUTORY DEPOSIT

As of December 31, 2021, the Company reported $225,000 par value for New Jersey statutory deposits held by the NJDOBI on behalf of the Company in accordance with N.J.A.C. 11:24-11.4.

TREATMENT OF POLICYHOLDERS

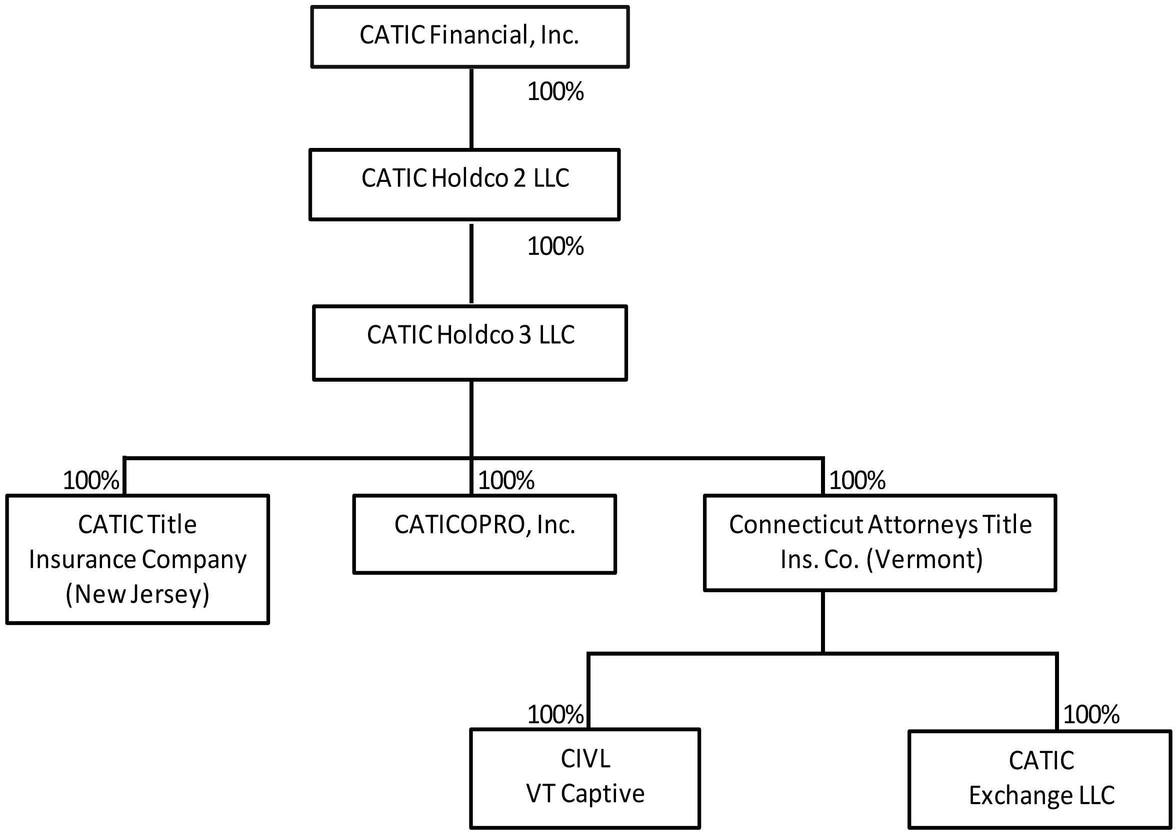
The review and test check of complaints filed in the Company's complaint log indicated that the Company maintains its complaint log in accordance with N.J.S.A. 17:29B-4(10).

HOLDING COMPANY SYSTEM

Affiliated Companies

As of December 21, 2021, 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 NJDOBI 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 Holding 3 LLC.

The following chart illustrates the interrelationship of the particular companies within the holding company system as of December 31, 2021:



INTERCOMPANY AGREEMENTS

Tax Allocation Agreement

Until September 1, 2020, the Company maintained a tax allocation agreement with CATIC Financial, 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.

As of September 1, 2020, the Company entered into a new tax allocation agreement in which it will continue to be included in a consolidated federal income tax return, but with its new parent, CATIC Holdco 3, LLC and its affiliates. The Company has a written agreement which sets forth the manner in which the total combined federal income tax is allocated to each entity which is party of the consolidation. CATIC will continue as the designated tax parent in this new agreement. Pursuant to this agreement, the Company has the right to recoup federal income taxes paid in the prior years in the event of future net losses that it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

Claims Management Services Agreement:

CATICO and CIVL-NJTIC Separate Account ("CIVL-NJT"), a separate account of CIVL, a Vermont domiciled captive insurance company wholly-owned by CATIC, entered into a Claims Management Services Agreement effective January 1, 2021, whereby CIVL-NJT pays a fixed monthly amount of $3,300 to CATICO to reimburse for claims management and related employee costs.

Management and Services Agreement:

Effective January 1, 2021, CATICO and CATIC entered into a Management and Services Agreement, whereby CATIC will provide Controller, accounting and payroll taxes services, for a fixed monthly fee of $1,450.

Modified Consent Order of Administrative Supervision

On January 27, 2017, Consent Order C17-101, the Company, agreed to continue to be under administrative supervision, write new title commitments, title insurance policies and Insured Closing Letters and engage in other activities normally associated with being a title insurance company subject to the conditions of this Modified Consent Order and the provisions of C14-101 that are not expressly modified or superseded. The Company shall maintain minimum capital and surplus of $1,000,000.

Retroactive Reinsurance Agreement

On March 7, 2014 effective as of December 31, 2013, CATICO entered into a retroactive reinsurance agreement with CIVL-NJT. This agreement covers policies written prior to CATICO's resumption of writing new policies in 2018.

Reinsurance Agreements

On January 1, 2021, 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 $50,000 of risk on each policy issued and to cede secondary loss risk up to $1,000,000 to CATIC as the reinsurer in excess of its retention. Any amount over that will be reinsured with several Lloyd's Syndicates up to a value of $5,000,000. Liability over $5,000,000 million but not to exceed an additional $2,000,000 are reinsured by CATIC and then retroceded through CATIC's reinsurance arrangements with Lloyd's syndicates, mirroring the prior arrangements for this layer of liability.

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 five (5) nor more than twelve (12) members, as determined from time to time by resolution of the Board. Members are elected on an annual basis by the shareholder CATIC Financial. As of December 31, 2021, the Board consisted of seven (7) members, of which four (4) are outside directors. The duly elected members as of December 31, 2021 were as follows:

Name	Principal Occupation
Lawrence Craig Bell	Senior Vice President, CATICO
James M. Czapiga	President, CATICO, CATIC and CFI
Robert Lownds Fisher	Attorney, Cramer & Anderson, LLP
Kenneth Marc Gruder	Attorney, Goldman, Gruder & Woods, LLC
Tony Elsoe Jorgenson	Attorney, The Jorgenson Law Firm, LLC
Stephen Paul Maggiola	Senior Vice President and Counsel, CATICO
Thomas Daniel Murphy, Jr.	Attorney, Murphy McCaubrey

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, which has appointed committees as per section 4d, paragraph 5.

Officers

The By-laws stipulate that officers of the Company shall consist of a President, one or more Vice Presidents, a Treasurer, and a Secretary. Officers are elected annually by the Board. The following is a list of officers who were serving at December 31, 2021:

Name	Office(s)
James M. Czapiga	President & CEO
Kenneth B. Popeleski	Treasurer & CFO
Richard A. Hogan	Secretary
Lawrence C. Bell	Senior Vice President & State Counsel
Neil McNamara	Vice President & Controller

CORPORATE RECORDS

A review of the minutes of the Board meetings noted that all meetings were well attended. The Board minutes also indicated that the Company's overall transactions and events were adequately supported and approved.

POLICY ON CONFLICTS OF INTEREST

The Company through its ultimate parent, CATIC Financial, 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.

POLICY FORMS AND UNDERWRITING PRACTICES

The Company underwrites Title Insurance within the states of New Jersey, New York and Pennsylvania. The Company uses various underwriting resources and employ attorney underwriters in each of the states where it operates.

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.

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.

FIDELITY BOND AND OTHER INSURANCE COVERAGES

At December 31, 2021, the Company maintained a fidelity bond in the amount of $5,000,000. A review of the NAIC requirement guidelines for minimum amount of fidelity insurance indicated that the Company is adequately protected. Additionally, the Company is a listed insured under an Excess Bond with a $3,500,000 limit for each and every claim and in the aggregate inclusive of Costs and Expenses. However, it drops down to attach at $500,000 in total, comprising of $250,000 Sublimit on CIVL policy and excess of $250,000 aggregate retention for Social Engineering Losses.

The Company maintained an insurance program in conjunction with its affiliate, CATIC, designed to protect its assets and employees arising out of normal business of Title Insurance. Coverage included, but was not limited to, Directors & Officers, Cyber, Business Income, Data Breach, General Liability, Auto, Workers' Compensation, and Umbrella Excess.

TREATMENT OF POLICYHOLDERS AND CLAIMANTS

The examination determined that the Company is in compliance with N.J.S.A. 17:29B-4(10), which requires an insurer to maintain a complete record of all consumer complaints since its previous examination.

CONTINUITY OF OPERATIONS

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

As noted in the Compliance with Prior Examination Report Recommendation on page 5, there was a repeat finding that the Company's Business Continuity and Disaster Recovery plans are out-of-date and were not tested. Outdated Business Continuity and Disaster Recovery Plans introduce the risk that the Company may not be able to effectively/efficiently recover or continue operations when a disaster occurs. It is recommended the Company update these plans and perform an annual review and, if necessary, update its process to keep plans up-to-date.

FINANCIAL STATEMENTS

Financial statements and other exhibits are presented as listed below:

Exhibit – A: Balance Sheet as of December 31, 2021

Exhibit – B: Summary of Revenue and Expenses for the Three Year Pending ending December 31, 2021

Exhibit – C: Capital and Surplus Account for the Three Year Pending ending December 31, 2021

CATIC Title Insurance Company
Balance Sheet at December 31, 2021

Exhibit A

	Current Examination at 12/31/2021	Balance per Company at 12/31/2021	Examination Change	Note Number
Assets				
Bonds	$225,000	$225,000	$0	1
Cash & short term	2,998,924	2,998,924	0	
Investment income due and accrued	1,382	1,382	0	
Net deferred tax asset	63,004	63,004	0	
Total Net Admitted Assets	$3,288,310	$3,288,310	$0	
Liabilities				
Known claims reserve	$1,086,216	$1,086,216	$0	2
Statutory premium reserve	2,761,233	2,761,233	0	2
Supplemental Reserve	0	0	0	
Other expenses (excluding taxes, licenses and fees	408,800	408,800	0	
Taxes, licenses and fees due or accrued	374,637	374,637	0	
Payable to parent, subsidiareis and affiliates	177,229	177,229	0	
Aggregate write-ins for other liabilities	(3,022,233)	(3,022,233)	0	
Total liabilities	$1,785,882	$1,785,882	$0	
Capital and Surplus				
Aggregate writ-ins for special surplus funds	$5,611,461	$5,611,461	$0	3
Common capital stock	500,000	500,000	0	3
Surplus notes	4,750,000	4,750,000	0	3
Gross paid in and contributed surplus	5,586,811	5,586,811	0	3
Unassigned funds (surplus)	(14,945,844)	(14,945,844)	0	3
Surplus	$1,502,428	$1,502,428	$0	
Total Liabilities, Capital and Surplus	$3,288,310	$3,288,310	$0	

Exhibit B

CATIC Title Insurance Company
Summary of Revenue and Expenses for the
Three Year Period Ending December 31, 2021

	2021	2020	2019
Title insurance premiums earned	$ 17,132,754	$ 10,523,193	$ 5,635,913
Escrow and settlement services	2,356	0	0
Other title fees and service charges	1,328,520	792,348	355,150
Total Operating Income	$ 18,463,630	$ 11,315,541	$ 5,991,063
Loss and loss adjustment expenses incurred	535,558	515,038	435,580
Operating expenses incurred	18,874,511	12,336,391	6,648,454
Total Operating Expenses	$ 19,410,069	$ 12,851,429	$ 7,084,034
Net operating gain or (loss)	(946,439)	(1,535,888)	(1,092,971)
Net investment gain (loss)	3,721	3,676	3,380
Aggregate write-ins for miscellaneous income or (loss) or other deductions	1,370,428	513,443	91,856
Net income, after capital gains tax and before all other federal income taxes	$ 427,710	$ (1,018,769)	$ (997,735)
Federal and foreign income taxes incurred	348,129	(1,137,190)	(456,680)
Net income	$ 79,581	$ 118,421	$ (541,055)

Exhibit C

CATIC Title Insurance Company
Summary of Revenue and Expenses for the
Three Year Period Ending December 31, 2021

	2021	2020	2019
Capital and surplus, beginning of year	$ 1,232,539	$ 1,060,044	$ 1,332,044
Net Income (Loss)	79,581	118,421	(541,055)
Change in net deferred income tax	31,120	(926,183)	(111,345)
Change in nonadmitted assets	59,206	(57,164)	(74,149)
Change in supplemental reserves	366,973	(62,589)	(245,451)
Cumulative effect of change in accounting principles	(666,991)	0	0
Surplus adjustment: Paid in	400,000	1,100,010	700,000
Aggregate write-ins for gains and losses in surplus			
Change in surplus as regards policyholders for the year	269,889	172,495	(272,000)
Capital and surplus, end of year	$ 1,502,428	$ 1,232,539	$ 1,060,044

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BONDS

At December 31, 2022, CATICO reported an asset for bonds of $225,000, which was accepted for purposes of this examination.

NOTE 2 – KNOWN CLAIMS RESERVES

The Known Claim Reserve as reported by the Company amounted to $1,086,216 at December 31, 2021. 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 NJDOBI'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 2021, the Company discontinued the permitted practice of booking to management's best estimate and its calculation, in accordance with New Jersey Statute. The Company established 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.

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.

The Property and Casualty Actuarial Division of the NJDOBI reviewed the Actuarial Report on the Actuarial Examination of the CATIC Group and accepted the reported reserves without adjustment.

NOTE 3 – CAPITAL AND SURPLUS

Aggregate Write-Ins for Special Surplus Funds

At December 31, 2021, the reported aggregate write-ins for surplus funds totaled $5,611,461.

Common Capital Stock

The outstanding stock of the Company at December 31, 2021 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

The Company has surplus notes payable to CATIC Financial totaling $4,750,000 at December 31, 2021 and requires semi-annual interest only installments at a fixed rate of 6.08%, with a balloon principal payment due on February 1, 2029. 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 year ended December 31, 2021.

Gross Paid-in and Contributed Surplus

The Gross Paid-in and Contributed Surplus reported by the Company at December 31, 2021 totaled $5,586,811.

Unassigned Funds

Total Unassigned Funds, as reported by the Company, yielded a negative amount of $14,945,844.

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.

Reinsurance Retention

On May 20, 2022, the Company requested approval of a change to its current reinsurance treaty from $50,000 to $500,000. NJDOBI approved this change on June 25, 2022 through not disapproving the change within a 30-day period after notification.

Re-domesticating

The Company is considering re-domesticating to the State of Florida by the end of 2023. Discussions with the Florida Office of Insurance Regulation are in the preliminary stages.

CONCLUSION

This statutory financial condition examination was conducted by the undersigned with the support of the NJDOBI'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,

Darlene Lenhart-Schaeffer

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Darlene Lenhart-Schaeffer, CFE, CISA
Examiner-in-Charge
Representing the State of New Jersey
Risk and Regulatory Consulting, LLC

Under the supervision of,

Nancy Lee Chice

____

Nancy Lee Chice
CFE Reviewer – Supervising Examiner
New Jersey Department of Banking and Insurance

AFFIDAVIT

I, Darlene Lenhart-Schaeffer, 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 CATICO in accordance with the NAIC Handbook and New Jersey State Regulations.

Respectfully submitted,

Darlene Lenhart-Schaeffer

Darlene Lenhart-Schaeffer, CFE, CISA
Examiner-in-Charge
Representing the State of New Jersey
Risk and Regulatory Consulting, LLC

Under the supervision of,

Nancy Lee Chice

Nancy Lee Chice
CFE Reviewer – Supervising Examiner
New Jersey Department of Banking and Insurance

State of New Jersey
County of Mercer

Subscribed and sworn to before me, on this 21st day of April, 2023.

Sheila M. Tkacs
Notary Public of New Jersey

My Commission expires: July 2025