DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

RE: Examination Report of Guarantee Title Insurance Company as of March 31, 2008

ORDER

After full consideration and review of the report of the financial examination of Guarantee Title Insurance Company for the period ended March 31, 2008, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Linda Bohrer, Acting Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, the findings and conclusions of the examination report are incorporated by reference and deemed to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo.

Based on such findings and conclusions, I hereby ORDER Guarantee Title Insurance Company, to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this August 1, 2008.

Linda Bohrer

Linda Bohrer, Acting Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF THE

LIMITED SCOPE FINANCIAL EXAMINATION OF

GUARANTEE TITLE INSURANCE COMPANY

AS OF

MARCH 31, 2008

FILED
AUG 11 2008
DIRECTOR OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND

PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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Prairie Village, Kansas

July 29, 2008

Honorable Linda Bohrer, Acting Director
Missouri Department of Insurance, Financial Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65102-0690

Acting Director Bohrer:

In accordance with your financial examination warrant, a limited scope financial examination has been made of selected records, affairs and the financial condition of

Guarantee Title Insurance Company

hereinafter referred to as such, as GTIC, or as the Company. Its administrative office is located at 5370 West 95th Street, Prairie Village, KS 66207, telephone number 913-383-6050. This examination began on May 12, 2008 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The prior full scope association financial examination of GTIC (f/k/a The Bar Plan Title Insurance Company) was made as of December 31, 2005 and was conducted by an examiner from the State of Missouri representing the Midwestern Zone of the National Association of Insurance Commissioners (NAIC) with no other zones participating.

This limited scope financial examination was called by the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) due to the deteriorating financial condition of GTIC as evidenced by its 2007 Annual Statement. GTIC's December 31, 2007 surplus as regards policyholders had fallen below the $1.9 million minimum Reliant Holding Company, Inc. (Reliant) had agreed to maintain as a condition of the DIFP's approval of the purchase of GTIC by Reliant.

This examination also included the material transactions and/or events occurring subsequent to the examination date which are noted in this report.

As noted, this is a limited scope examination and is not intended to communicate all matters of importance for an understanding of the Company's financial condition.

Scope and Procedures

This limited scope examination focused on the following areas utilizing the procedures noted:

- Known claims reserves, statutory premium reserves, and aggregate of other reserves required by law (henceforth referred to as Loss and Loss Adjustment Expense (LAE) Reserves) – Procedures addressed the Company's reserving methodology and the amounts accrued for these liabilities.
- Aggregate Write-Ins for Assets, Claim Recoupment – Procedures addressed the admissibility of the stated asset.
- Other Expenses – Procedures addressed whether expenses were properly allocated to the Company and whether the Company had appropriately accrued for all incurred but unpaid expenses.
- Net Deferred Tax Asset – Procedures addressed the admissibility of the stated asset.
- Intercompany Agreements and Transactions – Procedures addressed the adequacy and appropriateness of various intercompany transactions and whether there were any undisclosed or understated balances.

HISTORY

At the time of the purchase of GTIC by Reliant Holding Company, Inc. (Reliant) on December 31, 2003, the DIFP approved the transaction with the following stipulations. At time of purchase, Reliant was to establish and maintain GTIC's surplus as regards policyholders at no less than $1.6 million. This level of surplus as regards policyholders was to be increased, through operations or paid-in capital, to $1.7 million by December 31, 2004, $1.8 million by December 31, 2005, and $1.9 million by December 31, 2006, with this $1.9 million level to be maintained subsequently. Reliant complied with the agreement's required surplus as regards policyholders levels for 2004 and 2005. However, Reliant failed to comply with the minimum levels required by the agreement in subsequent years. As of December 31, 2006, GTIC's surplus as regards policyholders was reported in its Annual Statement as only $1.7 million and by December 31, 2007 the Company-reported surplus as regards policyholders in its Annual Statement was only $1.2 million. The Company's contracted actuary subsequently opined that GTIC's Loss and LAE Reserves were deficient by $1.9 million, which decreased surplus as regards policyholders to a negative $0.6 million. See the following sections for additional details on GTIC's financial condition.

On February 4, 2008, the Company signed a new agreement with the DIFP which specified that surplus as regards policyholders would be maintained at a minimum of $1.2 million until June 30, 2008. As part of the agreement, Reliant pledged to provide a $50,000 per month capital infusion beginning July 2008 until GTIC's surplus as regards policyholders reached the previously agreed-to $1.9 million level. Based upon April and May 2008 monthly financial statements provided by the Company, GTIC's reported surplus as regards policyholders had fallen well below the minimum $1.2 million level Reliant had agreed to maintain. Although the DIFP asked Reliant on several occasions to honor its agreements with the DIFP by contributing additional surplus to GTIC, Reliant has not done so.

EXAMINATION FINDINGS

Below is a summary of the DIFP examination findings. For additional details, see the "Notes to Financial Statements" section of this report.

Loss and LAE Reserves –
The Company's contracted actuary, Demotech, Inc., and the DIFP consulting actuary, Lewis & Ellis, Inc., both determined that GTIC's Loss and LAE Reserves as of December 31, 2007 were significantly deficient. In the financial statements contained herein, the Company's Loss and LAE Reserves were adjusted to include the deficiency noted by their contracted actuary, Demotech, Inc. Examination changes were made to reflect the additional deficiency computed by Lewis & Ellis, Inc.

As part of the review of Loss and LAE Reserves, it was determined that the Company generally reserves on an imminent payment basis; that is, losses and LAE are reserved only when payment amounts are known, generally at or near the payment date. Per the NAIC Statement of Statutory Accounting Principles (SSAP) #57 Title Insurance, the Company should establish a liability for all known unpaid loss and loss adjustment expenses and for incurred but not reported claims. It was also noted that the Company had numerous errors and inconsistencies in its 2007 Annual Statement Schedule P which hampered the review of GTIC's Loss and LAE Reserves by the Company's contracted actuary and by the DIFP consulting actuary.

Write-In Asset, Claim Recoupment –
The Company incorrectly recognized an admitted asset on its 2007 Annual Statement and its March 31, 2008 Quarterly Statement for "Claim Recoupment." This asset represents funds the Company expects to receive as subrogation for claims paid under various title policies issued. Per SSAP #57 Title Insurance, paragraph 13, no such asset shall be established until the actual payment is in direct control of the Company. Examination changes were made to non-admit this asset.

Other Expenses –
The examiner reviewed payments in excess of $18,000 made by the Company from January 1 through May 9, 2008. These payments amounted to $675,000 of the total payments of $921,000 made during this period. All payments reviewed were for losses and loss adjustment expenses related to claims filed in 2007 and prior which should have been included in Loss and LAE Reserves. Examination changes were made to reduce the Other Expenses payable by the amount which, per the NAIC's Annual Statement Instructions for Title Insurance Companies, should have been classified with the Loss and LAE Reserves.

As noted below in "Intercompany Agreements and Transactions," it appears that numerous intercompany transactions have and are occurring related to general operations. It is possible that GTIC should have recognized a liability for the services provided by affiliates which might have been related to "Other Expenses;" however, the examiner does not have sufficient information to estimate the extent of this potential liability and therefore, no accrual was made. Additional inquiry into this area is recommended.

It was also noted that the 2007 Annual Statement Operations and Investment Exhibit, Part 3 - Expenses, appears to have been completed incorrectly. With the exception of commissions paid to affiliated agency operations, all general operating expenses were included in column 2, Non-Affiliated Agency Operations. This error may be due to incorrect reporting by line or by column, or may be due to the possible failure to recognize intercompany transactions and an intercompany liability as discussed in the previous paragraph.

Net Deferred Tax Asset –
Per SSAP #10 Income Taxes, only federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse by the end of the subsequent calendar year and other deferred tax assets expected to be realized within one year are admissible assets. Examination changes were made to non-admit amounts other than these.

Intercompany Agreements and Transactions –
Despite numerous requests for copies of written agreements with affiliates and descriptions of unwritten agreements with affiliates, the only agreements which have been received so far are some of the agency agreements with affiliates. In 2007, GTIC paid $1,015,850 to affiliates in commissions. The commission rates paid to affiliates exceeded those paid to non-affiliates. It appears these higher commission rates to affiliated parties may have been in violation of RSMo 382.190 (Transactions with affiliates, how conducted) which requires transactions by insurers with their affiliates to have fair and reasonable terms. Additional inquiry into this area is recommended.

Based on observing the transaction of business by GTIC, it appears that numerous intercompany transactions do occur which would not be covered by the agency agreements. GTIC appears to receive services from Guarantee Title and Trust Company and other affiliates related to general operations. GTIC also appears to provide some services to affiliates. It is possible that GTIC both owes and is owed in relation to these intercompany transactions; however, the examiner does not have enough information to estimate the extent of these potential assets or liabilities. Additional inquiry into this area is recommended.

FINANCIAL STATEMENTS

The following financial statements present the financial condition of the Company for the periods ending December 31, 2007 and March 31, 2008. Examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Notes to Financial Statements." The failure of any column of numbers to add to its respective total is due to rounding or truncation.

There may have been additional differences found during the course of this examination, which are not shown in the "Notes to Financial Statements." These differences were determined to be immaterial concerning their effect on the financial statements and therefore were only communicated to the Company or noted in the workpapers for each individual Annual Statement item.

Statement of Condition as of December 31, 2007

	Net Admitted Assets per GTIC	Examination Changes	Net Admitted Assets after Examination Changes
Bonds	$1,499,366		$1,499,366
Common Stocks	235,355		235,355
Cash and Cash Equivalents	224,665		224,665
Investment Income Due and Accrued	20,401		20,401
Uncollected Premiums	89,134		89,134
Net Deferred Tax Asset **(Note 1)**	104,188	($94,103)	10,085
Receivable from Parent and Affiliates	35,000		35,000
Aggregate Write-Ins for Assets **(Note 2)**	416,732	(416,732)	0
Total Assets	$2,624,841	($510,835)	$2,114,006

	Liabilities per GTIC	Examination Changes	Liabilities after Examination Changes
Loss and LAE Reserves **(Note 3)**	$3,153,392	$2,834,746	$5,988,138
Other Expenses **(Note 4)**	100,018	(77,137)	22,881
Taxes, Licenses and Fees	16,415		16,415
Total Liabilities	3,269,825	2,757,609	6,027,434
Common Capital Stock	750,000		750,000
Gross Paid In and Contributed Surplus	2,866,608		2,866,608
Unassigned Funds	(4,261,592)		(4,261,592)
Examination Changes:			
Net Deferred Tax Asset **(Note 1)**		(94,103)	(94,103)
Aggr. Write-Ins for Assets **(Note 2)**		(416,732)	(416,732)
Loss and LAE Reserve **(Note 3)**		(2,834,746)	(2,834,746)
Other Expenses **(Note 4)**		77,137	77,137
Surplus as Regards Policyholders	(644,984)	(3,268,444)	(3,913,428)
Total Liabilities and Surplus as Regards Policyholders	$2,624,841	($510,835)	$2,114,006

Statement of Condition as of March 31, 2008

	Net Admitted Assets per GTIC	Examination Changes	Net Admitted Assets after Examination Changes
Bonds	$1,265,503		$1,265,503
Common Stocks	213,632		213,632
Cash and Cash Equivalents	360,090		360,090
Investment Income Due and Accrued	16,295		16,295
Uncollected Premiums	76,995		76,995
Net Deferred Tax Asset **(Note 1)**	112,215	(102,000)	10,215
Receivable from Parent and Affiliates	20,000		20,000
Aggregate Write-Ins for Assets **(Note 2)**	508,686	(508,686)	0
Total Assets	$2,573,416	($610,686)	$1,962,730

	Liabilities per GTIC	Examination Changes	Liabilities after Examination Changes
Loss and LAE Reserves **(Note 3)**	$2,856,392	$2,834,746	$5,691,138
Other Expenses **(Note 4)**	19,004	(19,004)	0
Taxes, Licenses and Fees	13,095		13,095
Total Liabilities	2,888,491	2,815,742	5,704,233
Common Capital Stock	750,000		750,000
Gross Paid In and Contributed Surplus	2,866,608		2,866,608
Unassigned Funds	(3,931,683)		(3,931,683)
Examination Changes:			
Net Deferred Tax Asset **(Note 1)**		(102,000)	(102,000)
Aggr. Write-Ins for Assets **(Note 2)**		(508,686)	(508,686)
Loss and LAE Reserve **(Note 3)**		(2,834,746)	(2,834,746)
Other Expenses **(Note 4)**		19,004	19,004
Surplus as Regards Policyholders	(315,075)	(3,426,428)	(3,741,503)
Total Liabilities and Surplus as Regards Policyholders	$2,573,416	($610,686)	$1,962,730

NOTES TO FINANCIAL STATEMENTS

Note 1 – Net Deferred Tax Asset

December 31, 2007	**$10,085**
March 31, 2008	**$10,215**

As of December 31, 2007, an examination change of $94,103 was made to reduce the Net Deferred Tax Asset to $10,085. As of March 31, 2008, an examination change of $102,000 was made to reduce the Net Deferred Tax Asset to $10,215. These changes were necessary to non-admit that portion of the net deferred tax asset which related to the tax effect of the Company's net operating loss carry forward and that portion of the tax effect of the unearned premium reserve not expected to reverse within one year. Per SSAP #10 Income Taxes, only income taxes paid in prior years that may be recovered through loss carrybacks and differences expected to reverse within one year are admissible.

Note 2 – Aggregate Write-Ins for Assets, Claim Recoupment **$0**

Examination changes were made to eliminate the $416,732 and $508,686 the Company incorrectly admitted for "Claim Recoupment" as of December 31, 2007 and March 31, 2008, respectively. This asset represents funds the Company expects to receive through subrogation for claims paid under various title policies it issued. Per SSAP #57 Title Insurance, paragraph 13, no such asset shall be established until the actual payment is in direct control of the Company.

Note 3 –Loss and LAE Reserves

December 31, 2007	**$5,988,138**
March 31, 2008	**$5,691,138**

The Company initially reported Loss and LAE Reserves in its 2007 Annual Statement of $1,280,392. On July 2, 2008, the Company's contracted actuary, Demotech, Inc., opined that the Company's reserves for losses and loss adjustment expenses as of December 31, 2007 were deficient by $1,873,000 and should have been reported as $3,153,392. Lewis & Ellis, Inc, the DIFP consulting actuary, reviewed GTIC's December 31, 2007 reserves including subsequent development through June 30, 2008. Lewis & Ellis, Inc.'s actuarial opinion states that the Company's Loss and LAE Reserves as of December 31, 2007 were deficient by $4,707,746, an additional deficiency of $2,834,746 as compared to the amount recognized by Demotech. This additional deficiency is shown as an examination change as of December 31, 2007.

The March 31, 2008 Loss and LAE Reserves per the Company were computed by starting with the December 31, 2007 Demotech Reserves and reducing it by first quarter 2008 Loss and LAE payments. The examination change as of March 31, 2008 is the same $2,834,746 shown as of December 31, 2007. Therefore, neither the March 31, 2008 Loss and LAE Reserves shown per the Company nor the March 31, 2008 Loss and LAE Reserves shown after examination changes include any provision for policies written in 2008. This means that the March 31, 2008 Loss and LAE Reserves are understated by the amount which should be accrued for Loss and LAE Reserves for 2008 policies and the March 31, 2008 Surplus as Regards Policyholders is overstated by a like amount.

Note 4 – Other Expenses

December 31, 2007	**$22,881**
March 31, 2008	**$0**

In reviewing the Other Expenses payable as of December 31, 2007, the examiner determined that $77,137 of the balance was for LAE Reserves and should have been included in that liability

rather than "Other Expenses." The Other Expenses payable was therefore reduced by $77,137 from $100,018 to $22,881. As detail was not reviewed for the March 31, 2008 Other Expenses payable of $19,004, it was assumed the entire balance related to LAE Reserves and the balance was reduced to zero.

As noted under the "Intercompany Agreements and Transactions" heading in this report, it appears that numerous intercompany transactions have occurred related to general operations for which the Company has not provided information to the examiner despite repeated requests for such information. It is possible that GTIC should have recognized a liability for the services provided by affiliates which might have been related to "Other Expenses;" however, the examiner does not have enough information to estimate the extent of this potential liability and; therefore, no accrual was made. Additional inquiry into this area is recommended.

CONCLUSION

As of December 31, 2007 and as of March 31, 2008, Guarantee Title Insurance Company was both statutorily insolvent, meaning its surplus was beneath the minimum required by Missouri statutes, and insolvent according to the accounting definition, meaning the Company's liabilities exceeded its assets. As shown in the financial statements included in this report, the Company's surplus as regards policyholders after examination adjustments was $(3,913,428) and $(3,741,503) as of December 31, 2007 and March 31, 2008, respectively. These levels are far below the $800,000 minimum required by 381.062 RSMo. (Establishment and maintenance of minimum paid-in capital and paid-in initial surplus necessary for insurance business license). Since March 31, 2008, according to the monthly financial statements which the Company has provided the DIFP, GTIC's financial condition has continued to deteriorate. Although the DIFP has requested that the Company obtain additional surplus from its direct or ultimate parent, no contributions have been made and the Company remains insolvent.

As discussed in the History section of this report, the Company has also failed to comply with agreements reached with the Missouri Department of Insurance, Financial Institutions and Professional Registration. Under the original purchase agreement between Reliant and the DIFP, Reliant was required to increase GTIC's surplus as regards policyholders to $1.9 million by 2006 and maintain said level indefinitely. Under a new agreement with DIFP signed in February 2008, GTIC's surplus as regards policyholders was to be maintained at a minimum of $1.2 million until July 2008, when Reliant would begin making monthly $50,000 capital contributions until surplus reached the $1.9 million level. As noted above, the Company has fallen substantially below these agreed-upon levels and despite requests from the DIFP that the Reliant honor its agreements with the DIFP and provide the additional capital necessary for GTIC to maintain minimum surplus as regards policyholders, Reliant has failed to make the required contributions.

Based on preliminary examination findings and discussions with the Company, the DIFP, with the Company's consent, placed GTIC under "Administrative Supervision" effective June 23, 2008.

Based on information as determined in this examination, the Company's surplus as regards policyholders as of March 31, 2008 was $4,541,503 below the minimum surplus requirements. The examiner recommends that a rehabilitation order be implemented in order to protect the interests of the policyholders of Guarantee Title Insurance Company.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Guarantee Title Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Glenn Tobleman, FSA, MAAA, of the firm of Lewis & Ellis, Inc. also participated in this examination as a consulting actuary.

VERIFICATION

State of Missouri)
)
County of)

I, Bernie R. Troop, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of Guarantee Title Insurance Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiner finds reasonably warranted from the facts.

Bernie R. Troop, CFE
Examiner-In-Charge
Missouri Department of Insurance, Financial Institutions and Professional Registration

Sworn to and subscribed before me this 31st day of July, 2008.

My commission expires: 5/2/11

Notary Public
Diana L. Matienzo

NOTARY PUBLIC-State of Kansas
DIANA L. MATIENZO
My Appt. Exp. 5/2/11

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

Vicki L. Denton, CFE
Audit Manager
Missouri Department of Insurance, Financial Institutions and Professional Registration