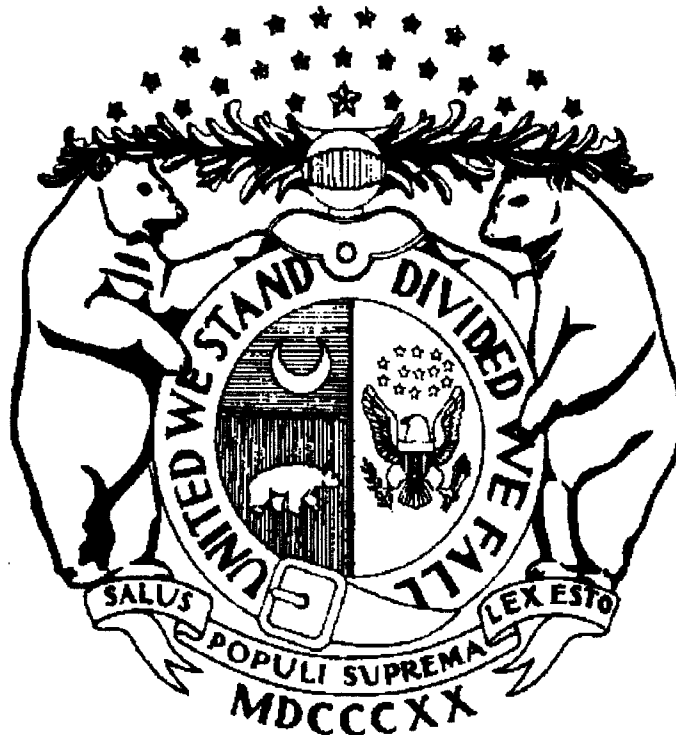


**REPORT OF THE
ASSOCIATION FINANCIAL EXAMINATION OF
GUARANTEE TITLE INSURANCE COMPANY**

**AS OF
DECEMBER 31, 2005**



**STATE OF MISSOURI
DEPARTMENT OF INSURANCE
JEFFERSON CITY, MISSOURI**

TABLE OF CONTENTS

SCOPE OF EXAMINATION	1
PERIOD COVERED	1
PROCEDURES	1
COMMENTS - PREVIOUS EXAMINATION	2
HISTORY	2
GENERAL	2
CAPITAL STOCK	2
DIVIDENDS	2
MANAGEMENT	2
COMMITTEES	2
OFFICERS	2
CONFLICT OF INTEREST	3
CORPORATE RECORDS	3
ACQUISITIONS, MERGERS AND MAJOR CORPORATE EVENTS	3
SURPLUS DEBENTURES	3
AFFILIATED COMPANIES	3
HOLDING COMPANY, SUBSIDIARIES AND AFFILIATES	3
ORGANIZATIONAL CHART	4
INTERCOMPANY TRANSACTIONS	4
INTERCOMPANY PAYMENTS	5
FIDELITY BOND AND OTHER INSURANCE	6
PENSION, STOCK OWNERSHIP AND INSURANCE PLANS	6
STATUTORY DEPOSITS	6
DEPOSITS WITH THE STATE OF MISSOURI	6
DEPOSITS WITH OTHER STATES	6

INSURANCE PRODUCTS AND RELATED PRACTICES.....	7
TERRITORY AND PLAN OF OPERATION.....	7
POLICY FORMS & UNDERWRITING.....	7
ADVERTISING & SALES MATERIALS.....	7
TREATMENT OF POLICYHOLDERS	7
REINSURANCE.....	7
GENERAL.....	7
ASSUMED.....	7
CEDED.....	7
ACCOUNTS AND RECORDS.....	8
FINANCIAL STATEMENTS	8
ASSETS	9
LIABILITIES, SURPLUS AND OTHER FUNDS	9
STATEMENT OF INCOME.....	10
CAPITAL AND SURPLUS ACCOUNT.....	10
NOTES TO THE FINANCIAL STATEMENTS.....	10
EXAMINATION CHANGES.....	11
GENERAL COMMENTS AND/OR RECOMMENDATIONS	11
ACKNOWLEDGMENT	13
VERIFICATION	13
SUPERVISION.....	13

Kansas City, Missouri
July 20, 2006

Honorable W. Dale Finke, Director
Missouri Department of Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65102-0690

Sir:

In accordance with your financial examination warrant, a full scope association financial examination has been made of the records, affairs and 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, Kansas 66207, telephone number 913-383-6050. This examination began on March 6, 2006 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, 2002, and was conducted by examiners from the State of Missouri representing the Midwestern Zone of the National Association of Insurance Commissioners (NAIC). GTIC did not write business in any other zones at that time. During 2004 the Company received a license from the State of Tennessee (Southeastern Zone) and began writing in that state in 2005.

The current full scope association financial examination covered the period from January 1, 2003, through December 31, 2005 and was conducted by an examiner from the State of Missouri, representing the Midwestern Zone of the NAIC with no other zones participating.

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

Procedures

This examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook of the NAIC, except where practices, procedures and applicable regulations of the Missouri Department of Insurance (MDI) and statutes of the State of Missouri prevailed.

Since the Company's independent audit for 2005 was scheduled to commence in April 2006, the examiner relied upon narrative descriptions, and other information supplied by the Company's independent auditor, Mayer Hoffman McCann P.C., Leawood, Kansas, for its audit covering the period from January 1, 2004, through December 31, 2004.

Comments - Previous Examination

The previous financial examination of the Company, then known as The Bar Plan Title Insurance Company was conducted by the MDI for the period ending December 31, 2002. There were no notes, comments, or recommendations noted in the previous examination report.

HISTORY**General**

The Company was originally incorporated as The Bar Plan Title Insurance Company in the State of Missouri on March 21, 1995. The Missouri Department of Insurance issued a Certificate of Authority to the Company on April 11, 1997 and the Company began writing business in June 1997. On December 31, 2003, Reliant Holding Company (RHC) purchased all outstanding shares of the Company from its then parent, TBP Holding Company, Inc. and subsequently changed the Company's name to its current moniker.

Capital Stock

The Company is authorized to issue 1,500,000 shares of \$1.00 par value common stock. As of December 31, 2005, 750,000 shares were issued and outstanding.

Dividends

The Company did not declare or pay any dividends during the current examination period to its sole stockholder.

Management

The management of the Company is vested in a Board of Directors elected by the shareholder. The Company's Bylaws specify that the number of directors shall be no fewer than three (3). Based on a review of Missouri statutes, the minimum number of directors is nine (9). As of December 31, 2005, three (3) directors were serving on the Board. The Board of Directors elected and serving as of December 31, 2005 was as follows:

<u>Name</u>	<u>Address</u>	<u>Principal Occupation and Business Affiliation</u>
Christopher Likens	Overland Park, KS	President and Owner, Nations Holding Co.
Hiram Blomquist	Leawood, KS	Vice President, Nations Holding Co.
Michael Riley	Lee's Summit, MO	Vice President, Nations Holding Co.

Committees

There were no committees appointed by the Board of Directors, or required by the Company's Bylaws.

Officers

The officers elected and serving as of December 31, 2005 were as follows:

Hiram Blomquist	President
Stefani Hepford	Secretary
James Diltz	Treasurer

Conflict of Interest

The Company requires all new directors and employees to complete and sign a conflict of interest statement when elected or hired. There is no requirement to update or renew the statement on an annual basis.

Corporate Records

The Company's Articles of Incorporation and Bylaws were reviewed for the period under examination. The Articles of Incorporation and the Bylaws were both amended during the examination period. Amendments for the change to the current name were passed on January 6, 2004. Amendments reducing the minimum number of directors from fifteen (15) to three (3) were passed in April 2004. Although the Missouri statutes related to title insurance are silent regarding the number of directors, the statutes do state that absence any specific guidance, statutes for other types of insurance will be followed. Statutes for both life and property and casualty insurers require a minimum of nine (9) directors. The Company is directed to amend the Articles of Incorporation and Bylaws to change the minimum number of directors serving on the Board of Directors to at least nine (9).

The minutes of the Board of Director's meetings were reviewed for proper approval of corporate transactions. In general, the minutes appear to properly reflect and approve the Company's major transactions and events for the period under examination.

The minutes of the Board of Directors do not include any review or discussion of the prior financial examination report.

Acquisitions, Mergers and Major Corporate Events

On December 31, 2003, TPB Holding Company, Inc. sold all outstanding shares of the Company to Reliant Holding Company of Prairie Village, Kansas. As part of the sale process, RHC contributed \$150,000 to the Company's surplus and changed its name to Guarantee Title Insurance Company. As part of the approval process, the Missouri Department of Insurance imposed minimum levels of capital and surplus for each year. For 2003 the minimum was set at \$1.6 million, increasing to \$1.8 million for 2005 and \$1.9 million for 2006 and beyond.

Surplus Debentures

No surplus debentures were issued or outstanding for the period under examination.

AFFILIATED COMPANIES

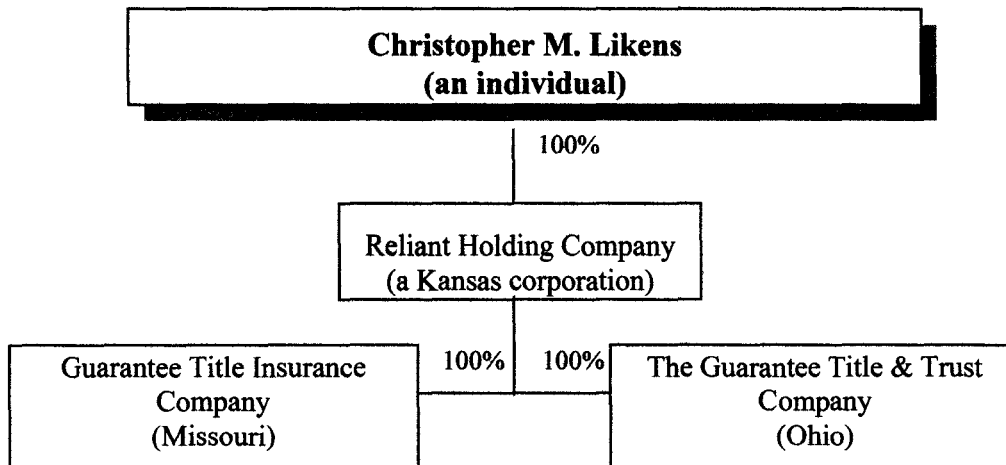
Holding Company, Subsidiaries and Affiliates

The Company is a member of an Insurance Holding Company System as defined by Section 382.010, RSMo (Definitions). GTIC is wholly owned by RHC. RHC is in turn wholly owned by Christopher M. Likens, an individual and the ultimate controlling person within the holding company system. An Insurance Holding Company System Registration Statement was filed by Reliant Holding Company on behalf of itself and GTIC for each year of the examination period.

Although not a part of the holding company, Christopher Likens also owns 100% of Nations Holding Company and all its subsidiaries. By virtue of common ownership, per definition under the NAIC's Accounting Practices and Procedures Manual, these companies are considered affiliates.

Organizational Chart

The following organizational chart depicts GTIC's holding company system, as of December 31, 2005:



Intercompany Transactions

The Company's intercompany agreements in effect, as of December 31, 2005, are outlined below.

1. **Type:** Management Services Agreement
Affiliates: Guarantee Title and Trust Company (GTT)
Effective: April 1, 2004
Terms: GTT will provide policy accounting and underwriting services. GTIC will pay \$5,000 per month for the services.

2. **Type:** Policy Issuing Agent Agreement
Affiliate: Nations Title Agency, Inc.
Effective: October 20, 2004
Terms: Nations Title will solicit business, collect and account for premiums, remit premiums less commissions (amount due GTIC) on a monthly basis.

3. **Type:** Policy Issuing Agent Agreement
Affiliate: Nations Title Agency of Missouri, Inc.
Effective: October 20, 2004
Terms: Nations Title will solicit business, collect and account for premiums, remit premiums less commissions (amount due GTIC) on a monthly basis.

The following intercompany transactions were noted as taking place without the benefit of a written agreement approved by the Missouri Department of Insurance. These transactions

should be incorporated into one or more agreements, and submitted to the MDI for approval. The Company is directed to submit agreements regarding all intercompany activity between itself and its parent and affiliates, as part of a Form D filing, to the MDI for prior approval, as required by Section 382.195 RSMo (Transactions Within a Holding Company System).

The Company reimburses Reliant Holding Company for payroll costs and general expenses.

The Company reimburses Guarantee Title and Trust Company for various general expenses. In return, GTT reimburses the Company for use of storage space.

The Company uses Nations Title Agency of Kansas, Inc. and Nations Title Agency of Tennessee, Inc. to produce business in their respective states. The Company is expanding into Oklahoma, however no agreement with Nations Title Agency of Oklahoma has been obtained.

The Company reimburses Nations Lending Services of Kansas and Ohio for services related to policy acquisition.

During 2003, while a subsidiary of TBP Holding Company, Inc., the Company had an Administrative and Management Services Agreement, a Risk Management and Marketing Services Agreement and a Claims Services Agreement with The Bar Plan Mutual Insurance Company, as well as a Tax Allocation agreement with The Bar Plan Mutual Insurance Company and all its subsidiaries. These agreements are not reported in greater detail since they were terminated with the sale of TPB Title Insurance Company to Reliant Holding Company effective December 31, 2003.

Intercompany Payments

The following table summarizes the payments made during the examination period, between the Company and its affiliates.

Agreement or Transaction	Received (Paid) By Company		
	2003	2004	2005
Management Services Agreement - GTT	\$0	(\$45,000)	(\$60,000)
Policy Issuing Agent - Nations Title Inc.		(15,741)	(30,225)
Policy Issuing Agent - Nations Title of Missouri, Inc.		(6,184)	(36,331)
Administrative and Management Services Agreement - TBP Mutual	(90,000)		
Risk Management & Marketing Agreement - TBP Mutual	90,000		
Claim Services Agreement - TBP Mutual	(1,358)		
Tax Allocation Agreement - TBP Mutual	(36,632)		
No Agreements in Place:			
Reliant Holding Company - Payroll		(154,044)	(110,893)
Reliant Holding Company - Expenses		(18,253)	(24,432)
GTT - Expenses		(10,666)	(7,703)
GTT - Storage			1,400
Homeland Title of Kansas			(1,082)
Homeland Title of Missouri			(1,169)

Nations Lending Service of Kansas	(6,490)
Nations Lending Service of Ohio	(10,162)
Nations Title Agency of Tennessee	(2,740)

Other:

Capital Contribution - Reliant Holding Company	150,000	273,000
TOTAL	<u>\$112,010</u>	<u>(\$16,827)</u>

FIDELITY BOND AND OTHER INSURANCE

The Company did not have fidelity bond coverage as of December 31, 2005. However as of January 24, 2006 the Company, its parent (RHC), and an affiliate (GTT) were named insureds on a financial institution bond. The bond provides fidelity coverage with a liability limit of \$5,000,000 and a \$75,000 deductible. This coverage complies with the suggested minimum amount of fidelity insurance, according to NAIC guidelines.

The Company is also a named insured on the following insurance policies: property, general liability, commercial umbrella, excess liability, commercial auto, workers compensation, managed care organization liability, errors and omissions, directors and officers liability, and employment practices liability.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

As of December 31, 2005, the Company had one employee. Most of the operations of the Company are performed by employees of GTT under the management service agreement described in the Intercompany Transactions section of this report. A variety of standard benefits are provided to the employees of GTT. These benefits include, but are not limited to, health insurance, dental insurance, disability insurance, life insurance, tuition reimbursement, and a 401(k) savings plan with discretionary matching contributions.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Missouri Department of Insurance as of December 31, 2005, as reflected below, were sufficient to meet the capital deposit requirements for the State of Missouri in accordance with Section 381.051 RSMo (Deposits):

<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
U.S. Treasury Notes	\$500,000	\$496,775	\$499,990

Deposits with Other States

As of December 31, 2005 the Company also had the following deposit with the State of Oklahoma:

<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
U.S. FHLB and Cash	\$350,000	\$351,104	\$358,972

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operation

The Company is licensed in Missouri under Chapter 381 RSMo (Title Insurance Law) to write title insurance. The Company is also licensed in Kansas, Oklahoma, and Tennessee, however only an immaterial amount of gross premiums were written in Kansas and Tennessee during 2005 with no policies issued in Oklahoma through December 31, 2005.

The Company has appointed approximately 70 agents/agencies to write title insurance in Missouri. Policies in other states are sold through affiliated Nations Title agencies.

Policy Forms & Underwriting

Advertising & Sales Materials

Treatment of Policyholders

The Missouri Department of Insurance has a market conduct staff that performs a review of these issues and generates a separate market conduct report. The MDI conducted a market conduct exam during 2005-2006. The market conduct examination report had not been finalized as of the date of this report.

REINSURANCE

General

The Company's premium activity on a direct written, assumed, and ceded basis, for the period under examination, is detailed below:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Direct Business	\$1,831,318	\$995,859	\$853,558
Reinsurance Assumed:	None	None	None
Reinsurance Ceded:			
Non-affiliates	(113,683)	(94,220)	(64,861)
Net Premiums Written	<u>\$1,717,635</u>	<u>\$901,639</u>	<u>\$788,697</u>

Assumed

The Company did not assume any reinsurance during the period under examination.

Ceded

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer fails to perform its obligations under the reinsurance agreement.

Under the reinsurance agreement with Attorney's Title Insurance Fund, the Company cedes all risks in excess of \$175,000 on each policy. Any policy in excess of \$10,000,000 must be submitted and approved by the reinsurer prior to issuance. This agreement has been in effect

since May 1997 and is renewed annually on April 1 through automatic provisions unless specifically terminated.

ACCOUNTS AND RECORDS

The CPA firm, PricewaterhouseCoopers LLP, of St. Louis, Missouri, issued audited statutory financial statements of the Company for 2003. The CPA firm, Mayer Hoffman McCann C.P. issued audited statutory financial statements of the Company for 2004, and will be issuing statements for 2005 as well.

For 2003 and 2004, the Company did not obtain an actuarial opinion of its reserves, based on “small company” the exemption. For the year ending December 31, 2005, claim reserves were reviewed by Joseph L. Petrelli, ACAS, MAAA, FCA, an actuary with Demoteck, Inc., however no opinion was offered on the adequacy of the Company’s loss reserves. The Company should ensure that future actuarial reviews do include an opinion by the actuary reviewing the Company’s reserves.

During the current examination, the Company has been subject to several lawsuits as the direct result of agent defalcations. The lawsuits and attendant expenses have had a negative impact on the Company’s finances as well as distracting management from the daily operations of the Company. The Company needs to review and strengthen the controls over agents and increase its oversight of agency operations to reduce future defalcation incidents.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2005. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the “Notes to the 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 in the course of this examination, which are not shown in the “Notes to the Financial Statements.” These differences were determined to be immaterial concerning their effect on the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual Annual Statement item.

Assets
as of December 31, 2005

	<u>Assets</u>	<u>Nonadmitted</u> <u>Assets</u>	<u>Net</u> <u>Admitted</u> <u>Assets</u>
Bonds	\$ 1,527,274		\$ 1,527,274
Common Stock	208,358		208,358
Mortgage First Liens (Note 1)	45,000	(45,000)	0
Cash and Short-Term Investments	582,907		582,907
Investment Income Due & Accrued	15,765		15,765
Uncollected Premiums	16,357	(4,582)	11,775
Current Federal Taxes Recoverable	15,278		15,278
Deferred Tax Assets	120,083	(41,761)	78,322
EDP Equipment	1,631	(1,631)	0
Furniture and Equipment	668	(668)	0
Aggregate Write-Ins for Assets	7,579		7,579
Total Assets	\$ 2,540,900	\$ (93,642)	\$ 2,447,258

Liabilities, Surplus and Other Funds
as of December 31, 2005

Known Claim Reserve (Note 2)	\$ 301,875
Statutory Premium Reserve	536,258
Other Expenses	380
Taxes, Licenses, Fees	31,513
Aggregate Write-Ins for Liabilities	65,000
Total Liabilities	\$ 935,026
Common capital stock	\$ 750,000
Gross paid in and contributed surplus	1,683,069
Unassigned Surplus (Notes 1,2)	(870,837)
Total Fund Equity	1,512,232
Total Liabilities and Fund Equity	\$ 2,447,258

Statement of Income
For the Year Ended December 31, 2005

Premiums Earned	\$ 1,536,415
Other Fees	7,495
Total Operating Income	<u>1,543,910</u>
Losses and LAE (Note 2)	(420,993)
Operating Expenses	(1,722,185)
Total Operating Deductions	<u>(2,143,178)</u>
Net Operating Gain (Loss)	<u>(599,268)</u>
Net Investment Income Earned	53,848
Net Realized Gains	9,549
Net Investment Gain (Loss)	<u>63,397</u>
Net Income Before Federal Taxes	(535,871)
Federal Income Taxes	6,672
Net Income (Loss)	<u>\$ (529,199)</u>

Capital and Surplus Account

Capital & Surplus at December 31, 2004	\$ 1,722,916
Net Income (Loss)	(252,199)
Net Unrealized Capital Gains	15,576
Change in Deferred Income Taxes	74,239
Change in Nonadmitted Assets	(25,145)
Paid In Surplus	273,000
Aggregate Write-Ins	25,845
Examination Changes	(322,000)
Capital & Surplus at December 31, 2005	<u>\$ 1,512,232*</u>

* Due to examination changes affecting the Company's capital and surplus balance, the Company is no longer in compliance with the agreement between RHC and MDI regarding the purchase of the Company (see "Acquisitions, Mergers and Major Corporate Events, page 3). The Company is directed to immediately increase its capital and surplus balance to at least the \$1.8 million required at December 31, 2005 as detailed in the 2003 purchase agreement.

NOTES TO FINANCIAL STATEMENTS

Note 1 – Mortgage Loans **\$0**

A subordinate (second) mortgage loan valued at \$45,000 was included as an admitted asset. Per Section 376.300 RSMo (Life insurers: eligible investments), such investments are not admissible and should be nonadmitted in the statutory financial statements.

Note 2 – Known Claim Reserves **\$301,879**

The Company's claim reserves were understated by approximately \$277,000 as of December 31, 2005. This difference was determined through a review of the Company's financial records by the Missouri Department of Insurance contract actuarial firm of Lewis & Ellis, Inc. The Company should establish sufficient reserves to cover future losses related to prior periods.

EXAMINATION CHANGES

Capital and Surplus Per the Company, December 31, 2005:	
Common capital stock	\$750,000
Gross paid in and contributed surplus	1,683,069
Unassigned Surplus	<u>(598,837)</u>
Total Capital and Surplus Per Company	\$1,834,232
Examination Changes	
Decrease Mortgage Loans Note 1	(\$45,000)
Increase Known Claim Reserves Note 2	<u>(277,000)</u>
Total Examination Changes	(\$322,000)
Capital and Surplus Per Examination, December 31, 2005:	
Common capital stock	\$750,000
Gross paid in and contributed surplus	1,683,069
Unassigned Surplus	<u>(920,837)</u>
Total Capital and Surplus Per Examination, December 31, 2005	<u>\$1,512,232</u>

GENERAL COMMENTS AND/OR RECOMMENDATIONS

Number of Directors appointed to and serving on the Board of Directors (page 3)

The Company is directed to amend the Articles of Incorporation and Bylaws to change the minimum number of directors serving on the Board of Directors to at least nine (9). Although the Missouri statutes related to title insurance are silent regarding the number of directors, the statutes do state that absence any specific guidance, statutes for other types of insurance will be followed. Statutes for both life and property and casualty insurers require a minimum of nine (9) directors.

Provider Agreements with Reliant Holding Company and Guarantee Title and Trust Company (page 5)

The Company is directed to submit agreements regarding all intercompany activity between itself and its parent and affiliates, as part of a Form D filing, to the MDI for prior approval, as required by Section 382.195 RSMo (Transactions Within a Holding Company System).

Agency Agreements with Nations Title affiliates (page 5)

The Company is using several Nations Title Holding Company affiliates to generate and retain business in the various states. These relationships should be formalized, and agreements submitted to the MDI for prior approval in a Form D filing, as required by Section 382.195 RSMo (Transactions Within a Holding Company System).

Accounts and Records (page 8)

The actuary retained by the Company to review the loss reserves as of December 31, 2005 did not offer an opinion on the adequacy of said reserves. In the future, the Company should ensure that any actuary retained has the information and knowledge to provide an opinion on the Company's stated reserves.

Accounts and Records (page 8)

The Company needs to review and strengthen the controls over agents and increase its oversight of agency operations to reduce future defalcation incidents.

Known Claim Reserves (page 10)

The Company should establish sufficient reserves to cover future losses related to prior periods.

Capital and Surplus Balance (page 10)

The Company is directed to maintain its capital and surplus balance at or above the minimum amounts required under its agreement with the Missouri Department of Insurance. As a result of the current examination, the Company's capital and surplus balance at December 31, 2005 was approximately \$288,000 below the \$1.8 million agreed to level. The Company should take steps to correct this deficit immediately, such as a capital infusion by the shareholder sufficient to increase and maintain capital and surplus to agreed to levels. This capital infusion should be sufficient to allow the Company to continue to meet Missouri Department of Insurance capital and surplus requirements despite possible future short-term adverse operating results or adjustments required to meet statutory adjustments.


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, FCSA, FSA, MAAA, of Lewis & Ellis, Inc. participated 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 examiners find reasonably warranted from the facts.

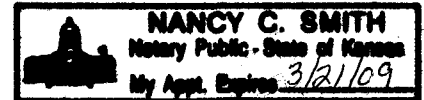


Bernie R. Troop, CFE
Examiner-In-Charge
Missouri Department of Insurance

Sworn to and subscribed before me this 12 day of July, 2006.

My commission expires: 3/21/09 Nancy C. Smith
Notary Public

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.



Frederick G. Heese, CFE, CPA
Audit Manager
Missouri Department of Insurance

GUARANTEE
TITLE INSURANCE
COMPANY

August 30, 2006

Via FAX, (573) 751-5888, and Regular Mail

Kirk Schmidt, Chief Financial Examiner
State of Missouri, Department of Insurance
P. O. Box 690
Jefferson City, Missouri 65102-0690

RECEIVED

SEP 05 2006

INSURANCE SOLVENCY
&
COMPANY REGULATION

Dear Mr. Schmidt:

We have reviewed the draft copy of the Examination Report of Guarantee Title Insurance Company for the period ending December 31, 2005. We appreciate the opportunity to provide you with comments.

Addressing the Department's General Comments and/or Recommendations:

- **Numbers of Directors appointed to and serving on the Board of Directors**
The Company is directed to amend the Articles of Incorporation and Bylaws to change the minimum number of directors serving on the Board of Directors to at least nine (9). Although the Missouri statutes related to title insurance are silent regarding the number of directors, the statutes do state that absent any specific guidance, statutes for other types of insurance will be followed. Statutes for both life and property and casualty insurers require a minimum of nine (9) directors.

The Company amended its Articles of Incorporation and Bylaws in 2004, reducing the minimum number of directors, based upon its understanding of Missouri statutes at the time. We appreciate the Department's interpretation of the law, and began the process of searching for qualified Directors immediately after the Department's examiner first brought this concern to our attention. Additional Directors will be appointed and our Articles of Incorporation and Bylaws will be amended as quickly as possible.

- **Provider Agreements with Reliant Holding Company and Guarantee Title and Trust Company**

The Company is directed to submit agreements regarding all intercompany activity between itself and its parent and affiliates, as part of a Form D filing, to the MDI for prior approval, as required by Section 382.195 RSMo (Transactions Within a Holding Company System).

We are reviewing our intercompany activity and will submit the required filings to the Department.

- **Agency Agreements with Nations Title affiliates**

The Company is using several Nations Title Holding Company affiliates to generate and retain business in the various states. These relationships should be formalized, and agreements submitted to the MDI for prior approval in a Form D filing, as required by Section 382.195 RSMo (Transactions Within a Holding Company System).

As in the prior comment, we are reviewing our intercompany activity and will submit the required filings to the Department.

- **Accounts and Records**

The actuary retained by the Company to review the loss reserves as of December 31, 2005 did not offer an opinion on the adequacy of said reserves. In the future, the Company should ensure that any actuary retained has the information and knowledge to provide an opinion on the Company's stated reserves.

As stated, the Company retained Joseph L. Petrelli, ACAS, MAAA, FCA, a qualified actuary with Demotec, Inc., to review its loss reserves and provide an opinion. Mr. Petrelli was unable to provide an opinion on the adequacy of the Company's loss reserves because of the relatively short period of time the Company has been in existence. It was, and will be, the Company's policy to ensure that any actuarial reviews it obtains do include an opinion by the actuary reviewing the Company's reserves.

- **Accounts and Records**

The Company needs to review and strengthen the controls over agents and increase its oversight of agency operations to reduce future defalcation incidents.

The Company recognizes the general necessity for this oversight, and particularly in light of a number of recent defalcations in the St. Louis

market that have impacted it and other title insurance underwriters, and is in the process of adding audit and review resources to that end.

- **Known Claim Reserves**

The Company should establish sufficient reserves to cover future losses related to prior periods.

The Company has reviewed, and adjusted where appropriate, its known claim reserves and believes them to be sufficient. Management will continue to monitor this process closely.

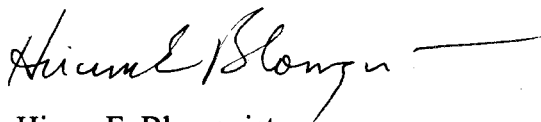
- **Capital and Surplus Balance**

The Company is directed to maintain its capital and surplus balance at or above the minimum amounts required under its agreement with the Missouri Department of Insurance. As a result of the current examination, the Company's capital and surplus balance at December 31, 2005 was approximately \$288,000 below the \$1.8 million agreed to level. The Company should take steps to correct this deficit immediately, such as a capital infusion by the shareholder sufficient to increase and maintain capital and surplus to agreed to levels. This capital infusion should be sufficient to allow the Company to continue to meet Missouri Department of Insurance capital and surplus requirements despite possible future short-term adverse operating results or adjustments required to meet statutory adjustments.

As noted, the Company's capital and surplus balance as of December 31, 2005 was determined to be insufficient due to retroactive examination changes. The Company has since increased these balances and is presently in compliance with its agreement with the Missouri Department of Insurance in this regard.

As always, we appreciate the Department's guidance and assistance. Please let us know if you have questions or if we can provide additional information. Our responses above may be included in the report as a public document.

Very truly yours,



Hiram E. Blomquist
President