

STATE OF MISSOURI



DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

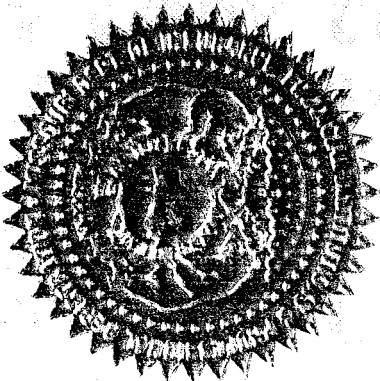
RE: Examination Report of Land Title Insurance Company of St. Louis as of December 31, 2005

ORDER

After full consideration and review of the report of the financial examination of Land Title Insurance Company of St. Louis for the period ended December 31, 2005, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Douglas M. Ommen, 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 Land Title Insurance Company of St. Louis, 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: (1) implement, and verify compliance with, each item mentioned in the General Comments and/or Recommendations section of such report; (2) 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 April 20, 2007.

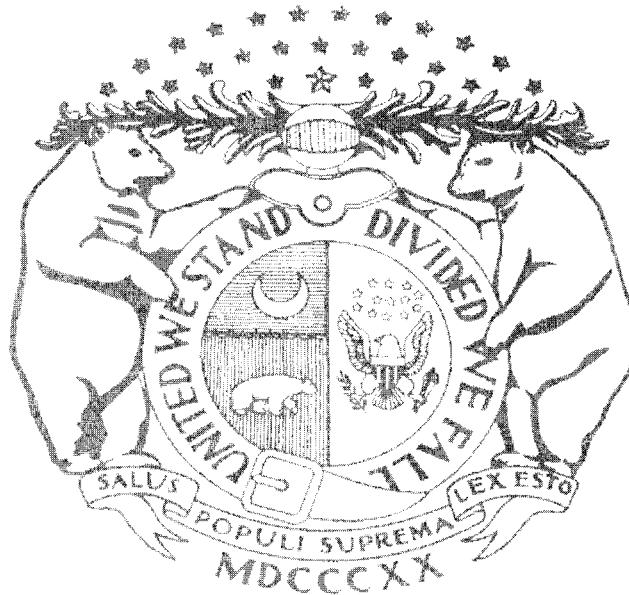


Handwritten signature of Douglas M. Ommen.

DOUGLAS M. OMMEN, Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF
FINANCIAL EXAMINATION

LAND TITLE INSURANCE COMPANY OF ST. LOUIS



AS OF
DECEMBER 31, 2005

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND
PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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February 15, 2007
Des Peres, Missouri

Honorable Alfred W. Gross, Commissioner
Bureau of Insurance
Virginia State Corporate Commission
Chairman, Financial Condition (E) Committee, NAIC

Honorable Ann Womer Benjamin, Director
Department of Insurance
State of Ohio
Secretary, Midwestern Zone, NAIC

Honorable Douglas M. Ommen, Director
Missouri Department of Insurance,
Financial Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Dear Sirs/Madam:

In accordance with your financial examination warrant, a full scope association financial examination has been made of the records, affairs and financial condition of:

Land Title Insurance Company of St. Louis

hereinafter referred to as such or as "LTIC" or as the "Company." The Company's statutory home office is located at 12360 Manchester Road, Des Peres, Missouri, telephone number (314) 821-5515. This examination began on January 8, 2007 and concluded on February 15, 2007.

SCOPE OF EXAMINATION

Period Covered

The last full scope association financial examination of the Company was made as of December 31, 2002, by examiners from the state of Missouri representing the Midwestern Zone of the National Association of Insurance Commissioners (NAIC) with no other zones participating.

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

This examination also included material transactions and/or events occurring subsequent to December 31, 2005.

Procedures

This examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook of the National Association of Insurance Commissioners, except where practices, procedures and applicable regulations of the Department of Insurance, Financial Institutions and Professional Registration (DIFP) and statutes of the state of Missouri prevailed.

COMMENTS PREVIOUS EXAMINATION

The comments and recommendations of the previous examination report, made as of December 31, 2002, are listed below. The Company's response to these items and the current findings related to the 2002 comments and recommendations are also documented below.

1. Comment: Dividend Policy

It was recommended that the board of directors revise its dividend payment resolution to ensure compliance with Missouri statutes requiring prior written approval being received from the Director of the Department of Insurance, Financial Institutions and Professional Registration.

Company Response:

"Although no dividends have been paid the subject board resolution will be revised at the next scheduled board meeting to be held on December 19, 2003."

Current Findings:

The board revised its dividend resolution in 2003 to state that dividends would be paid pursuant to Missouri insurance statutes.

2. Comment: Corporate Records

It was recommended that the Company comply with its bylaws regarding the date of the annual stockholder meeting and the prescribed number of vice presidents.

Company Response:

"The compliance issue regarding annual stockholder meeting and number of Vice Presidents, will also be addressed at the December 19th board meeting."

Current Findings:

The Company is currently in compliance with its bylaws regarding these items.

3. Comment: Custodial Agreement

It was recommended that the Company enter into a formal custodial agreement with its investment custodian. It was also recommended that the Company file the custodial agreement and its Investment Consulting Agreement with the Department of Insurance, Financial

Institutions and Professional Registration in accordance with Section 382.110 RSMo (Registration, form, contents, exempted matter).

Company Response:

“The issue of the Custodial Agreement is being addressed and the agreement will be filed by year-end.”

Current Findings:

The Company submitted these agreements to the Department of Insurance, Financial Institutions and Professional Registration in March 2004. The agreements were reviewed and were not disapproved by the Department.

4. Comment: Lease Agreement

It was recommended that the Company file its affiliated lease agreement with the Department of Insurance, Financial Institutions and Professional Registration in accordance with Section 382.110 RSMo (Registration, form, contents, exempted matter).

Company Response:

“The subject Lease Agreement expires December 31, 2003.”

Current Findings:

No filing was necessary due to the lease expiring December 31, 2003.

5. Comment: Accounts and Records

It was recommended that the Company take action to ensure the Annual Statement is completed accurately. It was also recommended that the Company settle its intercompany balances in a timely manner as federal income tax balances for 1998 and 1999 were not settled until May of 2003. In addition, amounts payable to the Company’s parent at December 31, 2002, had not been settled as of the date of the prior examination report (October 10, 2003).

Company Response:

“We have recently transferred responsibility for the statutory statements to another department that is better equipped to handle these tasks this will also insure that intercompany balance will be settled on a timely basis.”

Current Findings:

Similar problems were again noted during this examination. Comments regarding these items are included in the *Accounts and Records* section below.

HISTORY

General

Land Title Insurance Company of St. Louis was incorporated in the state of Missouri on December 7, 1901, as the Chomeau and Dosenbach Land Title Company and was capitalized with 1,000 shares of common stock with a par value of \$100 per share. On May 1, 1905, the name was changed to the St. Louis County Land Title Company and on April 11, 1928, the name was changed to its present name of Land Title Insurance Company of St. Louis.

On May 12, 1926, the capital account was increased to \$500,000 by the issuance of 2,000 additional shares of common stock and 2,000 shares of preferred stock, both with par values of \$100 per share. Subsequently, all shares of preferred stock were retired leaving a capital structure of 10,000 shares of common stock issued and outstanding with a par value of \$100 per share.

First American Title Insurance Company (FATICO) acquired controlling interest in Land Title Insurance Company of St. Louis on September 18, 1980. Additional capital contributions by FATICO over the next several years ultimately produced contributed capital totaling \$1,130,796.

The Company is licensed by the Department of Insurance, Financial Institutions and Professional Registration (DIFP) under Chapter 381 RSMo (Title insurance law) to write title insurance.

Capital Stock

All 10,000 shares of common capital stock are issued and outstanding. All shares are owned by First American Title Insurance Company.

Dividends

No dividends were paid by the Company during the period under review (January 1, 2003 – December 31, 2005). On January 30, 2006 the Company submitted a request to the Department of Insurance, Financial Institutions and Professional Registration to pay a non-cash extraordinary dividend that consisted of the following assets:

	12/31/2005	12/31/2005
	<u>Statutory Value</u>	<u>Fair Market Value</u>
The Trust Company of St. Louis County (subsidiary)	\$ 282,403	\$ 467,992
Property Data Inc. (subsidiary)	-	389,395
Title Plant assets	<u>555,000</u>	<u>555,000</u>
Total	\$ 837,403	\$ 1,412,387

DIFP approved the payment of this dividend on February 22, 2006. The assets were completely transferred to First American Title Insurance Company by March 30, 2006.

Management

In accordance with the Company's Bylaws, Land Title Insurance Company of St. Louis is managed by a Board of Directors consisting of nine members. The members serving at December 31, 2005, were as follows:

<u>Name</u>	<u>Business Affiliation</u>
Curt A. Caspersen	Executive VP, Lender Service - The First American Financial Corporation; Senior Executive VP, First American Title Insurance Company
James M. Casson	Vice President & Michigan State Agency Manager - The First American Financial Corporation; Executive VP - Land Title Insurance Company of St. Louis
Rebecca J. Carpenter	VP, Compliance & Secretary - Land Title Insurance Company of St. Louis
Nancy A. Eisenschiml	VP, Underwriting Counsel - The First American Financial Corporation; Vice President - Land Title Insurance Company of St. Louis
Tony L. Hale	Regional VP, Midwest Operations - First American Title Insurance Company; Executive VP - Land Title Insurance Company of St. Louis
Gary L. Kermott	Executive VP, Title Insurance Services - The First American Financial Corporation; President - First American Title Insurance Company
Robert G. Meckfessel	Regional VP - The First American Financial Corporation; Chairman & Vice President - Land Title Insurance Company of St. Louis
Steve M. Mustin	Regional VP - First American Title Insurance Company; President - Land Title Insurance Company of St. Louis
Thomas R. Wawersich	Vice President & Chief Financial Officer - First American Title Insurance Company

The Company's Bylaws state that the officers of the Company consist of a President, two Executive Vice Presidents, a Treasurer, Secretary and other officers deemed necessary by the Board. Officers elected and serving at December 31, 2005, were as follows:

<u>Name</u>	<u>Office</u>
Steve M. Mustin	President
Rebecca J. Carpenter	Secretary & Vice President
Paul A. Rode	Treasurer
James M. Casson	Executive Vice President
Tony L. Hale	Executive Vice President
Robert J. Duffin	Vice President
Nancy A. Eisenschiml	Vice President
Chris E. Elliott	Vice President
David W. Litten	Vice President
Robert G. Meckfessel	Vice President
Nathan M. Reisetter	Vice President
Joan M. Thomas	Vice President

The Company's Bylaws allow the Board of Directors to appoint committees for any purpose or purposes, as they deem necessary. The members of the established committees serving as of December 31, 2005, were as follows:

Investment Committee

Steve M. Mustin
Paul A. Rode

Conflict of Interest

The Company has a corporate Code of Ethics and Conduct Policy outlining the responsibilities and expectations of employees. The Company also requires directors, officers and key employees to execute conflict of interest disclosure statements annually. There were no significant conflicts of interest indicated in any of the disclosure statements.

Corporate Records

Shareholders' and Board of Directors' meeting minutes were reviewed for the period under examination. The minutes appeared to properly support and approve the corporate transactions and events for the period under examination.

In October 2003, after discovering that the regional accounting office opened a bank account without the Board's approval, the Chairman of the Board instructed the regional office that it was not to open any bank accounts in the Company's name without written approval from the Board. Subsequently a second unauthorized account was opened July 2005. The board should take appropriate action to ensure that the regional accounting office cannot open bank accounts without board approval as required by the Board's 2003 instructions / resolution.

No significant changes were made to the Company's Articles of Incorporation or Bylaws during the period under examination.

Acquisitions, Mergers and Major Corporate Events

The Company declared a non-cash dividend in 2006 consisting of the Company's two subsidiaries and its Title Plant. See the *Dividends* subsection above for further information.

Surplus Debentures

The Company has not issued any surplus debentures.

AFFILIATED COMPANIES

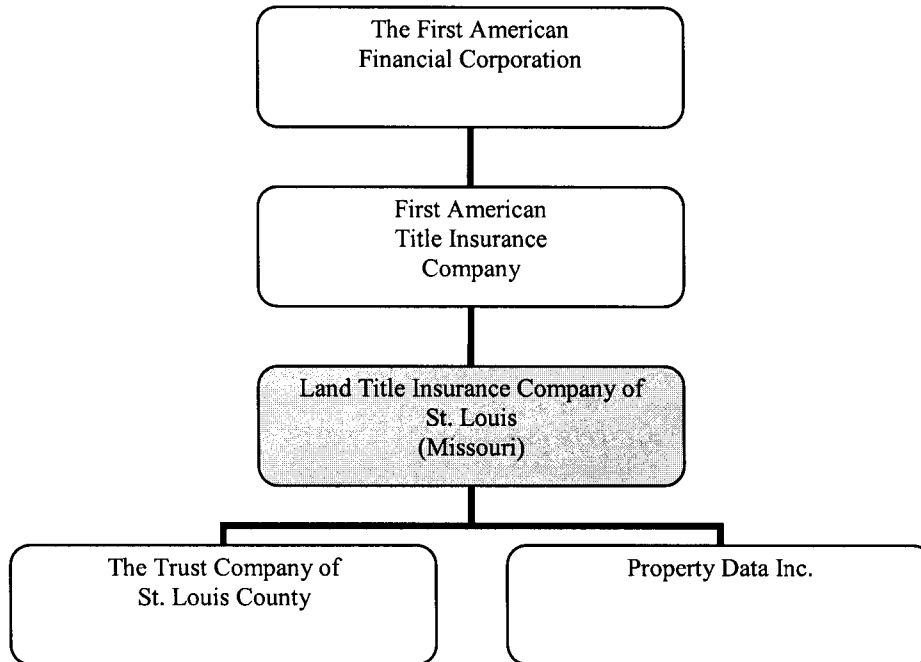
Holding Company, Subsidiaries and Affiliates

The Company is part of an Insurance Holding Company System as defined by Section 382.010 RSMo (Definitions). The Company is a wholly owned subsidiary of First American Title Insurance Company.

First American Title Insurance Company is a wholly owned subsidiary of First American Financial Corporation (NYSE: FAF), a California based FORTUNE 500® company that traces its history to 1889. The First American Family of Companies operates within five primary business segments, including: Title Insurance and Services, Specialty Insurance, Mortgage Information, Property Information, and Risk Mitigation and Business Solutions. The First American Financial Corporation has approximately 2,100 offices throughout the United States and abroad, with revenues of approximately \$8.1 billion in 2005.

Organizational Chart

The following is a small segment of the entire organizational chart and depicts those companies directly related to Land Title Insurance Company of St. Louis. All companies are 100% owned by their immediate parent unless otherwise noted.



Affiliated Transactions

The Company has entered into various agreements with affiliates including:

- Type: Tax Allocation Agreement
Parties: The First American Corporation, subsidiaries and affiliates
Effective: January 1, 1993 (entered into by LTIC on January 3, 1995)
Terms: The agreement calls for the allocation of federal income tax expenses on the basis of the percentage that the separate tax liability of each member bears to the total tax liability of all members.
- Type: Cost Allocation Agreement
Parties: Land Title Insurance Company of St. Louis and First American Title Insurance Company
Effective: September 2, 1997
Terms: First American Title Insurance Company provides the Company with insurance services, facilities and benefits that are requested by Land Title Insurance Company of St. Louis. The costs of these services are allocated to Land Title Insurance Company of St. Louis based on generally accepted accounting principles. No costs were allocated to the Company in 2005.

3. Type: Investment Management Agreement
Parties: Land Title Insurance Company of St. Louis and First American Trust
Effective: January 1, 2004
Terms: The agreement authorizes First American Trust to invest and manage the Company's investment account held by First American Trust. Assets may be invested in any securities that meet the Company's investment guidelines. The Company pays First American Trust a quarterly fee, calculated as the average portfolio market value times 35 basis points.
4. Type: Custodial Services Agreement
Parties: Land Title Insurance Company of St. Louis and First American Trust
Effective: January 1, 2004
Terms: First American Trust acts as custodian for the Company's investment account. The agreement requires LTIC to pay a quarterly fee of 10 basis points times the average portfolio market value. The companies subsequently agreed that no fee will be charged for the custodial services.
5. Type: Policy Issuing Agency Contract
Parties: Land Title Insurance Company of St. Louis and First American Title Missouri Agency, Inc. (D/B/A Land Title Company of St. Louis)
Effective: December 31, 2000
Terms: The agency agreement authorizes Land Title Company of St. Louis to issue title insurance commitments, policies and endorsements on behalf of Land Title Insurance Company of St. Louis (in accordance with Company policy issuance and underwriting guidelines). Land Title Company of St. Louis is only authorized by the Company to write business in St. Louis City and County. The agreement states that Land Title Company of St. Louis receives a commission of 75% of LTIC's scheduled rates charged to policyholders (scheduled rates equal the risk rates filed with the Missouri Department of Insurance, Financial Institutions and Professional Registration).
6. Type: Cross-Indemnity Agreement
Parties: Land Title Insurance Company of St. Louis, First American Title Insurance Company and six other First American Title Insurance Company title insurance affiliates
Effective: January 1, 1995
Terms: Parties to the agreement agree jointly & severally to indemnify each other for title losses & claims if the issuing company is financially unable to pay. This agreement is described further in the *Reinsurance* section of this report.

7. Type: Reinsurance Agreement
 Parties: Land Title Insurance Company of St. Louis and First American Title Insurance Company
 Effective: January 1, 1997
 Terms: First American Title Insurance Company assumes all risk of all title insurance policies written by Land Title Insurance Company of St. Louis. This agreement is described further in the *Reinsurance* section of this report.

FIDELITY BOND & OTHER INSURANCE

Land Title Insurance Company of St. Louis is a named insured on a fidelity bond providing coverage against losses due to dishonest or fraudulent employee acts with a limit of liability of \$20,000,000 and a deductible of \$500,000. The fidelity bond meets the suggested minimum coverage recommended by the NAIC.

The Company is also provided coverage through additional policies purchased by The First American Corporation. This coverage includes: commercial general liability, auto liability, professional liability, workers' compensation, and property loss.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

Land Title Insurance Company of St. Louis has one direct employee who receives benefits similar to those offered to other employees of The First American Financial Corporation. A wide range of benefits is provided to those employees including: vacation, sick leave, holidays, group health insurance, disability, employee assistance program, The First American Financial Corporation stock purchase plan, a qualified defined benefit non-contributory retirement plan and a 401(k) plan.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the DIFP as of December 31, 2005, are reflected below. The funds were deemed sufficient to meet the deposit requirements for the state of Missouri pursuant to Section 381.051.1 RSMo (Deposit of security with director):

	<u>Par Value</u>	<u>Market Value</u>	<u>Statement Value</u>
US Treasury Bill	\$ 513,000	\$ 506,280	\$ 506,464

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed as a title insurer with the Department of Insurance, Financial Institutions and Professional Registration under Chapter 381 RSMo (Title insurance law). The Company was licensed in Missouri and Minnesota at December 31, 2005. The Company writes primarily in eastern and central Missouri. Insurance products are marketed through affiliated title companies along with other related title work and services.

Policy Forms and Underwriting; Treatment of Policyholders; Advertising and Sales Materials

The DIFP has a market conduct staff which performs a review of these issues and generates a separate market conduct report. The most recent examination report was issued December 20, 2006, and covered the period of July 1, 2004 to June 30, 2005. The report contained several adverse findings, some of which have the potential to create a material impact on the Company's financial statements. The market conduct report found that policies were not being issued in a timely manner and that the Company was not always charging risk rates filed with the Department of Insurance, Financial Institutions and Professional Registration. Similar findings were discovered during this examination and are documented in the *Accounts and Records* section below.

REINSURANCE

Assumed

The Company does not assume any reinsurance from other insurance carriers.

Ceded

The Company participates in two reinsurance agreements, which are described below.

Reinsurance Agreement with First American Title Insurance Company

The Company is party to a reinsurance agreement with its parent, First American Title Insurance Company, whereby 100% of losses are ceded. The agreement was effective November 1, 1997 and covers all new policies issued by LTIC as well as all policies previously issued and in force at the time the agreement began. First American Title Insurance Company assumes all liability for losses, inclusive of attorney fees and other expenses, for which LTIC would be liable under each policy. Assumption certificates are attached to all LTIC policies informing policyholders that First American Title Insurance Company reinsures all liability under the contracts. The Company pays a premium of \$10,000 per year for this arrangement.

Cross-Indemnity Agreement with Various First American Affiliates

The Company entered into a cross-indemnity agreement effective January 1, 1995, with the following related companies: First American Title Insurance Company; First American Title Insurance Company of Oregon; First American Title Insurance Company of Texas; Southwest Title and Trust Company; Mortgage Guarantee and Title Company; The Port Lawrence Title and Trust Company; and Massachusetts Title Insurance Company. Each party is jointly and severally liable to indemnify each other for claims under title insurance policies issued after January 1, 1995 by any of the participating companies. Payments are made only if the original policy issuing company is financially unable to pay. Financial inability to pay is deemed to exist if the issuing company's liabilities exceed the assets, determined according to applicable statutory accounting principles. The amount of the indemnity under this agreement is limited to fifty percent of any party's property or business.

ACCOUNTS AND RECORDS

General

The Company uses several software packages to process business information. All the major systems are owned and maintained by the ultimate parent, First American Corporation. The *FAST* system is used to generate policies and maintain policyholder information. This web-based system is available to all employees with access restricted to their appropriate authority levels. The *FAST* system automatically interfaces with *Datafaction*, the general ledger and accounting software package. Claims are processed on a system called CLASS. This system is also integrated with *Datafaction*.

Inconsistencies noted while examining the Company's accounts and records are summarized below:

Common Stock

The Company's 2005 Annual Statement included assets of \$282,403 related to LTIC's subsidiary The Trust Company of St. Louis County. This subsidiary has not been audited by a certified public accounting firm. SSAP No 88, which became effective January 1, 2005, requires subsidiaries to be valued either under the market value approach or the equity approach. The market value approach requires the entity's value to be based on the company's stock price (if listed on one of the major U.S. stock exchanges). The equity approach requires the value to be based on either the audited statutory or audited GAAP net equity. This investment will be non-admitted for the purposes of this examination as this subsidiary is not listed on a major US stock exchange and does not have audited financial statements.

Defalcation Premium and Related Premium Taxes

The Company experienced a significant defalcation by its largest agent (Capital Title Company) in 2004, from which the Company has paid approximately \$12,000,000 in losses. LTIC estimates that Capital Title Company committed to over 50,000 of the Company's policies without its knowledge. LTIC has been issuing policies related to these commitments for the last two years. Approximately 13,000 policies were issued in 2005. The Company accounted for the premium on these policies by recording premium receivable/income and then writing off the receivable balance as bad debt. The 13,000 policies issued in 2005 accounted for approximately \$3.5 million of the Company's \$4.1 million premiums written.

The Company issued approximately 13,500 additional policies in 2006 related to this defalcation, but did not account for these policies in the same manner as the policies issued in 2005. No premium receivable/income was reported for these policies. Examiners attempted to obtain a report detailing information related to these policies, but the Company was unable to produce this information. The Company is directed to produce a listing of all policies that have been issued related to the Capital Title Company defalcation. The report should document each policy's face amount, type and amount of premium. In addition, the Company should include premium written on these policies (based on filed risk rates) in their statutory financial statement filings and on premium tax reports. These policies and the remaining policies not yet issued should be accounted for in a manner similar to the policies issued in 2005.

Premium Rates Different From Filed Risk Rates

Premiums written reported in Schedule T of the Annual Statement are not always based on the risk rates filed with the Department of Insurance, Financial Institutions and Professional Registration as required by Section 381.032 RSMo (Premium rate schedules and manual, title insurers to file with Director). The net difference between the charged rate and the filed rate was approximately \$50,000 (or 1.816% of premiums written) for all premium paying policies issued from 2003 to 2005 (this excludes premium from policies issued under the Capital Title Company defalcation). The Company should take steps to ensure that the premiums reported in the Annual Statement and premium tax returns are based on the risk rates approved by the Department of Insurance, Financial Institutions and Professional Registration.

Annual Statement Direct and Ceded Loss Information

The Company did not report direct and ceded loss or loss adjustment expense information in the Operations and Investment Exhibit Part 2A of its Annual Statement. The Company also did not report direct and ceded loss information in Schedules F & P of the Annual Statement. The Company paid approximately \$12 million in loss and loss adjustment expenses in 2005. Approximately \$900,000 of this amount was recoverable from the reinsurer at year-end. As the Company cedes 100% of its business to First American Title Insurance Company, the net paid losses totaled to zero. However, the Company should complete the Exhibits of the Annual Statement to disclose direct and ceded loss information in accordance with NAIC Annual Statement Instructions in future Annual Statement filings.

Intercompany Settlements

The Company is not settling the intercompany account in a timely manner. The December 31, 2005 intercompany receivable and payable balances were not settled until September 2006.

Federal Income Tax Settlements

The tax liability for the period under examination has continued to accumulate because there has been no tax settlement during the three year period under examination. The Company should settle its tax liability each year in accordance with the Tax Allocation Agreement, which calls for an annual settlement of the tax liability.

Policy Issuance Delays

Excessive time delays were noted between the date policies are written and the issuance of the actual policies. Many instances were noted where the policies were issued in excess of one year from the date that they were written. The Company should implement a control mechanism to ensure policies are physically written within a reasonable amount of time after the date that they are issued.

Independent Auditor

The Company's financial statements were audited by the independent CPA firm PricewaterhouseCoopers, LLP as part of The First American Financial Corporation company-wide audit for the years ending 2002 to 2005. A separate statutory audit report and opinion was provided for Land Title Insurance Company of St. Louis. We reviewed the workpapers of the 2005 CPA audit. These workpapers and reports were used in the course of this examination as deemed appropriate.

Independent Actuary

No independent actuarial opinion was made for the Company. However, the DIFP has accepted the Statement of Actuarial Opinion for First American Title Insurance Company. The actuarial firm of Milliman USA, Inc. provided a letter to DIFP stating that the Company's losses were considered in the loss reserves of First American Title Insurance Company.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2005, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the Annual Statement and/or comments regarding such are made in the "Notes to the Financial Statements," which follow the Financial Statements. The failure of any column 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 examination workpapers.

ASSETS

		Ledger and Non- Ledger Assets	Assets Not Admitted	Net Admitted Assets
Common stocks	NOTE 1	\$ 282,403	\$ 282,403	\$ -
Cash and short term investments		8,319,688		8,319,688
Title plants		555,000		555,000
Uncollected premiums		175,809	85,399	90,410
Net deferred tax asset		8,874	5,904	2,970
Other non-admitted assets		17,869	17,869	-
Receivable from affiliates		976,714	358,113	618,601
Total Assets		\$ 10,336,357	\$ 749,688	\$ 9,586,669

LIABILITIES, SURPLUS AND OTHER FUNDS

Statutory premium reserve	\$ 80,189
Other expenses	42,235
Taxes, licenses and fees due or accrued	134,352
Federal income taxes	369,717
Payable to affiliates	4,215,927
Total Liabilities	\$ 4,842,420
Common capital stock	\$ 1,000,000
Paid in and contributed surplus	1,130,796
Unassigned funds (surplus)	2,613,453
Total Capital and Surplus	\$ 4,744,249
Total Liabilities and Capital and Surplus	\$ 9,586,669

STATEMENT OF INCOME

Premiums earned	\$ 4,171,011	
Losses and loss expenses incurred	-	
Operating expenses incurred	<u>4,001,142</u>	
Net Underwriting Gain (Loss)		\$ 169,869
Net investment income earned	<u>217,634</u>	
Net Investment Gain (Loss)		217,634
Net income before dividends and federal income taxes		\$ 387,503
Federal income taxes incurred		<u>126,049</u>
Net Income		<u>\$ 261,454</u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, prior year		\$ 5,107,280
Net income	261,454	
Change in net unrealized captial gains (losses)	23,858	
Change in nonadmitted assets	(359,494)	
Change in net deferred income tax	(6,488)	
Changes per examination	<u>(282,403)</u>	
Change in surplus as regards policyholders		<u>(363,073)</u>
Surplus as regards policyholders, December 31, 2005		<u>\$ 4,744,207</u>

EXAMINATION CHANGES

Total Capital and Surplus per Company, December 31, 2005		
Common capital stock	\$	1,000,000
Gross paid in and contributed surplus		1,130,796
Unassigned funds (surplus)		2,895,856
TOTAL CAPITAL AND SURPLUS PER COMPANY		5,026,652

Examination Changes:

	<u>INCREASE IN SURPLUS</u>	<u>DECREASE IN SURPLUS</u>
Assets		
Common stock Note 1		282,403
TOTALS	-	282,403
Net Change		(282,403)

Total Capital and Surplus Per Examination, December 31, 2005		
Common capital stock		1,000,000
Gross paid in and contributed surplus		1,130,796
Unassigned funds (surplus)		2,613,453
TOTAL CAPITAL AND SURPLUS PER EXAMINATION		\$ 4,744,249

NOTES TO FINANCIAL STATEMENTS

NOTE 1 Common Stock

\$0

The value of the Company's common stock investment in The Trust Company of St. Louis County was reduced from \$282,403 to \$0 due to the lack of audited financial statements from which to base its equity value. This stock has subsequently been transferred to LTIC's parent, First American Title Insurance Company through a non-cash dividend which was approved by the Department of Insurance, Financial Institutions & Professional Registration.

GENERAL COMMENTS AND/OR RECOMMENDATIONS

Opening of Unauthorized Bank Accounts

Page 7

The board should take appropriate action to ensure that regional offices cannot open bank accounts without board approval as required by the board's 2003 instructions/resolution.

Defalcation Premium and Related Premium Taxes

Page 13

The Company could not provide adequate information regarding policies issued from the Capital Title Company defalcation. The Company is directed to produce a listing of all policies that have been issued related to the defalcation. The report should document each policy's face amount, type and amount of premium. The Company should provide a copy of this listing to the Department along with their response to this examination report. In addition, the Company should include premium written on these policies (based on filed risk rates) in statutory financial statement filings and on premium tax returns. Policies issued in 2006 and remaining defalcation policies not yet issued should be accounted for in a manner similar to the policies issued in 2005.

Premium Rates Different From Filed Risk Rates

Page 13

Premium rates are not always computed according to risk rates filed with the Department of Insurance, Financial Institutions and Professional Registration. The Company should take steps to ensure that premiums reported in the Annual Statement and on premium tax returns are based on the filed risk rates.

Annual Statement Direct and Ceded Loss Information

Page 13

Direct and ceded loss and loss adjustment expense information was not reported in the Operations and Investment Exhibit Part 2A, or Schedule F or P of the Company's Annual Statement. Future Annual Statement filings should disclose this information in accordance with NAIC Annual Statement Instructions.

Intercompany Settlements

Page 14

The Company does not settle intercompany balances in a timely manner. These accounts should be settled in a reasonable time frame in the future.

Federal Income Tax Settlements

Page 14

The Company should settle its tax liability each year in accordance with the Tax Allocation Agreement which calls for an annual settlement of the tax liability.

Policy Issuance Delays

Page 14

LTIC should implement a control mechanism to ensure policies are physically written within a reasonable amount of time after the date that they are issued.

SUBSEQUENT EVENTS

On January 30, 2006, the Company submitted a request to the Department of Insurance, Financial Institutions and Professional Registration to pay a non-cash extraordinary dividend to its parent. The dividend consisted of the Company's title plant assets and its two subsidiaries. The total fair market value of these assets at December 31, 2005 was approximately \$1,412,000. The purpose of this dividend was to remove extraneous assets from the Company's balance sheet to make the Company more marketable for possible sale or merger with another company. The Department approved the payment of this dividend on February 22, 2006. The assets were completely transferred to First American Title Insurance Company by March 30, 2006.



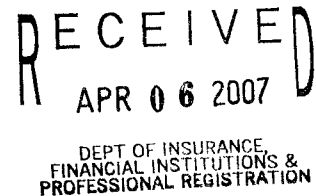
Land Title Insurance Company of St. Louis

"OVER 100 YEARS OF SERVICE"

12360 Manchester Road, Suite 100, Des Peres, Missouri 63131 • (314) 821-1282 • Fax (314) 821-1751

April 2, 2007

Kirk Schmidt, CFE, CPA
Chief Financial Examiner
Missouri Department of Insurance
Financial Institutions and Professional Registration
P.O. Box 690
Jefferson City, MO 65102-0690



Re: Report of Financial Examination
Land Title Insurance Company of St. Louis as of 12/31/2005

Dear Mr. Schmidt:

This letter is our response to the "General Comments and/or Recommendations" contained on Page 19 of the above captioned Examination Report. We would like this response to be included in the report as a public document.

Opening of Unauthorized Bank Accounts

Comment: The board should take appropriate action to ensure that regional offices cannot open bank accounts without board approval as required by the board's 2003 instructions/resolution.

Response: The Board of Directors will once again address this matter and communicate its position on the unauthorized opening of Bank Accounts.

Defalcation Premium and Related Premium Taxes

Comment: The Company could not provide adequate information regarding policies issued from the Capital Title Company defalcation. The Company is directed to produce a listing of all policies that have been issued related to the defalcation. The report should document each policy's face amount and amount of premium. The Company should provide a copy of this listing to the Department along with their response to this examination report. In addition, the Company should include premium written on these policies (based on filed risk rates) in statutory financial statement filings and on premium

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tax returns. Policies issued in 2006 and remaining defalcation policies not yet issued should be accounted for in a manner similar to the policies issued in 2005.

Response: The production center which produced the subject policies has established a “team” which will retrieve the requested policy information. Since no policy log was created in the production system we have not found a method to automatically retrieve this information. This “team” will view each policy issued and manually create a log requested by the department.

This log will be delivered to the department on or before June 1, 2007.

Premium Rates Different From Filed Risk Rates

Comment: Premium rates are not always computed according to risk rates filed with the Department of Insurance, Financial Institutions and Professional Registration. The Company should take steps to ensure that premiums reported in the Annual Statement and on premium tax returns are based on the filed risk rates.

Response: This issue is being addressed by our accounting department specifically by the office of the Treasurer of the Company.

Annual Statement Direct and Ceded Loss Information

Comment: Direct and ceded loss and loss adjustment expense information was not reported in the Operations and Investment Exhibit Part 2A, or Schedule F or P of the Company’s Annual Statement. Future Annual Statement filings should disclose this information in accordance with NAIC Annual Statement Instructions.

Response: We will comply with the requirements of this filing.

Intercompany Settlements

Comment: The Company does not settle Intercompany balances in a timely manner. These accounts should be settled in a reasonable time frame in the future.

Response: The Company will comply with this recommendation.

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April 2, 2007
Page Three**

Federal Income Tax Settlements

Comment: The Company should settle its tax liability each year in accordance with the Tax Allocation Agreement which calls for an annual settlement of the tax liability.

Response: The Company will comply with the recommendation.

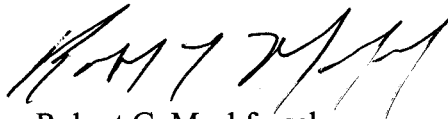
Policy Issuance Delays

Comment: LTIC should implement a control mechanism to ensure policies are physically written with a reasonable amount of time after the date that they are issued.

Response: Absent specific regulation on this issue it is difficult to establish a “control mechanism”. The company will address this issue as it audits the individual agents and by reviewing the agents inventory of un-issued policies.

This completes our response. Should you have any questions, comments or concerns, please feel free to contact us.

Sincerely,



Robert G. Meckfessel
President