



MISSISSIPPI INSURANCE DEPARTMENT

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WOOLFOLK BUILDING
JACKSON, MISSISSIPPI 39201
www.doi.state.ms.us

MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

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Jackson, Mississippi 39205-0079
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March 13, 2008

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Rowan Hurt Taylor, Jr., President
Mississippi Guaranty Title Insurance Company
1755 Lelia Dr., Suite 102
Jackson, MS 39216

RE: Report of Examination as of December 31, 2006

Dear Ro:

In accordance with Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999), an examination of your Company has been completed. Enclosed herewith is the Order adopting the report and a copy of the final report as adopted.

Pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 1999), the Mississippi Department of Insurance shall continue to hold the content of said report as private and confidential for a period of ten (10) days from the date of the Order. After the expiration of the aforementioned 10-day period, the Department will open the report for public inspection.

If you have any questions or comments, please feel free to contact me.

Sincerely,

GEORGE DALE
COMMISSIONER OF INSURANCE

BY J. Mark Haire
J. Mark Haire
Special Assistant Attorney General

GD/JMH/bs
Encls. Order w/exhibit

**BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF MISSISSIPPI**

**IN RE: REPORT OF EXAMINATION OF
 MISSISSIPPI GUARANTY TITLE
 INSURANCE COMPANY**

CAUSE NO. 07-5677

ORDER

THIS CAUSE came on for consideration before the Commissioner of Insurance of the State of Mississippi ("Commissioner"), or his designated appointee, in the Offices of the Commissioner, 1001 Woolfolk Building, 501 North West Street, 10th Floor, Jackson, Hinds County, Mississippi, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999). The Commissioner, having fully considered and reviewed the Report of Examination together with any submissions or rebuttals and any relevant portions of the examiner's work papers, makes the following findings of fact and conclusions of law, to-wit:

JURISDICTION

I.

That the Commissioner has jurisdiction over this matter pursuant to the provisions of Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999).

II.

That Mississippi Guaranty Title Insurance Company is a Mississippi-domiciled company licensed to write Title coverage.

FINDINGS OF FACT

III.

That the Commissioner, or his appointee, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999), called for an examination of Mississippi Guaranty Title Insurance Company and appointed Brian Spong, Examiner-In-Charge, to conduct said examination.

IV.

That on or about October 10, 2007, the draft Report of Examination concerning Mississippi Guaranty Title Insurance Company for the period of January 1, 2004 through December 31, 2006 was submitted to the Department by the Examiner-In-Charge, Brian Spong.

V.

That on or about October 24, 2007, pursuant to Miss. Code Ann. § 83-5-209(2) (Rev. 1999), the Department forwarded to the Company a copy of the draft report and allowed the Company a 15-day period to submit any rebuttal to the draft report. A follow-up letter was then sent to the Company on December 5, 2007, advising that the Department had not received a response or rebuttal, and the Company was given an additional five days to respond to the draft report. The Company submitted a rebuttal via e-mail on December 14, 2007, requesting additional information and contesting certain items contained in the draft report.

The rebuttal was reviewed by the Department and a response was generated by the Department on January 31, 2008, addressing the Company's comments and providing certain information as requested in the Company's rebuttal. Additionally, a copy of the draft report was attached to the Department's response which contained revisions as a result of the Company's

rebuttal. On February 7, 2008, the Company responded to the Department's January 31, 2008, letter, contesting certain items contained in the revised draft report. The Company's February 7, 2008, response was reviewed by the Department, and no changes to the revised draft report were deemed necessary.

CONCLUSIONS OF LAW

VI.

The Commissioner, pursuant to Miss. Code Ann. § 83-5-209(3) (Rev. 1999), must consider and review the report along with any submissions or rebuttals and all relevant portions of examiner work papers and enter an Order: (1) adopting the Report of Examination as final or with modifications or corrections; (2) rejecting the Report of Examination with directions to reopen; or (3) calling for an investigatory hearing.

IT IS, THEREFORE, ORDERED, after reviewing the revised Report of Examination, the Company's rebuttal, and all relevant examiner work papers, that the revised Report of Examination of Mississippi Guaranty Title Insurance Company, attached hereto as Exhibit "A", should be and same is hereby adopted as final.


IT IS FURTHER ORDERED that a copy of the adopted Report of Examination, accompanied with this Order, shall be served upon the Company by certified mail, postage pre-paid, return receipt requested.

IT IS FURTHER ORDERED that the Mississippi Department of Insurance shall continue to hold the content of this report as private and confidential for a period of ten (10) days from the date of this Order, pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 1999).

IT IS FURTHER ORDERED, pursuant to Miss. Code Ann. § 83-5-209(4) (Rev. 1999), that within thirty (30) days of the issuance of the adopted report, Mississippi Guaranty Title Insurance Company shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related orders.

IT IS FURTHER ORDERED that Mississippi Guaranty Title Insurance Company take the necessary actions and implement the necessary procedures to ensure that all recommendations contained in the Report of Examination are properly and promptly complied with.

SO ORDERED, this the 13th day of March, 2008.




MIKE CHANEY
COMMISSIONER OF INSURANCE
STATE OF MISSISSIPPI

CERTIFICATE OF MAILING

I hereby certify that a true and correct copy of the above and foregoing Order and a copy of the final Report of Examination, as adopted by the Mississippi Department of Insurance, was sent by certified mail, postage pre-paid, return receipt requested, on this the 13th day of March, 2008, to:

Rowan Hurt Taylor, Jr., President
Mississippi Guaranty Title Insurance Company
1755 Lelia Dr., Suite 102
Jackson, MS 39216



J. Mark Haire
Special Assistant Attorney General

J. Mark Haire
Special Assistant Attorney General
Counsel for the Mississippi Department of Insurance
Post Office Box 79
Jackson, MS 39205-0079
(601) 359-3577
Miss. Bar No. 2065



Mississippi Insurance Department

Report of Examination

of

Mississippi Guaranty Title Insurance Company

**1755 Lelia Drive, Suite 102
Jackson, Mississippi 39216**

As of December 31, 2006

**NAIC Company Code 50030
NAIC ETS No. MS029-C30**

MISSISSIPPI GUARANTY TITLE INSURANCE COMPANY
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EXAMINER'S AFFIDAVIT AS TO STANDARDS AND
PROCEDURES USED IN AN EXAMINATION

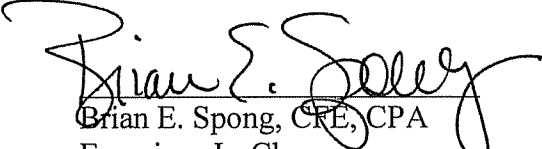
State of Mississippi,

County of Hinds,

Brian E. Spong, CFE, CPA, being duly sworn, states as follows:

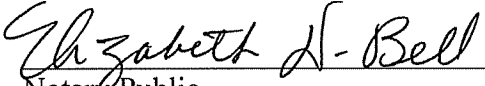
1. I have authority to represent the State of Mississippi in the examination of Mississippi Guaranty Title Insurance Company as of December 31, 2006.
2. The Mississippi Insurance Department is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.
3. I have prepared the examination report, and the examination of Mississippi Guaranty Title Insurance Company, as of December 31, 2006, was performed in a manner consistent with the standards and procedures required by the National Association of Insurance Commissioners and the Mississippi Insurance Department.

The affiant says nothing further.


Brian E. Spong, CFE, CPA
Examiner-In-Charge

Subscribed and sworn before me by Brian Spong on February 21, 2008

(SEAL)


Notary Public

My commission expires _____

MISSISSIPPI STATEWIDE NOTARY PUBLIC
MY COMMISSION EXPIRES NOV 23, 2010
BONDED THROUGH STATE NOTARY SERVICE



GEORGE DALE
Commissioner of Insurance
State Fire Marshal

LEE HARRELL
Deputy Commissioner of Insurance

STATE OF MISSISSIPPI
Mississippi Insurance Department

501 N. West Street
1001 Woolfolk Building (39201)
Post Office Box 79
Jackson, Mississippi 39205-0079
(601) 359-3569
<http://www.doi.state.ms.us>

June 29, 2007

Honorable George Dale
Commissioner of Insurance
State Fire Marshal
Mississippi Insurance Department
501 N. West Street
1001 Woolfolk Building (39201)
Post Office Box 79
Jackson, Mississippi 39205-0079

Dear Sir:

Pursuant to your instructions and authorization, and in compliance with statutory provisions, an examination as of December 31, 2006 has been conducted of the affairs and financial condition of:

MISSISSIPPI GUARANTY TITLE INSURANCE COMPANY
(NAIC COMPANY CODE 50030; NAIC-ETS No. MS029-C30)

Statutory Home Office:
1755 Lelia Drive, Suite 102
Jackson, Mississippi 39216

The examination was performed at the Mississippi Insurance Department (MID) and at Mississippi Guaranty Title Insurance Company's (MGTIC or Company) Statutory Home Office, and was conducted in accordance with Miss. Code Ann. §§ 83-5-201 and 83-15-3 et seq., and the report of examination is herewith submitted for your review.

INTRODUCTION

The examination period, for purposes of this report, is defined as January 1, 2004 through December 31, 2006, and the examination date is December 31, 2006. The examination was performed by examiners representing the MID and covered MGTIC's operations and financial condition through the examination period, including material transactions and/or events that occurred subsequent to the examination date and were noted during the course of the examination. The Company's previous examination was as of December 31, 2003, and the previous report of examination was dated July 16, 2004.

SCOPE OF EXAMINATION

The examination of the Company was a full scope financial examination conducted in a manner consistent with the standards and procedures required by the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook, as well as the MID, and included an assessment of the Company's financial condition, its ability to fulfill and manner of fulfillment of its obligations, the nature of its operations, and compliance with applicable laws. A full scope market conduct examination was not performed; however, limited procedures were performed on certain areas of the Company's market conduct.

HISTORY OF THE COMPANY

On July 2, 1996, the Company was formed under the laws of the State of Mississippi as Mississippi Guaranty Title Insurance Company for the purpose of writing title insurance. The original Articles of Association ("Articles") authorized the following classes of stock: 1) 6,000 shares of class "A" common stock; par value \$100 per share; 2) 4,000 shares of class "B" common stock; par value \$1 per share; and 3) 10,000 shares of preferred stock; par value \$100 per share. On August 16, 1996, the Company amended its Articles to revise the basis for paying dividends. On December 31, 1997, the Company further amended its Articles to provide for a non-voting class of common stock, designated as class "C" common stock; par value \$30 per share, and convertible by option into a like number of shares of class "A" common stock. On August 17, 1998, the Articles were further amended to reduce the preferred stock's par value to \$45 per share. Other amendments were made during the examination period, the most notable being on May 26, 2005, where the par value of the preferred stock was reduced to \$1 per share.

HOLDING COMPANY STRUCTURE

Organizational Structure

According to the MID, as defined within Miss. Code Ann. § 83-6-1, the Company is a member of an insurance holding company system; however, due to the approvals of "disclaimers of affiliation," the Company, during the examination period, was not required to file holding company registration statements. Mr. Rowan Hurt Taylor, Jr., the president and founder of the Company, through his personal stock ownership and control of a limited

partnership which also owns stock in the Company, is considered the “ultimate controlling person.”

MANAGEMENT AND CONTROL

Stockholders

The Company is a Mississippi domestic stock title insurance company that, at the examination date, had three classes of common stock which were designated as class “A,” “B” and “C”. Classes “A” and “B” entitle shareholders with voting rights, while class “C” shareholders do not have voting rights. Each class of common stock has equal dividend rights; however, no dividends were declared or paid during the examination period. The Company also had preferred shares issued and outstanding at the examination date and, after any liquidation of these preferred shares, which have dividend rights and receive first preference in the liquidation of stock, class “A” shareholders are then entitled to liquidation rights, followed by class “B” shareholders, while class “C” shareholders have no liquidation preference. The detail of the Company’s issued and outstanding shares of stock, as of December 31, 2006, follows:

<u>Description</u>	<u>Authorized Shares</u>	<u>Par Value</u>	<u>Issued and Outstanding</u>
Class “A” Common Stock	6,000	\$100	1,986
Class “B” Common Stock	4,000	\$ 1	4,000
Class “C” Common Stock	3,000	\$ 30	200
Preferred Stock	10,000	\$ 1	1,500

The owners of the Company’s stock, as of December 31, 2006, follows:

<u>Class “A” Common Stock:</u>	<u>Shares</u>	<u>Class “B” Common Stock:</u>	<u>Shares</u>
NGT Properties, LP	760	Mr. Rowan H. Taylor, Jr.	2,000
BancorpSouth, Inc.	299	Mrs. Connie H. Taylor	1,000
Hancock Holding Company	299	Ms. Kathryn G. Taylor	500
The People Holding Company	299	Mr. Rowan H. Taylor, III	500
NBC Capital Corporation	299	Total Issued and Outstanding	<u>4,000</u>
Mr. Rowan H. Taylor, Jr.	22		
Mr. William H. West	5	<u>Class “C” Common Stock:</u>	<u>Shares</u>
Ms. Rita E. West	1	Mr. James M. Orphanides	200
Mr. William H. West, Trustee		Total Issued and Outstanding	<u>200</u>
for William Joseph West	1		
Mr. William H. West, Trustee		<u>Preferred Stock</u>	<u>Shares</u>
for Elizabeth Joanna West	<u>1</u>	NGT Properties, LP	<u>1,500</u>
Total Issued and Outstanding	<u>1,986</u>	Total Issued and Outstanding	<u>1,500</u>

Board of Directors

The Articles and Bylaws vest the management and control of the Company’s business affairs with the Board of Directors (Board). The members of the duly elected Board, along with their place of residence and principal occupation, at December 31, 2006, follows:

<u>NAME AND PLACE OF RESIDENCE</u>	<u>PRINCIPAL OCCUPATION</u>
Mr. Rowan Hurt Taylor, Jr. Jackson, Mississippi	President of the Company
Mrs. Connie Hawkins Taylor Jackson, Mississippi	Treasurer of the Company
Mr. Ken Hall Barnett Jackson, Mississippi	Senior Vice-President, A.G. Edwards and Company, Inc.
Mr. Jeffrey Scott Wilson Jackson, Mississippi	President, Trinity Capital Investor
Mr. James Charles Galloway, Jr. Columbus, Mississippi	President, Galloway, Chandler and McKinney Agency

Officers

The following officers, as duly elected by the Board, were holding office at December 31, 2006:

<u>NAME</u>	<u>OFFICE HELD</u>
Mr. Rowan Hurt Taylor, Jr.	President
Mrs. Connie Hawkins Taylor	Secretary and Treasurer
Mrs. Roxanne Marlow Potts	Vice-President

Conflict of Interest

The Company's officers and directors, in May of 2007, prepared conflict of interest statements that covered the examination period, and no material interest or affiliation on the part of any officer or director that was, or would likely be, a conflict with their official duties, was noted. It is recommended that the Company's officers and directors prepare conflict of interest statements on a yearly basis.

CORPORATE RECORDS

The Company produced minutes that reflected the meetings of the Stockholders and Board held during the period covered by the examination. These minutes, for a company of its size, were deemed adequate to record the actions on matters brought up at the meetings for deliberation, support, and approval. In addition, during the last examination, it was noted that the Company's Bylaws state that the number of directors of the corporation shall be fixed at nine and that five officers should be elected by the Board. The Company, as with the last examination, had four officers and five directors at December 31, 2006. Further, it was noted during the last examination that the Company's Bylaws permit the offices of president and treasurer to be held by the same individual and that this is contradictory to Miss. Code Ann. § 83-19-15, which states that the offices of president and treasurer shall not be held by the same individual. It is recommended, in accordance with the previous

examination, that the Company amend its Bylaws in order to reflect its current operations and so that they do not conflict with Miss. Code Ann. § 83-19-15.

FIDELITY BONDS AND OTHER INSURANCE

The NAIC recommends that an insurance company the size of MGTIC maintain fidelity coverage in the amount of \$25,000 to \$50,000. The Company did not have fidelity coverage during the examination period and it is recommended that the Company obtain fidelity coverage that meets the NAIC suggested amounts. The Company was a beneficiary on a life policy insuring the Company's president in the amount of \$250,000.

OFFICERS', EMPLOYEES', AND AGENTS' WELFARE

The Company provided a generally complete welfare program for its officers and employees, which included health insurance and paid-time for vacations, illness, and holidays.

REINSURANCE

With an effective date of December 23, 1998, the Company entered into an excess loss reinsurance agreement with First American Title Insurance Company of New York, a wholly owned subsidiary of First American Title Insurance Company, which is considered one of the largest title insurers in the nation. Through this arrangement, the Company ceded all liability under its issued title insurance policies in excess of \$100,000. The agreement and related transactions were reviewed and the only item noted was that the reinsurance agreement states, "Prior to the issuance of its policy of title insurance pursuant to the terms of this Agreement, Ceder must obtain proper verbal followed by written approval of an authorized officer of Reinsurer in the event that (a) liability exceeds One Million One Hundred Thousand and No/100 dollars (\$1,100,000)...," and it appears that the reinsurance company was not following its authorized reinsurers' verbal approval in writing to the Company. It is recommended that the Company require its reinsurer to provide written approval for all ceded policies in excess of \$1.1 million.

ACCOUNTS AND RECORDS

Through the use of desktop computers, the Company's policy administration was maintained using Microsoft Excel, while its accounting records were processed using Quickbooks. The certified public accounting firm of Carr, Riggs & Ingram, LLC, performed a compilation for the Company's 2006 financial statements.

During the last examination, it was noted that the Company's investments were not being held in an account secured by an acceptable custodial agreement. This situation also applied to the current examination and it is recommended that the Company execute an agreement with its custodian that complies with the requirements as set forth by the MID and the NAIC.

STATUTORY DEPOSITS

The Company's statutory deposits with the State of Mississippi complied with Miss. Code Ann. §83-15-5(2). The following chart displays the Company's deposits at December 31, 2006.

Description of Security	State Deposited	Book Value	Fair Value
Certificate of Deposit	Mississippi	\$75,150	\$75,150
Certificate of Deposit	Mississippi	\$57,200	\$57,200
Certificate of Deposit	Mississippi	\$2,600	\$2,600

FINANCIAL STATEMENTS

The following financial statements, as determined by the examination, consist of a Statement of Admitted Assets, Liabilities, Surplus and Other Funds at December 31, 2006, a Statement of Income for year ended December 31, 2006, a Reconciliation of Capital and Surplus for examination period ended December 31, 2006, and a Reconciliation of Examination Changes to Surplus and Other Funds for Year Ended December 31, 2006.

MISSISSIPPI GUARANTY TITLE INSURANCE COMPANY
STATEMENT OF ADMITTED ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS
DECEMBER 31, 2006

Admitted Assets

Cash on deposit	\$766,536
Uncollected premiums	125,602
Electronic data processing equipment and software	3,879
Common stock subscription receivable	<u>100,000</u>
Total Admitted Assets	<u>\$996,017</u>

Liabilities, Surplus and Other Funds

Statutory premium reserve	\$477,290
Supplemental reserve	50,000
Commissions payable	56,935
Other expenses	12,346
Taxes, licenses and fees	<u>4,756</u>
Total Liabilities	<u>601,327</u>
Capital common stock	208,600
Preferred capital stock	1,500
Gross paid in and contributed surplus	786,900
Unassigned funds	<u>(602,310)</u>
Total Surplus as Regards Policyholders	<u>394,690</u>
Total Liabilities, Surplus and Other Funds	<u>\$996,017</u>

MISSISSIPPI GUARANTY TITLE INSURANCE COMPANY
STATEMENT OF INCOME
FOR YEAR ENDED DECEMBER 31, 2006

INCOME:

Title insurance premiums earned	\$436,029
Other title fees and service charges	100,857
Investment income earned	<u>11,675</u>
Total Income	<u>548,561</u>

EXPENSES:

Operating expenses incurred	<u>520,893</u>
Net Income	<u>\$ 27,668</u>

**MISSISSIPPI GUARANTY TITLE INSURANCE COMPANY
RECONCILIATION OF CAPITAL AND SURPLUS
FOR EXAMINATION PERIOD ENDED DECEMBER 31, 2006**

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Surplus as regards policyholders, beginning of year	\$512,220	\$349,982	\$288,834
Net income	(90,311)	(61,148)	27,668
Correction of prior year reserve and surplus	(72,927)	0	0
Examination adjustments	0	0	(21,812)
Paid in capital	200	0	6,000
Paid in surplus	<u>800</u>	<u>0</u>	<u>94,000</u>
Surplus as regards policyholders, end of year	<u>\$349,982</u>	<u>\$288,834</u>	<u>\$394,690*</u>

*The Company's surplus and other funds, as determined by the examination, was in compliance with Miss. Code Ann. §83-15-5, which requires the Company to maintain \$150,000 in capital and \$75,000 in surplus.

MISSISSIPPI GUARANTY TITLE INSURANCE COMPANY
RECONCILIATION OF EXAMINATION CHANGES TO SURPLUS AND OTHER FUNDS
FOR YEAR ENDED DECEMBER 31, 2006

<u>ASSETS</u>	<u>BALANCE PER ANNUAL STATEMENT</u>	<u>BALANCE PER EXAMINATION</u>	<u>INCREASE (DECREASE) IN SURPLUS</u>
Uncollected Premiums	\$152,983	\$125,602	\$(27,381)
<u>LIABILITIES</u>			
Commissions payable	62,504	56,935	<u>5,569</u>
Total adjustments to surplus			(21,812)
Surplus as regards policyholders, per annual statement			<u>416,502</u>
Surplus as regards policyholders, per examination			<u>\$ 394,690</u>

COMMENTS ON FINANCIAL STATEMENTS

Uncollected Premiums

\$152,983

The above captioned amount is \$27,381 less than that amount reported by the Company in the filed annual statement. This examination adjustment was due to the non-admission of uncollected premiums that had not been collected by the Company.

Statutory Premium Reserve

\$477,290

The above captioned amount is the same as reported by the Company in the filed annual statement; however, within Miss. Code Ann. § 83-15-9, it states, "A corporation created as provided in this chapter shall establish, segregate and maintain, in addition to the reserve for losses as provided in section 83-15-7, a reserve for unearned premiums and reinsurance during the period hereinafter provided, which shall at all times and for all purposes be deemed and shall constitute unearned portions of the original premiums and shall be charged as a reserve liability of such corporation in determining its financial condition. The assets constituting the unearned premium reserve shall be withdrawn from the use by the corporation for its general purposes, shall be impressed with a trust for the benefit of the corporation's title insurance policyholders, and shall be available for reinsurance of title insurance policies in the event of the insolvency of the corporation. The income from such unearned premium reserve shall be included in the general income of the corporation and may be used by such corporation for any lawful corporate purposes...." The Company's unearned (or statutory) premium reserve, at December 31, 2006, was approximately \$337,000 greater than the amount(s) "impressed in trust" at December 31, 2006, and it is recommended that the Company's "trust account(s)" always remain equivalent to its unearned (or statutory) premium reserve.

Commissions Payable

\$ 56,935

The above captioned amount is \$5,569 less than that amount reported by the Company in the filed annual statement. This examination adjustment was due to reversing the accrual for commissions payable on premiums uncollected by the Company. See the above uncollected premiums caption for additional information.

MARKET CONDUCT ACTIVITIES

A full market conduct examination, in accordance with the NAIC's Market Conduct Handbook, was not performed; however, particular areas of the Company's market conduct were examined in connection with the financial examination, and no significant exceptions were noted. The particular areas reviewed are as follows:

Complaint Handling

The Company did not have any registered complaints during the examination period.

Marketing and Sales

The Company, during the period under examination, issued title insurance policies through various agencies and attorneys.

Producer Licensing

The agents writing business for the Company in the State of Mississippi, during the period under examination, were reviewed and it was noted that one of the Company's attorney-agents did not have a Certificate of Authority. The Company is working to correct this situation, and it is recommended that the Company's attorney-agents always have a current Certificate of Authority.

Underwriting and Rating

The Company had appropriate licensure to issue its products, and the applicable policy forms and rates for title insurers in the State of Mississippi are not required to be filed and/or approved by the MID. In addition, the Company's products are underwritten through the process of thoroughly examining the chain of owners and lien holders to prove that title is insurable.

Claims

The Company, since its formation, has not incurred any reported claims.

Territory and Plan of Operation

The Company was licensed to transact business in the State of Mississippi and, during the examination period, sold title insurance through various independent insurance agencies and attorneys.

Privacy

The Company's privacy policy, as approved by the Board, is that no nonpublic personal information about its customers or former customers can be disclosed, unless permitted by law.

COMPLIANCE WITH PREVIOUS EXAMINATION RECOMMENDATIONS

1. During the last examination, it was reported that the Company's Bylaws state that the number of directors of the corporation shall be fixed at nine and that five officers should be elected by the Board. Since the Company was operating with four officers and five directors, the last examination report recommended that the Company comply with its Bylaws or amend them. Further, it was noted during the last examination that the Company's Bylaws permit the offices of president and treasurer to be held by the same individual and that this is contradictory to Miss. Code Ann. § 83-19-15, which states that the offices of president and treasurer shall not be held by the same individual.

Corrective Action: The Company did not amend its Bylaws to reflect their current operations. It was recommended in the current examination report that the Company amend its Bylaws to reflect its current operations and so that they don't conflict with Miss. Code Ann. § 83-19-15. (Page 5)

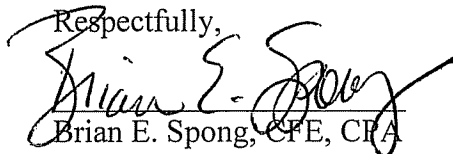
COMMENTS AND RECOMMENDATIONS FOR CURRENT EXAMINATION

1. Conflict of Interest: It was recommended that the Company's officers and directors prepare conflict of interest statements on a yearly basis. (Page 5)
2. Corporate Records: It was recommended that the Company amend its Bylaws to reflect its current operations and so that they don't conflict with Miss. Code Ann. § 83-19-15. (Page 5)
3. Fidelity Coverage: It was recommended that the Company obtain fidelity coverage that meets the recommendations of the NAIC. (Page 6)
4. Reinsurance: It was recommended that the Company require its reinsurer, as required by the reinsurance agreement, to follow up its verbal approval of coverage exceeding \$1.1 million in writing. (Page 6)
5. Custodial Agreement: It was recommended that the Company execute an agreement with its custodian that complies with the requirements as set forth by the NAIC and the MID. (Page 7)
6. Statutory Premium Reserve: The Company's unearned (or statutory) premium reserve, at December 31, 2006, was approximately \$337,000 greater than the amount(s) "impressed in trust" at December 31, 2006, and it is recommended, in accordance with Miss. Code Ann. § 83-15-9, that the Company's "trust account(s)" always remain equivalent to its unearned (or statutory) premium reserve. (Page 13)
7. Producer Licensing: It was recommended that the Company's attorney-agents always have a current Certificate of Authority. (Page 14)

CONCLUSION

In addition to the undersigned, Mr. R. Dale Miller, CFE, CPA, participated in this examination.

Respectfully,


Brian E. Spong, CFE, CPA
Examiner-In-Charge