



# **Mississippi Insurance Department**

**Report of Examination**

**of**

**MISSISSIPPI VALLEY TITLE INSURANCE  
COMPANY**

**as of**

**December 31, 2016**

## TABLE OF CONTENTS

Examiner Affidavit .....	1
Salutation .....	2
Scope of Examination .....	3
Comments and Recommendations of Previous Examination .....	3
History of the Company .....	4
Corporate Records .....	4
Management and Control.....	4
Stockholders .....	4
Board of Directors .....	5
Committees.....	6
Officers .....	6
Conflict of Interest.....	6
Holding Company Structure .....	7
Organizational Chart .....	7
Affiliated and Related Party Transactions.....	8
Fidelity Bond and Other Insurance .....	9
Pensions, Stock Ownership and Insurance Plans.....	9
Territory and Plan of Operation .....	9
Growth of Company .....	9
Reinsurance.....	10
Accounts and Records.....	10
Statutory Deposits.....	11
Financial Statements .....	12
Introduction .....	12
Statement of Assets, Liabilities, Surplus and Other Funds - Statutory.....	13
Statement of Income - Statutory .....	14
Reconciliation of Capital and Surplus - Statutory .....	15
Reconciliation of Examination Adjustments to Surplus - Statutory.....	16

Market Conduct Activities .....	17
Commitments and Contingent Liabilities .....	17
Subsequent Events .....	17
Comments and Recommendations.....	17
Acknowledgment .....	18

**EXAMINER'S AFFIDAVIT AS TO STANDARDS AND  
PROCEDURES USED IN AN EXAMINATION**

State of Mississippi,

County of Madison,

R. Dale Miller, being duly sworn, states as follows:

1. I have authority to represent the Mississippi Insurance Department in the examination of Mississippi Valley Title Insurance Company as of December 31, 2016.
2. The Mississippi Insurance Department is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Mississippi Valley Title Insurance Company 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.



R. Dale Miller, CPA, CFE, CFF  
Examiner's Signature

Subscribed and sworn before me by R. Dale Miller on this 8<sup>th</sup> day of

June



  
Notary Public

My commission expires October 10, 2020 [date].



**MIKE CHANEY**  
Commissioner of Insurance  
State Fire Marshal

**MARK HAIRE**  
Deputy Commissioner of  
Insurance

**MISSISSIPPI INSURANCE DEPARTMENT**

501 N. WEST STREET, SUITE 1001  
WOOLFOLK BUILDING  
JACKSON, MISSISSIPPI 39201  
www.mid.ms.gov

MAILING ADDRESS  
Post Office Box 79  
Jackson, MS 39205-0079  
TELEPHONE: (601) 359-3569  
FAX: (601) 576-2568

March 5, 2018

Honorable Mike Chaney  
Commissioner of Insurance  
Mississippi Insurance Department  
1001 Woolfolk Building  
501 North West Street  
Jackson, Mississippi 39201

Dear Commissioner Chaney:

Pursuant to your instructions and authorization and in compliance with statutory provisions, an examination has been conducted, as of December 31, 2016, of the affairs and financial condition of:

**MISSISSIPPI VALLEY TITLE INSURANCE COMPANY**  
1022 Highland Colony Parkway, Suite 200  
Ridgeland, MS 39157

License #	NAIC Group #	NAIC #	FEETS#
7700801	150	51004	51004-MS-2016-1

This examination was commenced in accordance with Miss. Code Ann. §83-5-201 *et seq.* The report of examination is herewith submitted.

## **SCOPE OF EXAMINATION**

We have performed our multi-state and coordinated holding company group examination of Mississippi Valley Title Insurance Company (“Company” or “MVTIC”). The last exam covered the period of January 1, 2010 through December 31, 2014. This examination covers the period of January 1, 2015 through December 31, 2016.

This examination was coordinated with the Pennsylvania Insurance Department and their examination of MVTIC’s ultimate parent, Old Republic International Corporation (“ORI”), for the period from January 1, 2012 to December 31, 2016. The coordinated examination was broken out into three subgroups: General Insurance Subgroup, Title Subgroup, and Mortgage Subgroup. MVTIC is part of the Title Subgroup. The Florida Office of Insurance Regulation was identified as the exam facilitator for the Title Subgroup.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook* (“Handbook”). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This examination report includes significant findings of fact and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

## **COMMENTS AND RECOMMENDATIONS OF PREVIOUS EXAMINATION**

No findings were noted during the Company’s previous examination as of December 31, 2014.

## **HISTORY OF THE COMPANY**

On May 28, 1941, the Company was incorporated under the laws of the State of Mississippi as Mississippi Title Insurance Company, for the purpose of writing title insurance and contracts of guaranty on the stock plan as provided by Section 5164 of the Mississippi Code of 1930.

On July 1, 1955, the Company amended its Articles of Incorporation to change its name to its current title, Mississippi Valley Title Insurance Company, and also defined its purpose, which is to insure owners and others interested in real estate against loss by reason of defective titles, to make abstracts of title searches, furnish information relating to land titles, give certificates as to such titles and to act as an escrow agent in handling real estate transactions.

Effective October 1, 2015, the Company ceased issuing title insurance policies under the joint policy arrangement with its former parent company, Old Republic National Title Insurance Company, Inc. (“ORNTIC”). As of the effective date, all of the agent contracts of the Company were cancelled and those same agents became agents of ORNTIC. A new company, Mississippi Valley Title Services Company (“MVTSC”) was formed and all Company employees became employees of MVTSC. The Company continues as a licensed title insurer domiciled in Mississippi but is considered dormant.

MVTIC is a subsidiary of Old Republic Title Insurance Companies, Inc. (“ORTIC”), which is a subsidiary of Old Republic National Title Holding Company (“ORNTHC”). ORNTHC is a wholly owned subsidiary of Old Republic Title Insurance Group, Inc., which is a subsidiary of ORI. On December 14, 2016, the Mississippi Insurance Department (“MID”) approved the contribution of 100% of the common stock of MVTIC, then owned by ORNTIC, to ORTIC effective as of December 23, 2016.

## **CORPORATE RECORDS**

The minutes of the meetings of the Stockholder and Board of Directors (“Board”), taken during the period covered by the examination, were reviewed and appeared to be complete and in order with regard to recording action on matters brought up at these meetings for deliberation, which included the approval and support of the Company’s transactions and events.

## **MANAGEMENT AND CONTROL**

### **Stockholders**

At December 31, 2016, the Company had 1,600 shares of \$1,548.29 par value common stock authorized, of which 323 shares were issued and outstanding. All outstanding shares were owned by ORTIC.

On October 10, 2015, the Company filed a request with the MID to pay an extraordinary dividend of \$19,357,987 to its former parent company ORNTIC. The extraordinary dividend consisted of all of the assets and liabilities of the Company as of September 30, 2015, excluding \$575,098 of capital and policyholders' surplus to be retained by the Company, and the sale of \$184,931 of property and equipment to MVTSC on October 1, 2015. The extraordinary dividend was approved by the MID on November 5, 2015, and paid on November 16, 2015.

### **Board of Directors**

The Articles of Incorporation and Bylaws vest the management and control of the Company's business affairs with the Board. The members of the duly elected Board, along with their place of residence, year elected/appointed, and principal occupation, at December 31, 2016, were as follows:

<b>Name and Residence</b>	<b>Year Elected/Appointed</b>	<b>Principal Occupation</b>
Mark Allan Bilbrey Lutz, Florida	2011	President of Old Republic National Title Holding Company
Mark Byron Higdon Madison, MS	2003	President and Chief Operating Officer of MVTIC
James Michael Ingram Jackson, MS	2003	Executive Vice President and Chief Investment Officer of Hertz Investment Group
Joseph Walter Michel III Jackson, MS	2003	President of J. Walter Michel Agency, Inc.
James Michael Sellari Madison, MS	1989	Chairman and Chief Executive Officer of MVTIC
Ronnie Glynn Smith Nashville, TN	2004	Regional President of Regions Bank
Stewart R. Speed Ridgeland, MS	2009	President of Leaf River Group, LLC
Rodney Faser Triplett, Jr. Madison, MS	2013	President of the Park Companies
Harry Moore Walker Jackson, MS	1997	President of Trustmark National Bank
Rande Keith Yeager Venice, Florida	2002	Chief Executive Officer and Chairman of Old Republic National Title Holding Company



## **Committees**

There are no separate MVTIC Board created committees that provide oversight. ORI provides oversight and fulfills this function. The ORI Board has established four committees: Audit Committee, Compensation Committee, Executive Committee, and Governance and Nominating Committee.

## **Officers**

<b>Name</b>	<b>Title</b>
James Michael Sellari	Chairman and Chief Executive Officer
Mark Byron Higdon	President and Chief Operating Officer
William Parrish Fortenberry	Executive Vice President, Secretary - Senior Claims and Title Counsel
Jacob Morton Matrick	Executive Vice President and Title Counsel
Jeffery John Bluhm	Vice President
Michael Thomas Tarpey	Vice President, Treasurer
Chris Gerard Lieser	Vice President
Daniel Matson Wold	Vice President

## **Conflict of Interest**

The Company had a formal policy whereby disclosure was made to the Board of any material interest or affiliation on the part of any officer or director that was, or would likely be, a conflict with the official duties of such persons. These procedures were reviewed and no exceptions to the Company's policy were noted.

## **HOLDING COMPANY STRUCTURE**

The Company was a member of an insurance holding company system as defined within Miss. Code Ann. §83-6-1. Holding Company Registration Statements were filed during the examination period with the MID in accordance with Miss. Code Ann. §83-6-5 and §83-6-9. The statements and applicable amendments that were filed with the MID during the examination period were reviewed and it appeared that any changes and material transactions by and between the Company and its affiliates were appropriately disclosed.

### **Organizational Chart**

The following simplified organizational chart of the Title Subgroup displays the direct line of ownership, along with a brief description of each member.



### **Old Republic International Corporation**

This company is a publicly traded Delaware insurance holding company that was organized on March 6, 1969, for the principal business of the management and direct or indirect ownership of various life, property and casualty, mortgage guaranty, surety and title insurance companies and insurance agencies, as well as the management of the corporations' other noninsurance company assets.

### Old Republic Title Insurance Group, Inc. (“ORTIG”)

This company is a Delaware corporation that was organized on December 3, 1979, for the principal business of providing title insurance and related real estate transfer services for individuals, businesses and government entities. ORTIG is a wholly-owned subsidiary of ORI.

### Old Republic National Title Holding Company

This company is a Delaware corporation that was organized on December 16, 1981, for the principal business of being an intermediate holding company. ORNTHC is a wholly-owned subsidiary of ORTIG.

### Old Republic Title Insurance Companies, Inc.

This company is a Delaware corporation that was organized in 2016 for the principal business of being a mid-stream holding company parent to the Company and its related title insurance companies, ORNTIC and American Guaranty Title Insurance Company.

### Mississippi Valley Title Insurance Company

The Company is a Mississippi corporation that was organized on May 28, 1941. MVTIC is a wholly-owned subsidiary of ORTIC.

### **Affiliated and Related Party Transactions**

The Company filed a consolidated federal income tax return with its ultimate parent, ORI, and ORI’s various subsidiaries. The method of allocation between the companies was subject to a written agreement, approved by the Board. The allocation was based upon separate return calculations with current credit for net losses. Intercompany tax balances were settled in accordance with the requirements of SSAP 101.

In December 2008, the Company advanced \$350,000 to the Employee Savings and Stock Ownership Plan which was offered and administered by ORI. The loan was renewable annually on March 31<sup>st</sup> with final scheduled maturity in 2018. During 2015, the Company received principal payments of \$38,500 and interest payments of \$4,485. The remaining advance balance of \$136,850 at September 30, 2015, was transferred to ORNTIC on November 16, 2015, in connection with the extraordinary dividend discussed in the Management and Control section of this examination report.

The Company was provided with certain investment services under an investment counsel agreement with an affiliated company, Old Republic Asset Management Corp. The aggregate amount incurred for these services amounted to \$0 and \$19,210 in 2016 and 2015, respectively.

The Company was provided with certain management services under a management services agreement with its former parent company, ORNTIC. The aggregate amount incurred for these

services was \$0 and \$45,000 in 2016 and 2015, respectively.

In connection with the October 2015, events discussed in the Management and Control section of this examination report, the Company entered into an expense agreement with ORNTHC whereby all of the expenses of the Company were directly paid by ORNTHC. In exchange, ORNTHC retained any interest income and realized gains earned from the investments held by the Company. The aggregate income earned by ORNTHC under the agreement was \$7,191 and \$2,790 in 2016 and 2015, respectively. The aggregate expenses incurred by ORNTHC under the agreement was \$7,079 and \$0 in 2016 and 2015, respectively. In addition, the Company sold all of its property and equipment to MVTSC for \$184,931 (admitted value of \$17,561). The Company recognized no gain or loss on the sale.

### **FIDELITY BOND AND OTHER INSURANCE**

The Company shared in a comprehensive corporate insurance program as a subsidiary of ORI. The fidelity bond coverage was found to be adequate as the policy covers a limit of \$20,000,000 per occurrence and shared aggregate limit of \$40,000,000. This amount exceeded the NAIC suggested minimum amount. The Company also has directors and officers liability coverage, cyber security liability coverage, title agent crime bond, fiduciary liability, computer crime policy and professional liability coverage.

### **PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS**

Effective October 1, 2015, all of the employees of the Company became employees of MVTSC. As such, the Company had no such plans in place.

### **TERRITORY AND PLAN OF OPERATION**

The Company was authorized to write title insurance in the states of Mississippi, Alabama, and Tennessee. As previously mentioned, effective October 1, 2015, the Company ceased issuing title insurance policies and became dormant.

### **GROWTH OF COMPANY**

	<b>2016</b>	<b>2015</b>
Total admitted assets	\$ 575,098	\$ 575,098
Total liabilities	\$ 0	\$ 0
Surplus as regards to policyholders	\$ 575,098	\$ 575,098

Net cash from operations	\$	0	\$	1,812,419
Net cash from investments	\$	(10,263)	\$	(1,442,811)
Net cash from financing & miscellaneous sources	\$	5,037	\$	(2,468,103)
Operating income	\$	0	\$	17,095,137
Net investment income	\$	0	\$	1,287,743
Net realized capital gains (losses)	\$	0	\$	193,688
Net income	\$	0	\$	1,832,339

### **REINSURANCE**

The Company was appointed by ORNTIC as its agent for issuing joint obligation title insurance forms and policies in Alabama, Mississippi and various counties in Tennessee. Effective October 1, 2015, the Company ceased issuing title insurance policies under the joint policy arrangement with its previous parent company ORNTIC. As of the effective date, all of the agent contracts of the Company were cancelled and those same agents became agents of ORNTIC. A new company, MVTSC was formed and all of the employees of the Company became employees of MVTSC on October 1, 2015. The Company is currently dormant but continues as a licensed title insurer in Mississippi.

Also, effective October 1, 2015, the Company entered into an indemnity reinsurance agreement with ORNTIC whereby ORNTIC assumed the obligations created or contained in each and every policy of title insurance and closing protection letter issued. As consideration for the reinsurance agreement, the Company paid ORNTIC \$14,487,742, which represents the amount of known claim reserve and incurred but not reported claims of the Company as of the effective date of the reinsurance agreement.

### **ACCOUNTS AND RECORDS**

The 2016 trial balance of the Company's accounts was traced to the balance sheet of the Company's statutory annual statement filed with the MID, with no exceptions noted. MVTIC was exempt from audit financials in accordance with Miss. Code Ann. §83-5-104. The Company's IT function is managed by its parent, ORNTHC.

## **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 total statutory deposits as held by the various states at December 31, 2016.

<b>Description</b>	<b>State Deposited</b>	<b>Par Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
US Treasury Bond	Mississippi	\$ 250,000	\$ 257,186	\$ 250,391
US Treasury Bond	Alabama	\$ 60,000	\$ 63,094	\$ 60,279

**Mississippi Valley Title Insurance Company**  
**Financial Statements**  
**Examination as of December 31, 2016**

**Introduction**

The following financial statements consist of a Statement of Admitted Assets, Liabilities, Surplus and Other Funds - Statutory at December 31, 2016, a Statement of Income - Statutory for Year Ended December 31, 2016, a Reconciliation of Statutory Capital and Surplus for the Examination Period Ended December 31, 2016, and a Reconciliation of Examination Adjustments to Surplus.

**Statement of Assets, Liabilities, Surplus and Other Funds – Statutory  
December 31, 2016**

**Admitted Assets**

Bonds	\$ 320,280
Cash, cash equivalents and short-term investments	254,818
<b>Total admitted assets</b>	<b>\$ 575,098</b>

**Liabilities, Capital and Surplus**

Total liabilities	\$ -
Common capital stock	500,098
Gross paid-in and contributed surplus	75,000
Surplus as regards policyholders	575,098
<b>Total liabilities, capital and surplus</b>	<b>\$ 575,098</b>



**Statement of Income - Statutory  
For the Year Ended December 31, 2016**

**Income**

Title insurance premiums earned	\$	-
<hr/>		
Total operating income		-

**Deductions**

Losses and loss adjustment expenses incurred		-
<hr/>		
Total operating deductions		-
<hr/>		
Net operating gain or (loss)		-

**Investment Income**

Net investment income earned		-
<hr/>		
Net income before all other federal income taxes		-
<hr/>		
Federal and foreign income taxes incurred		-
<hr/>		
Net income	\$	-

**Reconciliation of Capital and Surplus - Statutory  
For the Examination Period Ended December 31, 2016**

	<b>2016</b>	<b>2015</b>
Surplus as regards policyholders, beginning of the year	\$ 575,098	\$ 18,793,152
Net income	-	1,832,339
Change in net unrealized capital gains or (losses)		
less capital gains tax	-	(493,310)
Change in net deferred income tax	-	(151,158)
Change in non-admitted assets	-	(47,938)
Dividends to stockholders	-	(19,451,941)
Change in treasury stock	-	93,954
Change in surplus as regards policyholders for the year	-	(18,218,054)
Surplus as regards policyholders, end of the year	\$ 575,098	\$ 575,098

## **Reconciliation of Examination Adjustments to Surplus December 31, 2016**

As a result of this examination, there have been no changes affecting admitted assets, liabilities, and surplus as regards policyholders balances reported by the Company in the December 31, 2016 annual statement as filed with the MID. The surplus as regards policyholders balance reported by the Company of \$575,098 is accepted as reasonably stated for purposes of the balance sheet per the examination and in compliance with Miss. Code Ann. §83-15-5.

## **MARKET CONDUCT ACTIVITIES**

No market conduct procedures were conducted during the examination.

## **COMMITMENTS AND CONTINGENT LIABILITIES**

In the normal course of business, the Company is subject to various contingent liabilities, including possible income tax assessments resulting from tax law interpretations or issues raised by taxing or regulatory authorities in their regular examinations, failure to collect all amounts on its investments, or balances due from assureds and reinsurers. To the extent that ORNTIC might be unable to meet its obligations under the reinsurance agreement discussed in the Reinsurance section of this examination report, the Company would be liable for the defaulted amounts. The Company does not have a basis for anticipating any significant losses or costs that could result from any known or existing contingencies.

There are no material legal proceedings other than those arising in the normal course of business and which generally pertain to claims matters related to insurance policies and contracts issued by the Company.

## **SUBSEQUENT EVENTS**

The examination did not identify any significant subsequent events deemed appropriate for inclusion in the examination report.

## **COMMENTS AND RECOMMENDATIONS**

The examination did not identify any material comments and/or recommendations deemed appropriate for inclusion in the examination report.

## ACKNOWLEDGMENT

The examiners representing the Mississippi Insurance Department and participating in this examination were:

Supervising Examiner:	Joseph R. May, CPA, CFE, CMA, CIE
Examiner-in-Charge:	R. Dale Miller, CPA, CFE, CFF
Senior Examiner:	Andrea Harbison, CPA
Department Designee:	Mark Cooley, CFE

The courteous cooperation of the officers and employees responsible for assisting in the examination is hereby acknowledged and appreciated.

Respectfully submitted,



---

R. Dale Miller, CPA, CFE, CFF  
Examiner-in-charge



---

Mark Cooley, CFE  
MS Insurance Department Designee