

AMENDED FILING COVER SHEET

Amended File Title	Amended Explanation
Jurat	Required for amended filing
Assets	The amending filing reflects a change in the retroactive reinsurance reserve, ceded paid claims receivable and presentation adjustments to reflect year end audit results.
Liabilities, Surplus and Other Funds	The amending filing reflects a change in the retroactive reinsurance reserve, ceded paid claims receivable and presentation adjustments to reflect year end audit results.
Operations and Investment - Statement of Income	The amending filing reflects a change in the retroactive reinsurance reserve, ceded paid claims receivable and presentation adjustments to reflect year end audit results.
Cash Flow	The amending filing reflects a change in the retroactive reinsurance reserve, ceded paid claims receivable and presentation adjustments to reflect year end audit results.
Notes to Financial Statements	The amending filing reflects a change in the retroactive reinsurance reserve, ceded paid claims receivable and presentation adjustments to reflect year end audit results.
Five-Year Historical Data (2 pgs)	The amending filing reflects a change in the retroactive reinsurance reserve, ceded paid claims receivable and presentation adjustments to reflect year end audit results.
Schedule F - Part 2	The amending filing reflects a change in the retroactive reinsurance reserve, ceded paid claims receivable and presentation adjustments to reflect year end audit results.



51632201820100105

ANNUAL STATEMENT

For the Year Ended December 31, 2018
OF THE CONDITION AND AFFAIRS OF THE

EnTitle Insurance Company

NAIC Group Code	0766	3483	NAIC Company Code	51632	Employer's ID Number	34-1252928
	(Current Period)	(Prior Period)				
Organized under the Laws of	OH		State of Domicile or Port of Entry	OH		
Country of Domicile	US					
Incorporated/Organized	April 7, 1978		Commenced Business	April 7, 1978		
Statutory Home Office	3 Summit Park Drive, Suite 525			Independence, OH, US 44131		
	(Street and Number)			(City or Town, State, Country and Zip Code)		
Main Administrative Office	3 Summit Park Drive, Suite 525					
	(Street and Number)					
	Independence, OH, US 44131			216-524-3400		
	(City or Town, State, Country and Zip Code)			(Area Code) (Telephone Number)		
Mail Address	3 Summit Park Drive, Suite 525			Independence, OH, US 44131		
	(Street and Number or P.O. Box)			(City or Town, State, Country and Zip Code)		
Primary Location of Books and Records	3 Summit Park Drive, Suite 525			Independence, OH, US 44131	216-524-3400	
	(Street and Number)			(City or Town, State, Country and Zip Code)	(Area Code) (Telephone Number)	
Internet Web Site Address	www.entitledirect.com					
Statutory Statement Contact	Ruby Gass			216-524-3400		
	(Name)			(Area Code) (Telephone Number)	(Extension)	
	rgass@entitleins.com				216-524-3488	
	(E-Mail Address)				(Fax Number)	

OFFICERS

	Name	Title
1.	Timothy M. Reilly #	President
2.	Edward Hoffman #	Secretary
3.	J. Franklin Hall #	Executive VP/Chief Financial Officer

VICE-PRESIDENTS

Name	Title	Name	Title
Lee H Baskey #	Senior Vice President		

DIRECTORS OR TRUSTEES

Richard Thornberry #	J. Franklin Hall #	Derek Brummer #	Brien McMahon #
Edward Hoffman #	Zoe Devaney #	Eric Ray #	

State of

County ofss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
Timothy M. Reilly	Edward Hoffman	J. Franklin Hall
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
President	Secretary	Executive VP/Chief Financial Officer
(Title)	(Title)	(Title)

Subscribed and sworn to (or affirmed) before me this on this
_____ day of _____, 2019, by

a. Is this an original filing?	[] Yes [X] No
b. If no:	
1. State the amendment number	1
2. Date filed	08/02/2019
3. Number of pages attached	8

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	10,803,020		10,803,020	2,365,385
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks				
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 651,275, Schedule E - Part 1), cash equivalents (\$ 14,910,413, Schedule E - Part 2), and short-term investments (\$ 3,365,662, Schedule DA)	18,927,350		18,927,350	9,184,781
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)				
9. Receivables for securities				
10. Securities lending reinvested collateral assets (Schedule DL)				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	29,730,370		29,730,370	11,550,166
13. Title plants less \$ 0 charged off (for Title insurers only)	42,852		42,852	42,852
14. Investment income due and accrued	89,361		89,361	9,015
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	164,751	3,340	161,411	198,422
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)				
15.3 Accrued retrospective premiums (\$ 0) and contracts subject to redetermination (\$ 0)				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	111,245		111,245	
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon				
18.2 Net deferred tax asset	34,799	34,799		
19. Guaranty funds receivable or on deposit				
20. Electronic data processing equipment and software	76,590		76,590	187,900
21. Furniture and equipment, including health care delivery assets (\$ 0)	49,404	49,404		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	18,980		18,980	17,621
24. Health care (\$ 0) and other amounts receivable	12,041		12,041	12,041
25. Aggregate write-ins for other-than-invested assets	112,968	112,968		
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	30,443,361	200,511	30,242,850	12,018,017
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	30,443,361	200,511	30,242,850	12,018,017

DETAILS OF WRITE-IN LINES				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501. PREPAID EXPENSE	87,723	87,723		
2502. SECURITY DEPOSIT	23,885	23,885		
2503. SUSPENSE	1,360	1,360		
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	112,968	112,968		

NONE

LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Known claims reserve (Part 2B, Line 3, Col. 4)	166,347	267,177
2. Statutory premium reserve (Part 1B, Line 2.6, Col. 1)	6,094,125	6,070,414
3. Aggregate of other reserves required by law		
4. Supplemental reserve (Part 2B, Col. 4, Line 10)		
5. Commissions, brokerage and other charges due or accrued to attorneys, agents and real estate brokers		
6. Other expenses (excluding taxes, licenses and fees)	561,791	374,303
7. Taxes, licenses and fees (excluding federal and foreign income taxes)	547	(44,807)
8.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		
8.2 Net deferred tax liability		
9. Borrowed money \$ 0 and interest thereon \$ 0		
10. Dividends declared and unpaid		
11. Premiums and other consideration received in advance		
12. Unearned interest and real estate income received in advance		
13. Funds held by company under reinsurance treaties		
14. Amounts withheld or retained by company for account of others		
15. Provision for unauthorized and certified (\$ 0) reinsurance		
16. Net adjustments in assets and liabilities due to foreign exchange rates		
17. Drafts outstanding		
18. Payable to parent, subsidiaries and affiliates	2,298,054	
19. Derivatives		
20. Payable for securities		
21. Payable for securities lending		
22. Aggregate write-ins for other liabilities	(5,838,453)	
23. Total liabilities (Lines 1 through 22)	3,282,411	6,667,087
24. Aggregate write-ins for special surplus funds	2,065,801	
25. Common capital stock	2,000,000	2,000,000
26. Preferred capital stock		
27. Aggregate write-ins for other than special surplus funds		
28. Surplus notes		
29. Gross paid in and contributed surplus	46,332,700	23,332,700
30. Unassigned funds (surplus)	(23,438,062)	(19,981,770)
31. Less treasury stock, at cost:		
31.1 0 shares common (value included in Line 25 \$ 0)		
31.2 0 shares preferred (value included in Line 26 \$ 0)		
32. Surplus as regards policyholders (Lines 24 to 30 less 31) (Page 4, Line 32)	26,960,439	5,350,930
33. Totals (Page 2, Line 28, Col. 3)	30,242,850	12,018,017

DETAILS OF WRITE-INS		
0301.	NONE	
0302.		
0303.		
0398. Summary of remaining write-ins for Line 03 from overflow page		
0399. Totals (Lines 0301 through 0303 plus 0398) (Line 03 above)		
2201. Reserve for retroactive reinsurance	(5,838,453)	
2202.		
2203.		
2298. Summary of remaining write-ins for Line 22 from overflow page		
2299. Totals (Lines 2201 through 2203 plus 2298) (Line 22 above)	(5,838,453)	
2401. Retroactive Reinsurance Gain	2,065,801	
2402.		
2403.		
2498. Summary of remaining write-ins for Line 24 from overflow page		
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	2,065,801	
2701.	NONE	
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page		
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)		

OPERATIONS AND INVESTMENT EXHIBIT

STATEMENT OF INCOME			1	2
			Current Year	Prior Year
OPERATING INCOME				
1.	Title insurance and related income (Part 1):			
1.1	Title insurance premiums earned (Part 1B, Line 3, Col.1)		9,191,858	9,276,849
1.2	Escrow and settlement services (Part 1A, Line 2, Col. 4)		1,129,796	1,612,516
1.3	Other title fees and service charges (Part 1A, Total of Line 3, 4, 5 and 6, Col. 4)		527,803	655,423
2.	Other operating income (Part 4, Line 2, Col. 5)			
3.	Total Operating Income (Lines 1 through 2)		10,849,457	11,544,788
EXPENSES				
4.	Losses and loss adjustment expenses incurred (Part 2A, Line 10, Col. 4)		417,572	792,982
5.	Operating expenses incurred (Part 3, Line 24, Cols. 4)		14,692,520	14,992,288
6.	Other operating expenses (Part 4, Line 6, Col. 5)			
7.	Total Operating Expenses		15,110,092	15,785,270
8.	Net operating gain or (loss) (Lines 3 minus 7)		(4,260,635)	(4,240,482)
INVESTMENT INCOME				
9.	Net investment income earned (Exhibit of Net Investment Income, Line 17)		369,109	43,145
10.	Net realized capital gains (losses) less capital gains tax of \$ 0 (Exhibit of Capital Gains (Losses))		(11,799)	
11.	Net investment gain (loss) (Lines 9 + 10)		357,310	43,145
OTHER INCOME				
12.	Aggregate write-ins for miscellaneous income or (loss) or other deductions		2,018,458	
13.	Net income, after capital gains tax and before all other federal income taxes (Lines 8 + 11 + 12)		(1,884,867)	(4,197,337)
14.	Federal and foreign income taxes incurred			
15.	Net income (Lines 13 minus 14)		(1,884,867)	(4,197,337)
CAPITAL AND SURPLUS ACCOUNT				
16.	Surplus as regards policyholders, December 31 prior year (Page 3, Line 32, Column 2)		5,350,930	8,509,955
17.	Net income (from Line 15)		(1,884,867)	(4,197,337)
18.	Change in net unrealized capital gains or (losses) less capital gains tax of \$ 4,473		6,160	1,600
19.	Change in net unrealized foreign exchange capital gain (loss)			
20.	Change in net deferred income taxes		39,273	
21.	Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)		448,943	36,712
22.	Change in provision for unauthorized and certified reinsurance (Page 3, Line 15, Cols. 2 minus 1)			
23.	Change in supplemental reserves (Page 3, Line 4, Cols. 2 minus 1)			
24.	Change in surplus notes			
25.	Cumulative effect of changes in accounting principles			
26.	Capital Changes:			
26.1	Paid in		23,000,000	1,000,000
26.2	Transferred from surplus (Stock Dividend)			
26.3	Transferred to surplus			
27.	Surplus Adjustments:			
27.1	Paid in			
27.2	Transferred to capital (Stock Dividend)			
27.3	Transferred from capital			
28.	Dividends to stockholders			
29.	Change in treasury stock (Page 3, Lines (31.1) and (31.2), Cols. 2 minus 1)			
30.	Aggregate write-ins for gains and losses in surplus			
31.	Change in surplus as regards policyholders for the year (Lines 17 through 30)		21,609,509	(3,159,025)
32.	Surplus as regards policyholders, December 31 current year (Lines 16 plus 31) (Page 3, Line 32)		26,960,439	5,350,930

DETAILS OF WRITE-IN LINES				
1201.	Retroactive Reinsurance Gain		2,065,801	
1202.	Change in Retroactive Reinsurance		(47,343)	
1203.				
1298.	Summary of remaining write-ins for Line 12 from overflow page			
1299.	Totals (Lines 1201 through 1203 plus 1298) (Line 12 above)		2,018,458	
3001.				
3002.				
3003.				
3098.	Summary of remaining write-ins for Line 30 from overflow page			
3099.	Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)			

NONE

CASH FLOW

	1	2
Cash from Operations	Current Year	Prior Year
1. Premiums collected net of reinsurance	9,267,165	9,584,912
2. Net investment income	262,273	46,124
3. Miscellaneous income	1,657,599	2,267,939
4. Total (Lines 1 through 3)	11,187,037	11,898,975
5. Benefit and loss related payments	217,812	1,055,965
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	11,991,555	15,091,186
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)		
10. Total (Lines 5 through 9)	12,209,367	16,147,151
11. Net cash from operations (Line 4 minus Line 10)	(1,022,330)	(4,248,176)
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	4,073,877	3,041,000
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets	110,187	
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	(10,847)	
12.7 Miscellaneous proceeds		12,098
12.8 Total investment proceeds (Lines 12.1 to 12.7)	4,173,217	3,053,098
13. Cost of investments acquired (long-term only):		
13.1 Bonds	12,495,613	1,775,623
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications	5,191	48,077
13.7 Total investments acquired (Lines 13.1 to 13.6)	12,500,804	1,823,700
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(8,327,587)	1,229,398
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock	23,000,000	2,000,000
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(3,907,514)	(24,041)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	19,092,486	1,975,959
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	9,742,569	(1,042,819)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	9,184,781	10,227,600
19.2 End of year (Line 18 plus Line 19.1)	18,927,350	9,184,781

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001		
20.0002		
20.0003		

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies and Going Concern

a. Accounting Practices

The Company’s statutory financial statements are presented on the basis of accounting practices prescribed or permitted by the ODI. The NAIC Accounting Practices and Procedures Manual (“NAIC SSAP”) has been adopted as a component of prescribed or permitted practices by the ODI. The ODI has adopted certain prescribed accounting practices that differ from those found in NAIC SSAP, specifically the timing of amounts released from the statutory premium reserve. The following reconciliation summarizes the difference in net loss and capital and surplus between NAIC SSAP and practices prescribed by the ODI as of December 31, 2018 and 2017.

	SSAP #	F/S Page	F/S Line #	2018	2017
Net Income					
(1) Entitle state basis (Page 4, Line 15, Columns 1 &2)	-	-	-	\$ (1,884,867)	\$ (4,197,337)
(2) State Prescribed Practices that are an increase / (decrease) from NAIC SAP: Premium Reserve Recovery	57	4	1.1	(97,517)	(151,267)
(3) State Permitted Practices that are an increase / (decrease) from NAIC SAP:	-	-	-	-	-
(4) NAIC SAP (1-2-3=4)	-	-	-	<u>\$ (1,787,350)</u>	<u>\$ (4,046,070)</u>
Surplus					
(5) Entitle state basis (Page 3, Line 32, Columns 1 &2)	-	-	-	\$ 26,960,439	\$5,350,930
(6) State Prescribed Practices that are an increase / (decrease) from NAIC SAP: Premium Reserve Recovery	57	3	30	(3,847,103)	(3,749,586)
(7) State Permitted Practices that are an increase / (decrease) from NAIC SAP:	-	-	-	-	-
(8) NAIC SAP (5-6-7=8)	-	-	-	<u>\$ 30,807,542</u>	<u>\$ 9,100,516</u>

b. Use of estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with NAIC SAP, the NAIC Annual Statement Instructions, and other accounting practices as prescribed or permitted by the ODI requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

c. Accounting Policies

Cash and Short-Term Investments

The Company considers all highly liquid securities with original maturities of twelve months or less when purchased to be cash, cash equivalents and short-term investments. Short-term investments include securities with original maturities of greater than 90 days and twelve months or less. Cash and cash equivalents include money market instruments and highly liquid securities with original maturities of 90 days or less when purchased.

Bonds

Bonds are stated at amortized cost or at values prescribed by the NAIC, and any discounts or premiums are amortized using the scientific (constant yield) interest method. Bonds that are designated highest quality and high-quality (NAIC designations 1 and 2, respectively) are reported at amortized cost and all other bonds (NAIC designations 3 to 6) shall be reported at lower of amortized cost or fair value. For loan and asset-backed securities, the impacts of changes in expected cash flows, including the effect of updated prepayment assumptions, are recognized using the retrospective adjustment method. Under the retrospective method, the recalculated effective yield will equate the present value of the actual and anticipated cash flows with the original cost of the investment. The current balance is then increased or decreased to the amount that would have resulted had the revised yield been applied since inception, and investment income is correspondingly decreased or increased. Prepayment assumptions are reviewed quarterly using industry data, and are based on prepayment rates of the underlying loans.

Interest is recognized on the accrual basis. Realized capital gains and losses are calculated using the specific cost of the investments sold.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies and Going Concern (continued)

c. Accounting Policies (continued)

The Company conducts a quarterly evaluation of declines in market value of the securities to determine whether the decline is other-than-temporary. If the market value of a security is below the cost basis, and it is judged to be other-than-temporary, the cost basis of the individual security is written down to market value through earnings as a realized loss, and the market value becomes the new basis. The Company's evaluation of market declines for other-than-temporary impairment is based on management's case-by-case evaluation of the underlying reasons for the decline in market value. The Company considers a wide range of factors about the security and uses its best judgment in evaluating the cause of the decline in the estimated market value of the security and in assessing the prospects for near-term recovery. Inherent in management's evaluation of the security are assumptions and estimates about the operations of the issuer and its future earnings potential. Considerations used by the Company in the impairment evaluation process include, but are not limited to: (i) the length of time and the extent to which the market value has been below cost or amortized cost; (ii) the potential for impairments of securities when the issuer is experiencing significant financial difficulties; (iii) the potential for impairments in an entire industry sector or sub-sector; (iv) the potential for impairments in certain economically depressed geographic locations; (v) the potential for impairments of securities where the issuer, series of issuers or industry has suffered a catastrophic type of loss or has exhausted natural resources; (vi) the Company's ability and intent to hold the security for a period of time sufficient to allow for the full recovery of its value to an amount equal to or greater than cost or amortized cost; and (vii) other subjective factors, including concentrations and information obtained from regulators and rating agencies. At December 31, 2018 and 2017, there were no taxes owed on realized gains. Unrealized gains and losses are recorded as increases or decreases, respectively, in unassigned surplus.

Title Plants

Title Plants consist of title records related to regions and are stated at cost. Expenses associated with current maintenance are charged to expense in the year incurred. Properly maintained title plants are not amortized because there is no indication of diminution in their value. The Company reviews title plants for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. As of December 31, 2018 and 2017, there was no impairment for Title Plants.

Electronic Data Processing Equipment and Software

Included in Other Assets at December 31, 2018 and 2017 is \$76,590 and \$187,900 of electronic data processing ("EDP") equipment and software, respectively, primarily related to computer equipment. EDP equipment and software are recorded at cost and depreciated using the straight-line method over the estimated useful life. Depreciation expense for EDP equipment and software amounted to \$112,230 and \$190,345 for 2018 and 2017, respectively. There has been no change in the EDP capitalization policy from the prior period. SSAP No. 16R, "*Electronic Data Processing Equipment and Software*", establishes a 3% of capital and surplus limit on admitted assets for EDP equipment. As of December 31, 2018 and 2017, all of the Company's EDP assets were reported as admitted assets. The Company reviews EDP equipment for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. As of December 31, 2018 and 2017, there was no impairment for EDP equipment.

Revenue and Expense Recognition

Premiums on title insurance policies issued by the Company, directly and through independent agents, are recognized as revenue when the Company is legally or contractually entitled to collect the premium. Premiums from title policies issued by the Company through independent agents are recognized and are recorded before the deduction of agent commissions and net of ceded premiums and changes in statutory premium reserves. Premium related expenses, including commissions and premium related taxes/assessments, are charged to operations, as incurred.

For the years ended December 31, 2018 and 2017, the Company had agent title insurance premiums earned of \$6,080,168 and \$5,353,150 net of premiums ceded and changes in statutory premium reserves of \$(34,604) and \$(3,393), respectively. Agent commissions were \$3,911,897 and \$3,506,077 for the years ended December 31, 2018 and 2017, respectively and are included in Operating expenses incurred on the Statement of Operations.

On March 26, 2018, the Company entered into an Agency Agreement and appointed Radian Settlement Services, ("RSS"), formerly known as ValuAmerica, as an agent. RSS is an affiliate of the Company and wholly owned subsidiary of Radian Group, Inc. RSS is authorized to issue commitments, policies, judicial reports, endorsements and other forms of

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies and Going Concern (continued)

c. Accounting Policies (continued)

title evidence authorized by the Company, collectively "Title Assurances", on real estate located in 30 states and the District of Columbia. The Agency Agreement identifies Agent's commissions for each state ranging from 70% to 80%, with the majority of the commissions being at the 80% rate. For the year ending December 31, 2018, Affiliate Agent Premium Revenue and Commission were immaterial.

For the years ended December 31, 2018 and 2017, the Company had gross direct title insurance premiums earned of \$3,306,990 and \$4,147,128 respectively. Total direct premiums ceded and change in statutory premium reserves for the years ended December 31, 2018 and 2017 were \$(195,301) and \$(223,429), respectively. Net direct title insurance premiums earned were \$3,111,690 and \$3,923,699 respectively, for the years ended December 31, 2018 and 2017.

On June 22, 2018, the Company entered into dual Master Services Agreements (MSA's) with RSS. The Company will provide title search and underwriting services to RSS and receive support and facilitation services on title insurance policies from RSS. Fees for services are based upon approved pricing and can be changed upon mutual consent of the parties and approval from the Ohio Department of Insurance (ODI). The MSA's may be terminated without cause upon seven days written notice. For the period ending December 31, 2018, the Company billed \$15,878 for services provided and was invoiced \$123,369 for services received under the MSA's. The Company also provides escrow and settlement services related to residential purchase, sale, or refinancing transactions for which it is paid a fee. Revenues for such services are recognized upon settlement. In certain states that the Company operates, escrow and settlement service fees are prohibited from being collected and the cost of these services is part of an "All-Inclusive Premium." For the year ended December 31, 2018, the Company had gross All-Inclusive Premiums of \$8,317,857 that are included in premiums earned.

For premiums written in Ohio, Ohio insurance law requires the Company to establish an unearned premium reserve equal to 10% of the premium retained by the Company. The Company may release 0.5% of that which was added to the reserve during the previous 20 years. For all other states where the Company writes insurance, the Company follows the various state insurance department regulations when determining what statutory premium reserves are established.

Premiums on title insurance policies issued by the Company are recognized as revenue when the Company is legally or contractually entitled to collect the premium. Premiums from title policies issued by the Company through independent agents are recognized when the policies are reported by the agent.

Losses and Loss Adjustment Expenses

Generally, title insurance claim rates are lower than for other types of insurance because title insurance policies typically insure against prior events affecting the quality of real estate titles, rather than against unforeseen, and therefore less avoidable, future events. Claims payments generally result from either judgment errors or mistakes made in the title search and examination process or the escrow process, or from other problems such as fraud or incapacity of persons transferring property rights.

When a claim is reported, the Company establishes a "Known Claims" reserve on a case-by-case basis, based upon the best estimate of the total amount necessary to settle the claim and to provide for allocated loss adjustment expenses (LAE), including legal defense costs. The estimates are based on all information known to the Company and include consideration of all known legal issues. These reserves are periodically adjusted by management based on its evaluation of subsequent developments regarding the reported claim. Adjustments to these estimates are reported in current operations. Claims and expenses paid are charged against this reserve. While management believes the amount recorded is reasonable and adequate, the ultimate losses may vary from the estimated amount included in the statutory financial statements.

Income Taxes

Current income tax expense is reflected on the statement of operations while changes in DTAs and DTLs are recorded directly to statutory surplus.

The Company has a tax sharing allocation agreement with Radian and EDG for the years ending December 31, 2018 and 2017, respectively, for which the Companies file a consolidated federal income tax return. The agreement states that tax charges or refunds shall be recorded as if the Company had filed its federal income tax returns on a separate

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies and Going Concern (continued)

c. Accounting Policies (continued)

return basis. The Company pays premium taxes on gross premiums written in lieu of most state income or franchise taxes. During 2018 and 2017, total premium taxes incurred amounted to \$241,216 and \$240,817, respectively and are included in Operating expenses incurred.

As of December 31, 2018, and 2017, the Company has not recognized a tax liability for uncertain tax positions. On December 22, 2017, the Tax Cuts and Jobs Act (“TCJA”), was signed into law. In February 2018, the NAIC SAP Working Group adopted Interpretation 18-01 (“INT 18-01”), which provided guidance on accounting for the tax effects of the TCJA including information relating to reporting and updating estimates, reporting changes to deferred tax assets and liabilities, and footnote disclosures. INT 18-01 stated that to the extent the Company’s accounting for certain income tax effects of the TCJA were incomplete but the Company was able to determine a reasonable estimate, a provisional estimate must be recorded in the Company’s financial statements during a period not to extend beyond one year of the enactment date. The Company completed its accounting in 2018 during the one-year measurement period and no adjustments to the Company’s provisional estimates were required.

d. Going Concern – Not applicable

2. Accounting Changes and Correction of Errors – None

3. Business Combinations and Goodwill – None

4. Discontinued Operations – None

5. Investments

a. Mortgage Loans, including Mezzanine Real Estate Loans – Not applicable

b. Debt Restructuring – Not applicable

c. Reverse Mortgages – Not applicable

d. Loan-Backed Securities

- 1. Sources of Prepayment Assumptions - Prepayment assumptions are determined using a combination of prepayment speeds from Mortgage Industry Advisory Corporation and Moody’s cash flows
- 2. Securities with a Recognized Other-than-Temporary-Impairment - None
- 3. Information Pertaining to Each Security with a Recognized Other-than-Temporary-Impairment - None
- 4. All impaired securities (fair value is less than amortized cost) for which other-than-temporary impairment has not been recognized in earnings as a realized loss (including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains):

a. The aggregate amount of unrealized losses:

1.	Less than 12 months	\$ -
2.	12 Months or Longer	\$ 2,834

b. The aggregate related fair value of securities with unrealized losses:

1.	Less than 12 months	\$ -
2.	12 Months or Longer	\$ 38,522

NOTES TO FINANCIAL STATEMENTS

5. Investments (continued)

d. Loan –Backed Securities (continued)

5. In evaluating whether a decline in value is other-than-temporary, Company consider several factors, including, but not limited to the following:

- the extent and the duration of the decline in value;
- the reasons for the decline in value (credit event, interest related or market fluctuations);
- the financial position and access to capital of the issuer, including the current and future impact of any specific events;
- our intent to sell the security, or whether it is more likely than not that Company will be required to sell it before recovery; and
- The financial condition of and near-term prospects of the issuer.

A debt security impairment is deemed other-than-temporary if:

- Company either intend to sell the security, or do not have the ability to retain the security for a period of time sufficient to recover the amortized cost basis; or
- Company will be unable to collect cash flows sufficient to recover the amortized cost basis of the security.

Impairments due to deterioration in credit that result in a conclusion that the present value of cash flows expected to be collected will not be sufficient to recover the amortized cost basis of the security are considered other-than-temporary. Other declines in fair value (for example, due to interest rate changes, sector credit rating changes or company-specific rating changes) that result in a conclusion that the present value of cash flows expected to be collected will not be sufficient to recover the amortized cost basis of the security may also result in a conclusion that other-than-temporary impairment has occurred. To the extent Company determines that a security is deemed to be other-than-temporarily impaired, an impairment loss is recognized.

- e. Dollar Repurchase Agreements and/or Securities Lending Transactions– Not applicable*
- f. Repurchase Agreements Transactions Accounted for as Secured Borrowing– Not applicable*
- g. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing– Not applicable*
- h. Repurchase Agreements Transactions Accounted for as a Sale– Not applicable*
- i. Reverse Repurchase Agreements Transactions Accounted for as a sale– Not applicable*
- j. Real Estate– Not applicable*
- k. Low Income Housing Tax Credits (LIHTC) – Not applicable*

NOTES TO FINANCIAL STATEMENTS

5. Investments (continued)

I. Restricted Assets

	1	2	3	4	5	6	7
	Total Gross (Admitted & Nonadmitted) Restricted from Current Year	Total Gross (Admitted & Nonadmitted) Restricted from Prior Year	Increase / (decrease) (1 minus 2)	Total Current Year Nonadmitted Restricted	Total Current Year Admitted Restricted (1 minus 4)	Gross (Admitted & Nonadmitted) Restricted to Total Assets (a)	Admitted Restricted to Total Admitted Assets (b)
Restricted Assets Category							
a) Subject to contractual obligation for which liability is not known	\$ -	-	-	-	\$ -	0.00%	0.00%
b) Collateral held under security lending agreements	\$ -	-	-	-	\$ -	0.00%	0.00%
c) Subject to repurchase agreements	\$ -	-	-	-	\$ -	0.00%	0.00%
d) Subject to reverse repurchase agreements	\$ -	-	-	-	\$ -	0.00%	0.00%
e) Subject to dollar repurchase agreements	\$ -	-	-	-	\$ -	0.00%	0.00%
f) Subject to reverse dollar repurchase agreements	\$ -	-	-	-	\$ -	0.00%	0.00%
g) Placed under option contracts	\$ -	-	-	-	\$ -	0.00%	0.00%
h) Letter stock or securities restricted as to sale - excluding FHLB capital stock	\$ -	-	-	-	\$ -	0.00%	0.00%
i) FHLB capital stock	\$ -	-	-	-	\$ -	0.00%	0.00%
j) On deposit with states	\$ 5,719,924	\$ 4,686,137	\$ 1,033,787	-	\$ 5,719,924	18.79%	18.91%
k) On deposit with other regulatory bodies	\$ -	-	-	-	\$ -	0.00%	0.00%
l) Pledged as collateral to FHLB (including assets backing funding agreements)	\$ -	-	-	-	\$ -	0.00%	0.00%
m) Pledged as collateral not captured in other categories	\$ -	-	-	-	\$ -	0.00%	0.00%
n) Other restricted assets	\$ -	-	-	-	\$ -	0.00%	0.00%
o) Total restricted assets	\$ 5,719,924	\$ 4,686,137	\$ 1,033,787	\$ -	\$ 5,719,924	18.79%	18.91%

- m. Working Capital Finance Investments– Not applicable
- n. Offsetting and Netting of Assets and Liabilities– Not applicable
- o. Structured Notes– Not applicable
- p. 5* Securities– Not applicable
- q. Short Sales– Not applicable
- r. Prepayment Penalty and Acceleration Fees – Not applicable or required for the quarter

6. Joint Ventures, Partnerships and Limited Liability Companies

The Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies that exceed 10% of its admitted assets.

7. Investment Income

Investment income is recorded on the accrual basis of accounting with the appropriate adjustments made for amortization of premium and accretion of discounts relating to bonds and notes acquired at other than par value. Dividends on stocks are credited to income on the ex-dividend date. Realized gains or losses on disposition of securities owned are determined on a specific identification basis and are reflected in the statement of income. Unrealized investment gains or losses are credited or charged directly to unassigned surplus net of allowed deferred income taxes. At December 31, 2018, the Company had no bonds or note investments in default as to principal and/or interest. Excluding U.S. Government fixed maturity securities; the Company is not exposed to any significant concentration of credit risk.

8. Derivative Instruments – None

NOTES TO FINANCIAL STATEMENTS

9. Income Taxes

Tax Reform Impact: On December 22, 2017, the Tax Cuts and Jobs Act ("TCJA"), was signed into law. In February 2018, the NAIC SAP Working Group adopted Interpretation 18-01 ("INT 18-01"), which provided guidance on accounting for the tax effects of the TCJA including information relating to reporting and updating estimates, reporting changes to deferred tax assets and liabilities, and footnote disclosures. INT 18-01 stated that to the extent the Company's accounting for certain income tax effects of the TCJA were incomplete but the Company was able to determine a reasonable estimate, a provisional estimate must be recorded in the Company's financial statements during a period not to extend beyond one year of the enactment date. We completed our accounting in 2018 during the one-year measurement period and no adjustments to our provisional estimates were required.

A. The components of the net deferred tax asset / (liability) at December 31, are as follows:

1. Deferred Tax Asset / (Liability)

		12/31/2018		
		(1)	(2)	(3)
		Ordinary	Capital	(Col 1+2) Total
(a)	Gross Deferred Tax Assets	\$ 1,032,498	\$ 593	\$ 1,033,091
(b)	Statutory Valuation Allowance Adjustments	995,650	593	996,243
(c)	Adjusted Gross Deferred Tax Assets (1a-1b)	36,848	-	36,848
(d)	Deferred Tax Assets Nonadmitted	34,799	-	34,799
(e)	Sub-total Net Admitted Deferred Tax Asset (1c-1d)	2,049	-	2,049
(f)	Deferred Tax Liabilities	2,049	-	2,049
(g)	Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e-1f)	\$ -	\$ -	\$ -

		12/31/2017		
		(4)	(5)	(6)
		Ordinary	Capital	(Col 4+5) Total
(a)	Gross Deferred Tax Assets	\$ 4,419,124	\$ 2,828	\$ 4,421,952
(b)	Statutory Valuation Allowance Adjustments	4,419,124	2,828	\$ 4,421,952
(c)	Adjusted Gross Deferred Tax Assets (1a-1b)	-	-	-
(d)	Deferred Tax Assets Nonadmitted	-	-	-
(e)	Sub-total Net Admitted Deferred Tax Asset (1c-1d)	-	-	-
(f)	Deferred Tax Liabilities	-	-	-
(g)	Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e-1f)	\$ -	\$ -	\$ -

		Change		
		(7)	(8)	(9)
		(Col 1-4)	(Col 2-5)	(Col 7+8)
		Ordinary	Capital	Total
(a)	Gross Deferred Tax Assets	\$ (3,386,626)	\$ (2,235)	\$ (3,388,861)
(b)	Statutory Valuation Allowance Adjustments	(3,423,474)	(2,235)	\$ (3,425,709)
(c)	Adjusted Gross Deferred Tax Assets (1a-1b)	36,848	-	36,848
(d)	Deferred Tax Assets Nonadmitted	34,799	-	34,799
(e)	Sub-total Net Admitted Deferred Tax Asset (1c-1d)	2,049	-	2,049
(f)	Deferred Tax Liabilities	2,049	-	2,049
(g)	Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e-1f)	\$ -	\$ -	\$ -

Net Deferred Tax Asset / (Liability) (Before Non-admit)	\$34,799
Tax Effect of Unrealized Gains / (Losses)	4,474
Change in Net Deferred Income Tax	\$39,273

NOTES TO FINANCIAL STATEMENTS

9. Income Taxes (continued)

2. Admission Calculation Components SSAP No. 101

12/31/2018			
(1)	(2)	(3)	
Ordinary	Capital	Total	
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$ -	\$ -	\$ -
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below).	-	-	-
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	-	-	-
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	N/A	N/A	\$ 4,032,577
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities.	\$ 2,049	-	\$ 2,049
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total 2(a) + 2(b) + 2(c)).	\$ 2,049	\$ -	\$ 2,049

12/31/2017			
(4)	(5)	(6)	
Ordinary	Capital	Total	
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$ -	\$ -	\$ -
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below).	-	-	-
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	-	-	-
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	N/A	N/A	\$ -
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities.	\$ -	-	\$ -
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total 2(a) + 2(b) + 2(c)).	\$ -	\$ -	\$ -

Change			
(7)	(8)	(9)	
(Col 1-4)	(Col2-5)	(Col 7+8)	
Ordinary	Capital	Total	
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$ -	\$ -	\$ -
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below).	-	-	-
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	-	-	-
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	N/A	N/A	\$ 4,032,577
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities.	\$ 2,049	-	\$ 2,049
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total 2(a) + 2(b) + 2(c)).	\$ 2,049	\$ -	\$ 2,049

3. Recovery Period and Threshold Limitations

	2018	2017
(a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount.		0%
(b) Amount of Adjusted Capital And Surplus Used to Determine Recovery Period And Threshold Limitation In 2(b)2 Above.	\$ 26,883,850	\$ 5,163,030

4. Impact of Tax Planning Strategies – None

B. Regarding deferred tax liabilities that are not recognized – Not Applicable

C. Current income taxes incurred consist of the following major components:

1. Current income tax – None.

2. Deferred Tax Assets:

NOTES TO FINANCIAL STATEMENTS

9. Income Taxes (continued)

	(1) 12/31/2018	(2) 12/31/2017	(3) (Col 1-2) Change
(a) Ordinary:			
(1) Discounting of unpaid losses	\$ 673	\$ 997	\$ (324)
(2) Unearned premium reserve	175,840	175,156	684
(3) Policyholder reserves	-	-	-
(4) Investments	-	-	-
(5) Deferred Acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed assets	14,016	14,016	-
(8) Compensation and benefits accrual	11,088	11,088	-
(9) Pension accrual	-	-	-
(10) Receivables - Nonadmitted	-	136,386	(136,386)
(11) Net operating loss carry forward	796,082	4,081,481	(3,285,399)
(12) Tax credit carry-forward	-	-	-
(13) Other (including items <5% of total ordinary tax assets)	34,799	-	34,799
(99) Subtotal	\$ 1,032,498	\$ 4,419,124	\$ (3,386,626)
(b) Statutory valuation allowance adjustment	995,650	4,419,124	(3,423,474)
(c) Nonadmitted	34,799		34,799
(d) Admitted ordinary deferred tax assets (2a99-2b-2c)	\$ 2,049	\$ -	\$ 2,049

	(1) 12/31/2018	(2) 12/31/2017	(3) (Col 1-2) Change
(e) Capital			
(1) Investments	\$ 593	\$ 2,828	\$ (2,235)
(2) Net Capital Loss Carry-Forwards	-	-	-
(3) Real Estate	-	-	-
(4) Other (Including Items <5% of Total Capital Tax Assets)	-	-	-
(99) Subtotal	\$ 593	\$ 2,828	\$ (2,235)
(f) Statutory Valuation Allowance Adjustment	593	2,828	(2,235)
(g) Nonadmitted	-	-	-
(h) Admitted Capital Deferred Tax Assets (2e99 - 2f - 2g)	\$ -	\$ -	\$ -
(i) Admitted Deferred Tax Assets (2d + 2h)	\$ 2,049	\$ -	\$ 2,049

3. Deferred Tax Liabilities:

	(1) 12/31/2018	(2) 12/31/2017	(3) (Col 1-2) Change
(a) Ordinary:			
(1) Investments	\$ 2,049	\$ -	\$ 2,049
(2) Fixed assets	-	-	-
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	-	-	-
(5) Other (including items <5% of total ordinary tax assets)	-	-	-
(99) Subtotal	\$ 2,049	\$ -	\$ 2,049
(b) Capital			
(1) Investments	-	-	-
(2) Realestate	-	-	-
(3) Other (including items <5% of total ordinary tax assets)	-	-	-
(99) Subtotal	\$ -	\$ -	\$ -
(c) Deferred tax liabilities (3a99 +3b99)	2,049	-	2,049
4. Net deferred tax assets / liabilities (2i-3c)	\$ -	\$ -	\$ -

NOTES TO FINANCIAL STATEMENTS

9. Income Taxes (continued)

D. The provision for federal and foreign income taxes incurred is different from that which would be obtained by applying the statutory Federal income tax rate to net income before taxes. The significant items causing this difference are as follows:

	12/31/2018	Effective Tax Rate
Provision computed at statutory rate	\$ (395,822)	21.00%
Change in statutory valuation allowance	(3,425,709)	181.75%
Change in non-admitted assets	101,587	-5.39%
Reduction of net operating loss carryforward for Internal Revenue Service Code Section 382 limitation	3,672,627	-194.85%
Other	8,044	-0.43%
Total	<u>\$ (39,273)</u>	<u>2.08%</u>
Federal and foreign income taxes incurred	\$ -	0%
Federal income taxes incurred - capital gain (loss)	-	0%
Change in net deferred income taxes	(39,273)	2.08%
Total Statutory income tax	<u>\$ (39,273)</u>	<u>2.08%</u>

E.

- 1) At December 31, 2018, the Company has net operating loss carryforwards of \$3,790,866 available to offset against future taxable income. This net operating loss will begin to expire in 2028.
- 2) There are no federal income taxes incurred in the current and prior period that will be available for recoupment in the event of future net losses.
- 3) The Company has no deposits admitted under Section 6603 of the Internal Revenue Service Code.

F. The Company's Federal Income Tax Return is consolidated with the following entities:

- Clayton Group Holding Inc.

• Enhance C-BASS Residual Finance Corp.

• Enhance Financial Services Group, Inc.

• Entitle Direct Group, Inc.

• Homegenius Real Estate of California, Inc.

• Radian Group Inc.

• Radian Guaranty Inc.

• Radian Guaranty Reinsurance Inc.

• Radian Title Merger Sub Inc.

• Red Bell Real Estate, Inc
- Radian Insurance Inc.

• Radian Investor Surety Inc.

• Radian MI Services, Inc.

• Radian Mortgage Assurance Inc.

• Radian Mortgage Guaranty Inc.

• Radian Mortgage Insurance Inc.

• Radian Reinsurance Inc.

• Radian Settlement Services Inc. (FKA ValuAmerica, Inc.)

• Radian Title Services Inc.

• ValuEscrow Inc.

The method of allocation between the companies is subject to a written agreement, approved by the Board of Directors. Allocation is based upon separate return calculations. Pursuant to this agreement, the Company has the ability to recoup federal income taxes paid in prior years in the event of future net losses, which it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes. Intercompany tax balances are settled according to the terms of the approved agreement.

10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

- a. EnTitle Insurance Company (EIC) is a member of a holding company group with Entitle Direct Group (EDG) as its parent. On March 27, 2018 EDG completed a merger with Radian Title Services, Inc. (RTS). RTS' and EIC's ultimate parent is Radian Group Inc. (NYSE: RDN) a Delaware corporation. See Schedule Y – Part I.
- b. EIC is the sole member and parent of EnTitle LLC, an Ohio limited liability company (the "LLC") incorporated on December 22, 2011. On October 28, 2015, EIC became the sole member of the LLC and on January 12, 2016, the LLC received a tax identification number. The purpose for which the LLC was formed was to acquire and invest in real estate and, engage in any other business or activity for which limited liability companies may be formed under Chapter 1705.

There had not been activity recorded into the LLC's books prior to December 31, 2015 at which time, the LLC purchased a residential property with the intent to resell. The transaction has been accounted for under SSAP 40R, Real Estate Investments, and recorded at a fair value price of \$111,243 inclusive of closing costs, less estimated costs to sell the property.

NOTES TO FINANCIAL STATEMENTS

10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties (continued)

EIC advanced all costs to LLC under an intercompany agreement that establishes payment terms as soon as the property is sold, and proceeds collected.

In April of 2018 all the assets of the LLC were sold for approximately \$110K. The LLC's operating costs were recorded as an inter-company receivable on EIC's ledger and prior to being written off as a loss were non-admitted.

On March 29, 2018 and June 25, 2018, EDG contributed \$3MM and \$20MM to EIC respectively.

EDG made the following contributions to EIC which are recorded as type 1 subsequent events:

- In February 2017, EDG contributed \$1 million to EIC recorded as subsequent event type 1 as of December 31, 2016.
- In November 2017, EDG contributed \$1 million to EIC recorded as a subsequent event type 1 as of September 30, 2017.

On December 31, 2017, EDG entered into a definitive merger agreement with RTS and was effective March 27, 2018. The transaction was subject to certain closing conditions, including regulatory approval. Immediately following the closing of this transaction, the Company entered into a Loss Portfolio Transfer Reinsurance transaction with PartnerRe in which all policies issued by the Company and outstanding at the time will be 100% reinsured by a subsidiary of PartnerRe.

- c. The Company provides title insurance on residential and commercial property in 39 states and the District of Columbia in which it holds certificates of authority. The Company provides title insurance policies as well as escrow and settlement services through a network of direct operations and independent agents.

The Company provides EDG with accounts payable support and processes payment transactions on behalf of EDG. Intercompany balances are settled periodically throughout the year.

- d. The following table identifies the intercompany balances as of December 31, 2018 and December 31, 2017.

	12/31/2018	12/31/2017
Due From/ (To) Radian	\$ (2,179,725)	\$ -
Due From/ (To) RSS	\$ (99,248)	
Due From / (To) EDG	-	17,621
	<u>\$ (2,278,973)</u>	<u>\$ 17,621</u>

- e. On December 27, 2017, PartnerRe (the "Guarantor") entered into an Amended and Restated Guaranty Agreement that was approved by ODI whereby the Guarantor guaranteed that all documented and agreed policyholder liabilities shall be paid by the Company to the extent it has the ability to do so and if not, the Guarantor shall pay such liabilities as and when they are due. The initial Guaranty was effective as of September 7, 2017 and the Amended and Restated Guaranty Agreement was effective on December 27, 2017 and was in effect until the change of control at EDG on March 27, 2018.
- f. EDG, the parent company provides certain management advisory and administrative services to EIC under the Company's Intercompany Management Advisory, Administrative Services, and Cost Allocation Agreement (The "Agreement"). This agreement was approved by ODI on May 17, 2016 and, is effective for a 5-year term starting April 15, 2016 barring withdrawal from either party with 30 days' written notice. The allocation method of these costs sharing arrangements between the parties is provided in the Agreement. These costs are included in the Statement of Income under operating expenses incurred – line 5. Commencing with the 2018 tax year, the Company has also entered into a tax sharing agreement with Radian. Prior to that, the Company was a party to a tax sharing agreement approved by ODI on August 21, 2008 and effective as of September 2, 2008 beginning with 2007 tax year.
- g. All outstanding shares of the Company are owned by the parent company, EDG.
- h. The Company owns no shares of stock of its ultimate parent
- i. Shares of stock of affiliated or related parties: Not Applicable

NOTES TO FINANCIAL STATEMENTS

10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties (continued)

- j. Impairment Write Downs: Not Applicable
- k. Foreign Insurance company subsidiaries: Not Applicable
- l. Downstream non-insurance holding companies: Not Applicable
- m. All Subsidiary Controlled or Affiliated (SCA) investments (except investments in U.S. insurance SCA entities): Not Applicable
- n. Insurance SCA investments for which the audited statutory equity reflects a departure from NAIC SAP: Not applicable

11. Debt

At December 31, 2018 and December 31, 2017, the Company had no debt outstanding.

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

EnTitle administers a defined contribution plan for eligible employees. Employer contributions and costs are based on a percentage of employee's eligible compensation. At December 31, 2018 and December 31, 2017 plan expense was \$4,709 and \$17,432, respectively. As part of the merger agreement, the Company terminated the Plan effective March 26, 2018.

In April of 2018 the eligible employees of Entitle participated in a defined contribution plan administered by Radian. At December 31, 2018 Entitle matching contributions and other expenses were \$62,764.

13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations

- 1) At December 31, 2018, the Company has 800 shares of common stock authorized, and 400 shares outstanding with a par value of \$5,000.
- 2) The Company has no preferred stock outstanding.
- 3) The Company may pay dividends only from statutory earned surplus, not exceeding the greater of the prior year's net investment income or 10% of the prior year's statutory surplus, without the approval of the Superintendent of Insurance.
- 4) The Company has not paid any dividends to date.
- 5) Within the limitations of (3) above, there are not restrictions placed on the portion of Company profits that may be paid as ordinary dividends to stockholders.
- 6) There were no restrictions placed on the Company's surplus.
- 7) There were no advances to surplus.
- 8) There are no stocks held by the Company, including stock of affiliated companies, for special purposes.
- 9) Changes in balance of special funds – Not applicable
- 10) The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses is \$ (10,632)
- 11) Surplus Notes – Not applicable
- 12) Impact of the restatement in a quasi-reorganization – Not applicable
- 13) Effective date of quasi-reorganization – Not applicable.

14. Liabilities, Contingencies and Assessments – None

NOTES TO FINANCIAL STATEMENTS

15. Leases

The Company leases its office facilities, title plants and some of its equipment under non-cancellable operating leases expiring at various times through October 2022. Rental expense for December 31, 2018 and December 31, 2017 was \$423,213 and \$492,275 respectively.

Certain rental commitments have renewal options extending through the year 2022. Some of these renewals are subject to adjustment in future periods.

At December 31, 2018, the minimum aggregate rental commitments are as follows:

Year Ending December 31,	Operating Leases
2019	241,513
2020	102,170
2021	47,021
2022 and beyond	18,568
	<u>\$ 409,272</u>

16. Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk – None.
17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities – None.
18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans – Not Applicable to Title Companies.
19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators– Not Applicable to Title Companies.
20. Fair Value Measurements

a. For assets and liabilities measured and reported at fair value

1. Fair Value Measurements at Reporting Date

As of December 31, 2018	Level 1	Level 2	Level 3	Total
<u>Bonds</u>				
Industrial and Misc.	\$ -	\$ 38,523	\$ -	\$ 38,523
Total Bonds	\$ -	\$ 38,523	\$ -	\$ 38,523
<u>Preferred Stocks</u>				
Industrial and Misc.	\$ -	\$ -	\$ -	\$ -
Total Preferred Stocks	\$ -	\$ -	\$ -	\$ -
<u>Common Stocks</u>				
Industrial and Misc.	\$ -	\$ -	\$ -	\$ -
Total Common Stocks	\$ -	\$ -	\$ -	\$ -
Total Assets at Fair Value	<u>\$ -</u>	<u>\$ 38,523</u>	<u>\$ -</u>	<u>\$ 38,523</u>
As of December 31, 2017	Level 1	Level 2	Level 3	Total
<u>Bonds</u>				
Industrial and Misc.	\$ -	\$ 45,649	\$ -	\$ 45,649
Total Bonds	\$ -	\$ 45,649	\$ -	\$ 45,649
<u>Preferred Stocks</u>				
Industrial and Misc.	\$ -	\$ -	\$ -	\$ -
Total Preferred Stocks	\$ -	\$ -	\$ -	\$ -
<u>Common Stocks</u>				
Industrial and Misc.	\$ -	\$ -	\$ -	\$ -
Total Common Stocks	\$ -	\$ -	\$ -	\$ -
Total Assets at Fair Value	<u>\$ -</u>	<u>\$ 45,649</u>	<u>\$ -</u>	<u>\$ 45,649</u>

2. Fair Value Measurements in Level 3 – None

NOTES TO FINANCIAL STATEMENTS

20. Fair Value Measurements (continued)

3. Transfers between levels are recognized as of the end of the quarter in which the transfer occurs.
4. The Bonds categorized within level 2 of the fair value hierarchy consist of CMO's. It was determined for these CRP rated asset backed securities that fair value would be used for book adjusted carry value after application of the modified FE process. These securities' fair values are obtained from ICE Data Services. ICE Data Services' valuation techniques reflect market participants' assumptions and maximize the use of relevant observable inputs including quoted prices for similar assets, benchmark yield curves and market corroborated inputs.
5. There are no derivative assets or liabilities.

b. Not applicable

c. Aggregate Fair Value Hierarchy

As of December 31, 2018

Type of Financial Instrument	Aggregate Fair Value					Not Practicable Carrying Value
	Value	Admitted Assets	Level 1	Level 2	Level 3	
Bonds	\$ 10,848,351	\$ 10,803,020	\$7,074,828	\$ 3,773,523	\$ -	\$ -
Short Term	3,362,453	3,365,662	-	3,362,453	-	-
Cash Equivalents	14,910,488	14,910,413	3,520,083	11,390,405	-	-
	<u>\$ 29,121,292</u>	<u>\$ 29,079,095</u>	<u>\$ 10,594,911</u>	<u>\$ 18,526,381</u>	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2017

Type of Financial Instrument	Aggregate Fair Value					Not Practicable Carrying Value
	Value	Admitted Assets	Level 1	Level 2	Level 3	
Bonds	\$ 2,351,248	\$ 2,365,385	\$ -	\$ -	\$ 2,351,250	\$ -
Short Term	-	-	-	-	-	-
Cash Equivalents	-	-	-	-	-	-
	<u>\$ 2,351,248</u>	<u>\$ 2,365,385</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,351,250</u>	<u>\$ -</u>

d. Not Practicable to Estimate Fair Value – None

21. Other Items

- a. Unusual or Infrequent Items – None
- b. Troubled Debt Restructuring Debtors – None
- c. Other Disclosures

The Company holds \$4,725,150 and \$2,991,804 at December 31, 2018 and December 31, 2017, respectively in segregated escrow bank accounts pending the closing of real estate transactions. These amounts are excluded from the Company's financial statements.

- d. Business Interruption Insurance Recoveries – None
- e. State Transferable and Non-transferable Tax Credit – None
- f. Sub-Prime Mortgage Related Risk Exposure – None
- g. Insurance Linked Securities (ILS) Contracts – None

22. Events Subsequent

Subsequent events have been considered through February 28, 2019 for the statutory statement issued on March 1, 2019.

NOTES TO FINANCIAL STATEMENTS

23. Reinsurance

a. *Unsecured Reinsurance Recoverable* – None

b. *Reinsurance Recoverable in Dispute* – None

c. *Reinsurance Ceded*

As is common in the insurance industry, the Company enters into excess of loss reinsurance arrangements, which allow management to control exposure to losses arising from large risks by ceding a portion of such risks to other insurers. Ceded reinsurance premiums, losses, and loss adjusted expenses (LAE) are accounted for on bases consistent with those used in accounting for the related original policies issued and the terms of the reinsurance contracts.

Reinsurance does not legally relieve the Company from its liability under the title insurance policies it issues, but it does make the assuming reinsurers liable to the Company for the reinsurance ceded. Therefore, the Company is subject to credit risk with respect to the obligations of its reinsurers. Though the Company regularly performs internal reviews of the financial strength of its reinsurers, any failure on the part of these reinsurers could have a material adverse effect on the Company's business, financial condition, and results of operations.

The Company's reinsurance agreement with a syndicate of Lloyd's of London, which is separate and apart from the Loss Portfolio Transfer reinsurance agreement that it entered into in March of 2018, provides for coverage on 100% of losses up to \$4,000,000 ultimate net loss, as defined, for each and every loss discovered on each policy in excess of \$1,000,000 ultimate net loss (the "Excess of Loss Reinsurance Agreement"). Total reinsurer liability under the Excess of Loss Reinsurance Agreement shall not exceed \$12,000,000 in all respects to the total of ultimate net loss and allocated LAE attributable to the reinsurance agreements. Premiums earned in 2018 and 2017 are net of ceded premium of \$206,195 and \$183,500, respectively.

d. *Uncollected Reinsurance* – None

e. *Commutation of Ceded Reinsurance* – None

f. *Retroactive Reinsurance*

On March 27, 2018, the Company entered into a Loss Portfolio Transfer Reinsurance Agreement, with a former affiliate, PartnerRe Europe SE, in which all policies issued by the Company as of the effective date, subject to certain limitations, became 100% reinsured for consideration paid by the Company of \$4,231,821. The reinsurance agreement was classified as retroactive reinsurance and a contra liability reserve ("Reserve for Retroactive Reinsurance") was established equal to the total of the SPR and Known Claims Reserves of \$6,297,622 which represented the Company's liabilities for the reinsured policies as of the effective date of the agreement. The difference in the liability transferred and the consideration paid of \$2,065,801, was recorded as a gain from retroactive reinsurance on the statement of operations and the amount was transferred from unassigned deficit and restricted as Special surplus funds.

The Reserve for Retroactive Reinsurance is reduced for covered claims payments made by the Company as well as adjustments for changes in reserve estimates and SPR withdrawals. As of December 31, 2018, changes to the Retroactive Reinsurance Reserve included reimbursements of \$411,835 for claims paid, SPR withdrawals of \$411,853 and additional incurred losses of \$364,519. Other assets includes \$111,595 of paid losses that are expected to be reimbursed to the Company in accordance with the agreement. The Special surplus funds will be transferred into unassigned deficit when the actual retroactive reinsurance recovered exceeds the consideration paid.

NOTES TO FINANCIAL STATEMENTS

23. Reinsurance (continued)

f. Retroactive Reinsurance (continued)

The following table shows a reconciliation of the retroactive reinsurance activity during the period ending December 31, 2018.

	2018 Ceded
Reserves Transferred	
Initial reserves	\$ 6,297,622
Prior year adjustments	-
current year adjustments	(459,169)
Current total	\$ 5,838,453
Consideration paid	\$ 4,231,821
Paid Losses Reimbursed	
Prior year	\$ -
Current year	300,590
Current total	\$ 300,590
Special Surplus from Retroactive Reinsurance	
Initial suplus gain / (loss)	\$ 2,065,801
Prior year adjustments	-
Current year adjustments	-
Current year restricted surplus	(2,065,801)
Cumulative total transferred to unassigned funds	\$ -

g. Reinsurance Accounted for as a Deposit – The Company did not do deposit accounting for any reinsurance agreements.

h. Certified Reinsurer Rating Downgraded or Status Subject to Revocation – Not applicable.

24. Retrospectively Rated Contracts & Contract Subject to Redetermination- Not applicable to title companies

25. Change in Incurred Losses and Loss Adjustment Expenses

	12/31/2018	12/31/2017
Claims Payable		
Beginning Balance	\$ 267,177	\$ 530,160
Incurred Claims:		
Insured Events of Current Year	\$ 70,737	\$ 62,772
Increase / (Decrease) insured events of prior year	346,835	730,210
Total Incurred Claims	\$ 417,572	\$ 792,982
Payment of Claims:		
Claims incurred in prior years	\$ (47,746)	\$ (60,521)
Claims incurred in current year	(470,656)	(995,444)
Total Claims Paid	\$ (518,402)	\$ (1,055,965)
Ending Balance	\$ 166,347	\$ 267,177

26. Intercompany Pooling Arrangements – Not applicable to title companies

27. Structured Settlements – None

28. Supplemental Reserve – None

FIVE – YEAR HISTORICAL DATA

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e. 17.6.

	1	2	3	4	5
	2018	2017	2016	2015	2014
Source of Direct Title Premiums Written (Part 1A)					
1. Direct operations (Part 1A, Line 1, Col. 1)	3,306,990	4,147,128	6,935,992	7,815,254	4,584,074
2. Non-affiliated agency operations (Part 1A, Line 1, Col. 2)	6,110,766	5,356,543	4,920,278	4,489,510	3,933,034
3. Affiliated agency operations (Part 1A, Line 1, Col. 3)	4,007				
4. Total	9,421,763	9,503,671	11,856,270	12,304,764	8,517,108
Operating Income Summary (Page 4 & Part 1)					
5. Premiums earned (Part 1B, Line 3)	9,191,857	9,276,849	11,414,429	11,660,426	8,269,704
6. Escrow and settlement service charges (Part 1A, Line 2)	1,129,796	1,612,516	3,029,489	4,028,288	2,398,884
7. Title examinations (Part 1A, Line 3)					
8. Searches and abstracts (Part 1A, Line 4)	244,470	344,859	494,856	1,033,781	569,544
9. Surveys (Part 1A, Line 5)					
10. Aggregate write-ins for service charges (Part 1A, Line 6)	283,333	310,565	370,795	371,221	253,782
11. Aggregate write-ins for other operating income (Page 4, Line 2)					13,180
12. Total operating income (Page 4, Line 3)	10,849,456	11,544,789	15,309,569	17,093,716	11,505,094
Statement of Income (Page 4)					
13. Net operating gain or (loss) (Line 8)	(4,260,635)	(4,240,482)	(2,342,903)	(312,112)	(2,897,777)
14. Net investment gain or (loss) (Line 11)	357,310	43,145	15,271	7,612	13,696
15. Total other income (Line 12)	2,018,458				
16. Federal and foreign income taxes incurred (Line 14)					
17. Net income (Line 15)	(1,884,867)	(4,197,337)	(2,327,632)	(304,500)	(2,884,081)
Balance Sheet (Pages 2 and 3)					
18. Title insurance premiums and fees receivable (Page 2, Line 15, Col. 3)	161,411	198,422	428,065	323,973	618,033
19. Total admitted assets excluding segregated accounts (Page 2, Line 26, Col. 3)	30,242,850	12,018,017	15,735,429	16,566,511	16,140,763
20. Known claims reserve (Page 3, Line 1)	166,347	267,177	530,160	537,318	358,133
21. Statutory premium reserve (Page 3, Line 2)	6,094,125	6,070,414	6,027,092	5,767,062	5,307,723
22. Total liabilities (Page 3, Line 23)	3,282,411	6,667,087	7,225,474	7,189,303	6,090,001
23. Capital paid up (Page 3, Lines 25 + 26)	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
24. Surplus as regards policyholders (Page 3, Line 32)	26,960,439	5,350,930	8,509,955	9,377,208	10,050,762
Cash Flow (Page 5)					
25. Net cash from operations (Line 11)	(1,022,330)	(4,248,176)	(2,144,724)	1,155,059	(2,497,890)
Percentage Distribution of Cash, Cash-Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
26. Bonds (Line 1)	36.3	20.5	26.3	28.6	21.7
27. Stocks (Lines 2.1 & 2.2)					
28. Mortgage loans on real estate (Line 3.1 and 3.2)					
29. Real estate (Lines 4.1, 4.2 & 4.3)					
30. Cash, cash equivalents and short-term investments (Line 5)	63.7	79.5	73.7	71.5	78.2
31. Contract loans (Line 6)					
32. Derivatives (Line 7)					
33. Other invested assets (Line 8)					
34. Receivable for securities (Line 9)					0.1
35. Securities lending reinvested collateral assets (Line 10)					
36. Aggregate write-ins for invested assets (Line 11)					
37. Subtotals cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
38. Affiliated bonds (Sch. D Summary, Line 12, Col. 1)					
39. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
40. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)					
41. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
42. Affiliated mortgage loans on real estate					
43. All other affiliated					
44. Total of above Lines 38 to 43					
45. Total investment in parent included in Lines 38 to 43 above					
46. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 44 above divided by Page 3, Line 32, Col. 1 x 100.0)					

FIVE – YEAR HISTORICAL DATA
(Continued)

	1	2	3	4	5
	2018	2017	2016	2015	2014
Capital and Surplus Accounts (Page 4)					
47. Net unrealized capital gains or (losses) (Line 18)	6,160	1,600	429	125	400
48. Change in nonadmitted assets (Line 21)	448,943	36,712	299,848	2,972,789	(1,331,687)
49. Dividends to stockholders (Line 28)					
50. Change in surplus as regards policyholders for the year (Line 31)	21,609,509	(3,159,025)	(867,253)	(673,554)	(3,257,076)
Losses Paid and Incurred (Part 2A)					
51. Net payments (Line 5, Col. 4)	518,402	1,055,965	740,381	(365,123)	215,520
52. Losses and allocated LAE incurred (Line 8, Col. 4)	417,572	792,982	733,223	(185,938)	494,128
53. Unallocated LAE incurred (Line 9, Col. 4)					
54. Losses and loss adjustment expenses incurred (Line 10, Col. 4)	417,572	792,982	733,223	(185,938)	494,128
Operating Expenses to Total Operating Income (Part 3)(%) (Line item divided by Page 4, Line 3 x 100.0)					
55. Personnel costs (Part 3, Line 1.5, Col. 4)	48.6	49.8	40.9	38.6	46.5
56. Amounts paid to or retained by title agents (Part 3, Line 2, Col. 4)	45.2	30.4	21.1	17.1	22.7
57. All other operating expenses (Part 3, Lines 24 minus 1.5 minus 2, Col. 4)	41.7	49.7	48.5	47.0	51.6
58. Total (Lines 55 to 57)	135.4	129.9	110.5	102.7	120.9
Operating Percentages (Page 4) (Line item divided by Page 4, Line 3 x 100.0)					
59. Losses and loss adjustment expenses incurred (Line 4)	3.8	6.9	4.8	(1.1)	4.3
60. Operating expenses incurred (Line 5)	135.4	129.9	110.5	102.9	120.9
61. Aggregate write-ins for other operating deductions (Line 6)					
62. Total operating deductions (Line 7)	139.3	136.7	115.3	101.8	125.2
63. Net operating gain or (loss) (Line 8)	(39.3)	(36.7)	(15.3)	(1.8)	(25.2)
Other Percentages (Line item divided by Part 1B, Line 1.4 x 100.0)					
64. Losses and loss expenses incurred to net premiums written (Page 4, Line 4)	4.5	8.5	6.3	(1.5)	5.9
65. Operating expenses incurred to net premiums written (Page 4, Line 5)	159.4	160.9	144.9	145.1	165.0
One-Year Schedule P Part 2 Development (\$000 omitted)					
66. Development in estimated losses and ALAE on policies effective before current year (Schedule P, Part 2, Line 22, Col. 11)	162	526	233	(943)	115
67. Percent of such development to policyholders' surplus of prior year-end (Line 66 above divided by Page 4, Line 16, Col. 1 x 100.0)	3.0	6.2	2.5	(9.4)	0.9
One-Year Schedule P Part 3 Development (\$000 omitted)					
68. Development in estimated losses and ALAE for claims reported before curr year (Schedule P, Part 3, Line 12, Col. 11)	301	724	566	(311)	338
69. Percent of such development to policyholders' surplus of prior year-end (Line 68 above divided by Page 4, Line 16, Col. 1 x 100.0)	5.6	8.5	6.0	(3.1)	2.5
Two-Year Schedule P Part 2 Development (\$000 omitted)					
70. Development in estimated losses and ALAE on policies effective before prior year-end (Schedule P, Part 2, Line 22, Col. 12)	632	764	(818)	(663)	(132)
71. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year-end (Line 70 above divided by Page 4, Line 16, Col. 2 x 100.0)	7.4	8.1	(8.1)	(5.0)	(0.9)
Two-Year Schedule P Part 3 Development (\$000 omitted)					
72. Development in estimated losses and ALAE for claims reported before prior year-end (Schedule P, Part 3, Line 12, Col. 12)	1,015	1,145	(3)	5	66
73. Percent of such development to policyholders' surplus of second prior year-end (Line 72 above divided by Page 4, Line 16, Col. 2 x 100.0)	11.9	12.2	(0.0)	0.0	0.4

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors?

Yes [] No [X]

If no, please explain:

Not applicable