

EXHIBIT A



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON EXAMINATION
OF
THE TITLE GUARANTY AND TRUST COMPANY OF CHATTANOOGA
(NAIC # 50261)
CHATTANOOGA, TENNESSEE

AS OF
DECEMBER 31, 2016

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Chattanooga, Tennessee
April 13, 2018

Honorable Julie Mix McPeak
Commissioner
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, Tennessee 37243

Dear Commissioner:

Pursuant to your instructions and in accordance with the Tennessee Code Annotated (“Tenn. Code Ann.”) § 56-1-408, a full-scope financial examination and market conduct review, as of December 31, 2016, has been made of the conditions and affairs of:

THE TITLE GUARANTY AND TRUST COMPANY OF CHATTANOOGA

NAIC # 50261
617 Walnut Street
Chattanooga, TN 37402

hereinafter generally referred to as the “Company” or “TGT” and a report thereon is submitted as follows:

INTRODUCTION

This examination was arranged by the Tennessee Department of Commerce and Insurance (TDCI or “Department”). The examination commenced on January 08, 2018, and was conducted by duly authorized representatives of the TDCI. This examination was not coordinated with any other states.

SCOPE OF EXAMINATION

The last examination of the Company was made as of December 31, 2011. This examination covers the period January 1, 2012, through December 31, 2016, and includes any material transactions and/or events occurring subsequent to the examination date which were noted during the course of examination.

The examination was conducted in accordance with rules and procedures as prescribed by the statutes of the State of Tennessee, and in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners*

Handbook ("Handbook"), as deemed appropriate. The examination was planned and performed to evaluate the financial condition of the Company as of December 31, 2016. The examination sought to identify prospective risks by obtaining information about the Company, including its corporate governance, by identifying and assessing inherent risks within the Company, and by evaluating system controls and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with statutory accounting principles and annual statement instructions.

During planning, all accounts and balances were considered to determine which key activities and accounts would be examined. The key activities included: Investments; Pricing/Underwriting; Reserving/Claims; Related Party; and Capital and Surplus.

The Company's 2016 annual statement was compared with or reconciled to the corresponding general ledger account balances.

An examination of the Company's information technology general controls (ITGC) was conducted.

A separate market conduct review was also performed concurrently with the financial examination. See "Market Conduct Activities" section of this report.

The Company uses the certified public accounting (CPA) firm of Stephen D. Anderson CPA, LLP, to perform a compilation report each year. The Company asked for, and received, an exemption from the TDCI each year during the exam period from filing an audited financial statement based upon the size of its premiums and reserves; therefore, no audit was performed. Workpapers from the CPA's compilation services were reviewed for 2016 and copies were incorporated into the examination, as deemed appropriate.

The Company provided a letter of representation certifying that management has disclosed all significant matters and records.

COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS

There were no comments or recommendations in the prior report.

COMPANY HISTORY

The Company is a stock for-profit title insurance company licensed to transact business in the State of Tennessee. The Company writes title insurance in the metropolitan Chattanooga area. The Company was incorporated under Tenn. Code Ann. § 56-35-105 on June 16, 1891. Business commenced on the date of incorporation.

MANAGEMENT AND CONTROL

MANAGEMENT

Directors

The Company is managed by a Board of Directors ("Board") who shall be elected at the annual meeting of the shareholders. Directors need not be residents of the State of Tennessee or shareholders of the corporation.

The Company has six (6) directors, as of December 31, 2016. A majority of directors constitutes a quorum. Directors serve until the next annual meeting of the shareholders, and thereafter, until replaced.

The following persons were duly elected by the shareholders on June 23, 2016, and were serving as members of the Board, as of December 31, 2016:

<u>Name</u>	<u>Principal Occupation</u>
Charles O. Hon, III*	Chairman and Chief Executive Officer, TGT
Brian F. Kopet	President and Treasurer, TGT
Mark W. Degler	Attorney, Miller & Martin
Arthur Poynton, III	Escrow Coordinator, Stewart Title Guaranty
B. Lamar Rankin	Retired Banker
William E. Snodgrass, III	Retired Teacher

*See "Subsequent Events" section of this report.

Officers

The Company has five (5) officer positions. The officers are elected during the annual Board meeting, and serve thereafter, until replaced.

The following officers were duly elected by the Board on June 23, 2016, and were serving as officers of the Company, as of December 31, 2016:

<u>Name</u>	<u>Title</u>
Charles O. Hon, III	Chief Executive Officer
Brian F. Kopet	President and Treasurer
Sally D. Hunt	Secretary
Cathy R. Gibson	Vice President

Committees

The Company does not have any committees.

CONTROL

As of December 31, 2016, the Company had authorized, issued, and outstanding, two thousand (2,000) shares of common capital stock, with a par value of \$100 per share, for a capital paid up of \$200,000.

The Company is owned by a small group of individuals, most of who are related to Mr. Charles O. Hon, III (Mr. Hon). During the examination period, Mr. Hon was Chairman and Chief Executive Officer of the Company and directly owns four hundred seventy-five and five hundred sixteen thousandths (475.516) shares of the two thousand (2,000) shares outstanding. In total, Mr. Hon controls the voting rights of seven hundred seventeen and seven hundred sixteen one thousandths (717.716) shares, or approximately thirty-five and eighty-eight one hundredths percent (35.88%) of the Company's common stock. As its largest shareholder, Mr. Hon is the ultimate controlling person of the Company.

The Company is a member of an insurance holding company system as defined by Tenn. Code Ann. § 56-11-101(7), and as such, is subject to the Insurance Holding Company System Act of 1986, set forth in Tenn. Code Ann. §§ 56-11-101, *et seq.* This is due to one individual owning more than ten percent (10%) of the outstanding shares of the Company's common stock. Mr. Hon files a holding company registration statement annually, as required by Tenn. Code Ann. § 56-11-105. He files Forms B and C of the Holding Company Registration Statement for the ownership group each year.

The following organizational chart shows Mr. Hon and his ownership of the Company:

Organizational Chart



CONFLICTS OF INTEREST AND PECUNIARY INTERESTS

The Company is required to comply with Tenn. Code Ann. § 56-3-103 prohibiting officers and directors of insurance companies from having a pecuniary interest in the investment or disposition of funds of a domestic insurance company. The Company does not have a Conflict of Interest Policy, or require its officers and directors to make annual disclosures of any possible conflicts. Without such disclosures, it was difficult to determine the Company’s compliance with Tenn. Code Ann. § 56-3-103 during the examination period. See “Comments and Recommendation” section later in this report.

The Company leases their Lee Highway branch office located in Chattanooga, Tennessee from CSBC, LLC (CSBC). CSBC is owned by four (4) individuals, who are all officers of the Company. The initial lease agreement between the Company and CSBC was executed in April 2005, and has remained active since implementation. The four (4) officers of the Company under the current lease agreement with CSBC receive funds from the Company under the arrangement. It was noted that this information was disclosed by the Company in its Notes to Financial Statements in each of their annual statements filed with the TDCI during the period of examination.

DIVIDENDS

During the period of examination, the Company routinely declared and paid ordinary dividends to its shareholders. There were no extraordinary dividends paid during the exam period. The Company failed to give proper notice of its 2012 ordinary dividend to the TDCI, as required by Tenn. Code Ann. §§ 56-11-105(e) and 56-11-106(b). Subsequent to 2012, the Company complied with the requirements of Tenn. Code Ann. §§ 56-11-105(e) and 56-11-106(b) by notifying the TDCI of the declaration of dividends. See “Comments and Recommendations” section of this report.

The following table lists each dividend amount and the date the Company notified the TDCI of the dividend.

<u>Year</u>	<u>Ordinary (O) or Extraordinary (E)</u>	<u>Notification Date</u>	<u>Dividend Amount</u>
2016	O	08/02/2016	\$30,000
2015	O	08/04/2014	30,000
2014	O	06/12/2014	30,000
2014	O	12/20/2013	20,000
2012	O		<u>30,000</u>
Total paid during period of Exam			<u>\$140,000</u>

CORPORATE RECORDS

The minutes of meetings of the Company's shareholders and Board were reviewed for the period under examination. They were complete as to necessary detail and appear to adequately reflect the acts of the respective bodies. The review of the minutes indicates that none of the Company's investment transactions were approved by the Board, in violation of Tenn. Code Ann. § 56-3-408(b)(1). See "Comments and Recommendation" section later in this report.

Charter

The original Charter of the Company was filed with the Tennessee Secretary of State on August 27, 1890. No amendments or restatements were made to the Company's Charter during the period of examination.

Bylaws

The minutes of the 2013 shareholder meeting noted that the Company amended their Bylaws to change the date of the annual Board and shareholders meetings. Although the minutes of the Company's 2013 shareholder meeting indicated that the Bylaws had been amended, the Company answered "No" to a General Interrogatory question in its 2013 annual statement regarding any amendments to the Bylaws. Further, they did not file the Bylaws amendment with the TDCI as requested in the annual statement. In addition, the Company has stated they cannot locate their Bylaws. Bylaws are important in establishing the structure of corporate governance and provide the guidance on how a corporation should be managed and operated. If the Bylaws cannot be located, a new set of Bylaws should be adopted. See "Comments and Recommendation" section later in this report.

AGREEMENTS WITH PARENT AND AFFILIATES

As discussed previously in the Control section of this report, the holding company consists only of the Company and Mr. Hon. The Company does not have any administrative agreements with related parties or affiliates.

FIDELITY BOND AND OTHER INSURANCE

The Company is listed as a named insured on a professional liability policy for errors and omissions coverage, in lieu of a financial institution bond. The Company's professional liability coverage exceeds the minimum amount suggested for fidelity coverage in the NAIC Handbook.

Other insurance policies were reviewed and the Company is listed as a named insured on the following insurance coverages, as of December 31, 2016:

- Commercial General Liability
- Automobile
- Workers Compensation

The Company maintains a Title Insurance Producer's Bond to the State of Tennessee as required by Tenn. Code Ann. § 56-35-202.

The bonds and policy coverages were inspected and appear to be in-force as of the date of this examination. All of the above policies were issued by companies licensed to transact business in the State of Tennessee or by authorized surplus lines insurers.

EMPLOYEE BENEFITS AND PENSION PLANS

The Company provides their employees with life and health insurance, which is available sixty (60) days after their date of employment. The Company does not provide their employees with a pension plan. The Company does provide bonuses to their officers.

TERRITORY AND PLAN OF OPERATION

TERRITORY

The Company is a stock for-profit title insurance company domiciled in Tennessee. The Company is only licensed to write business in the State of Tennessee. The Company

has no plans to expand to any other states. Their Certificate of Authority from the TDCI was reviewed and found to be in force at December 31, 2016.

Premium tax records were reviewed for Tennessee, and no exceptions were noted.

PLAN OF OPERATIONS

The Company writes only title insurance. During the period of examination, the Company's written premiums have reduced by ninety-eight percent (98%). This is due to a shift from writing the title business itself, to now almost exclusively acting as an agent for the production of title business for three (3) other title insurers. This change in operations appears to have had a positive effect on the Company's financial results. During the period of examination, the Company's operating income and surplus have grown by forty-eight percent (48%), and one hundred and seven percent (107%), respectively.

The insurers for which the Company produces business are:

Old Republic National Title Insurance Company
First American Title Insurance Company
Stewart Title Guaranty Company

The Company also collects fees from Investors Title Insurance Company by performing title searches.

GROWTH OF COMPANY

The following exhibit depicts certain aspects of the growth and financial history of the Company for the period subject to this examination, according to its annual statements as filed with the TDCI:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital and Surplus</u>	<u>Title Insurance Premiums Earned</u>	<u>Net Income</u>
2016	\$3,508,283	\$720,959	\$2,787,324	\$23,485	\$360,828
2015	\$3,215,579	\$730,971	\$2,484,608	\$54,322	\$395,227
2014	\$2,852,070	\$668,041	\$2,184,029	\$57,012	\$328,505
2013	\$2,669,457	\$773,679	\$1,895,778	\$109,402	\$427,121
2012	\$2,244,137	\$784,552	\$1,459,615	\$268,369	\$360,783

LOSS EXPERIENCE

As developed from applicable amounts included in the Company's annual statements, the ratios of losses and loss adjustment expenses (LAE) incurred to earned premiums, for the period subject to this examination were as follows:

<u>Year</u>	<u>Losses and LAE</u>	<u>Earned Premiums</u>	<u>Loss Ratio</u>
2016	\$15,781	\$23,485	67.19%
2015	\$0	\$54,322	0.00%
2014	\$0	\$57,012	0.00%
2013	\$0	\$109,402	0.00%
2012	\$0	\$268,369	0.00%

REINSURANCE AGREEMENTS

The Company does not have any Reinsurance Agreements.

LITIGATION AND CONTINGENT LIABILITIES

During the period under examination, and as of December 31, 2016, the Company is party to one pending legal proceeding arising in the ordinary course of business. Based upon the opinion of its counsel as to the ultimate disposition of such lawsuit and claim, Company management believes that the liability, if any, resulting from the disposition of

such proceeding will not be material to the Company's financial condition or results of operations.

During the period of examination and as of December 31, 2016, the Company had not entered into any contingent commitments and guarantees.

STATUTORY DEPOSITS

In compliance with statutory and other requirements, the Company maintained deposits with the TDCI, as of December 31, 2016.

The following special deposits are for the benefit of all policyholders, claimants, and creditors of the Company:

<u>Jurisdiction</u>	<u>Description of Security</u>	<u>Book/Adjusted Carrying Value</u>	<u>Fair Value</u>	<u>Par Value (Dollars)</u>
Tennessee Department of Commerce and Insurance	FFCB – 2.670% CUSIP# 3133EGGF6 Maturity 12/20/2027	\$66,628	\$66,628	\$70,000
	FFCB – 2.250% CUSIP# 3133EGNV3 Maturity 7/27/2026	9,253	9,253	10,000
	FNMA – 2.125% CUSIP#3136G3KC8 Maturity 4/28/2031	<u>39,150</u>	<u>39,150</u>	<u>40,000</u>
Total		<u>\$115,031</u>	<u>\$115,031</u>	<u>\$120,000</u>

Deposits were verified by direct correspondence with the custodians of such deposits.

ACCOUNTS AND RECORDS

During the course of the examination, certain balances were tested and amounts were traced from the Company's trial balance to the annual statement.

All of the Company's investment securities were confirmed with the custodian of such securities as of the date of this examination. During the review of the Company's custodial agreements, it was noted that the Company's custodial agreement with Fidelity Investments did not comply with Tenn. Comp. R. & Regs. 0780-01-46. Subsequent to the examination period, during 2017, the Company sold all of its securities held at Fidelity Investments. When holding securities with a custodian, it is

advised that the Company always have a custodial agreement that complies with Tenn. Comp. R. & Regs. 0780-01-46. See "Comments and Recommendations" section of this report.

It was noted that subsequent to the examination date, the Company was not in compliance with NAIC Statements of Statutory Accounting Principles (SSAP) 40R in relation to its real estate properties held for the production of income. The SSAP 40R guideline states appraisals shall be no more than five (5) years old as of the reporting date, otherwise, the property shall be non-admitted until an updated appraisal is obtained. A property held by the Company for the production of income was not reappraised, as required. It is advised that the Company comply with SSAP 40R by obtaining an appraisal of its real estate held for the production of income every five (5) years, or non-admit the asset. See "Comments and Recommendations" section in this report.

All annual statements for the period under examination were reviewed for completeness and adequacy of disclosure. These test checks and reviews revealed no material discrepancies.

Pursuant to Tenn. Comp. R. & Regs. 0780-01-65-.16, the Company requested from the TDCI, and was approved, to be exempt from filing financial reports audited by a CPA for each year during the period of examination.

Pursuant to Tenn. Comp. R. & Regs. 0780-.01-65-.16, the Company requested from the TDCI, and was approved, to be exempt from filing an actuarial opinion by a qualified actuary for each year during the period of examination.

In accordance with Tenn. Code Ann. § 56-46-110, the Company was exempted from filing a Risk-Based Capital Report.

The Company's books and records are located in Chattanooga, Tennessee.

MARKET CONDUCT ACTIVITIES

In conjunction with this examination, a market conduct review was performed. The following areas were reviewed:

Operations and Management Standards

Company anti-fraud initiatives were examined to determine if they are reasonably designed to prevent, detect, or mitigate fraudulent insurance acts. Company procedures and policies relating to privacy were reviewed to determine compliance with Tenn. Code Ann. § 56-8-104(19). No issues were noted.

Complaint Handling Standards

The Company maintains a complaint register, as required by various state Unfair Trade Practices Acts, and the register and the accompanying files are maintained for a minimum of five (5) years in accordance with statutory requirements. The Company's complaint procedures and complaint register were examined in accordance with requirements of Tenn. Code Ann. § 56-8-104(11) and the NAIC 2016 *Market Regulation Handbook*, and were found to be in full compliance.

Policyholder Services

The Company's timeliness of response to policyholder requests, provision of adequate disclosures, and compliance with applicable statutes and rules were examined. The Company was found to be in compliance with the relevant market conduct standards.

Underwriting and Rating Standards

In the examination of the Company's underwriting procedures and policy administration, policy files for open and closed policies were reviewed in accordance with established Company guidelines. During the examination of these contracts, there were no instances of unfair methods of competition or unfair or deceptive acts found. Underwriting procedures and policy administration conducted by the Company appear to be in compliance with established Company guidelines.

The examiners reviewed a sample of the policy forms that were used by the Company during the period of examination. All rates were noted, without exception, as having been filed with the TDCI prior to their use in accordance with Tenn. Code Ann. § 56-35-111. The filings are consistent in form and included appropriate documents.

Claims Review

In the examination of claims handling practices, the Company's efficiency of handling, accuracy of payment, adherence to contract provisions, and compliance with applicable statutes and rules were examined. The Company's claims were properly documented

and handled in accordance with the Company's policy provisions and applicable statutes and rules. No issues or concerns were identified.

SUBSEQUENT EVENTS

During the examination, a review of subsequent events was performed. Mr. Hon, who was the Company's Chairman, Chief Executive Officer, and largest shareholder, died in 2017. At this time, it is not known how this will affect the Company's ownership structure.

Other than the death of Mr. Hon described above, no events were noted that required additional disclosure in this examination report. Our review confirmed the Company's disclosures in its 2016 Annual Statement and in its Letter of Representation. Management stated in its Letter of Representation that they were not aware of any events subsequent to December 31, 2016, that could have a material effect on the Company's financial condition.

FINANCIAL STATEMENTS

There follows a statement of assets, liabilities, and an operations and investment exhibit, as of December 31, 2016, together with a reconciliation of capital and surplus for the period under review, as reported by the Company in its 2016 Annual Statement.

	<u>Assets</u>	Non-Admitted Assets	Net Admitted Assets
Bonds	\$115,031		\$115,031
Common stocks	238,121		238,121
Mortgage loans on real estate	178,722	\$36,972	141,750
Real estate:			
Properties occupied by company	96,144		96,144
Properties held for income production	5,000		5,000
Cash and short-term investments	2,871,907		2,871,907
Investment income due or accrued	234		234
Premiums and considerations:			
Uncollected premiums and agents balances in the course of collection	25,886	13,915	11,971
Electronic data processing equipment	28,125		28,125
Furniture and equipment	35,667	35,667	0
Aggregate write-ins for other assets	<u>186,666</u>	<u>186,666</u>	<u>0</u>
Totals	<u>\$3,781,503</u>	<u>\$273,220</u>	<u>\$3,508,283</u>

LIABILITIES, SURPLUS, AND OTHER FUNDS

Statutory premium reserve		\$168,468
Aggregate of other reserves required by law		100,000
Commissions to agents due or accrued		5,977
Other expenses		255,054
Taxes, licenses and fees due or accrued		461
Current federal and foreign income taxes		34,072
Net deferred tax liability		8,619
Aggregate write-ins for other liabilities		<u>148,308</u>
Total Liabilities		\$720,959
Common capital stock	\$200,000	
Gross paid in and contributed surplus	17,733	
Unassigned funds (surplus)	<u>2,569,591</u>	
Total Surplus as regards policyholders		<u>2,787,324</u>
Totals		<u>\$3,508,283</u>

OPERATIONS AND INVESTMENT EXHIBIT

Operating Income

Title insurance and related income		
Title insurance premiums earned	\$23,485	
Escrow and settlement services	0	
Other title fees and service charges	1,004,185	
Other operating income	<u>2,403,088</u>	
Total Operating Income		\$3,430,758

Expenses

Losses and loss adjustment expenses incurred	15,781	
Operating expenses incurred	820,585	
Other operating expenses	<u>1,962,270</u>	
Total Operating Expenses		<u>2,798,636</u>
Net Operating Gain or (Loss)		632,122

Investment Income

Net investment income earned	13,275	
Net realized capital gains (loss) less capital gains tax	<u>(44,448)</u>	
Net Investment Gain or (Loss)		<u>(31,173)</u>

Other Income

Net income, after capital gains tax and before all other federal income taxes		600,949
Federal and foreign income taxes incurred		<u>240,121</u>
Net Income		<u>\$360,828</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Capital and Surplus					
December 31, previous year	<u>\$2,484,608</u>	<u>\$2,184,029</u>	<u>\$1,895,778</u>	<u>\$1,459,615</u>	<u>\$1,128,850</u>
Net income or (loss)	360,828	395,227	328,505	427,121	360,783
Change in net unrealized capital gains or (losses)	45,878	(52,591)	0	0	0
Change in net deferred income tax	990	(3,759)	1,669	3,498	(2,477)
Change in non-admitted assets	(74,980)	(8,298)	8,077	5,544	2,459
Dividends to stockholders	(30,000)	(30,000)	(50,000)	0	(30,000)
Net change in capital and surplus for the year	<u>302,716</u>	<u>300,579</u>	<u>288,251</u>	<u>436,163</u>	<u>330,765</u>
Capital and Surplus					
December 31, current year	<u>\$2,787,324</u>	<u>\$2,484,608</u>	<u>\$2,184,029</u>	<u>\$1,895,778</u>	<u>\$1,459,615</u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

Total Surplus as Regards Policyholders

\$2,787,324

Total surplus as regards policyholders, as established by this examination, is the same as what was reported by the Company in its 2016 Annual Statement. There were no changes made to any asset or liability items as a result of our examination performed, as of December 31, 2016.

COMMENTS AND RECOMMENDATIONS

The following list presents a summary of comments and recommendations noted in this report:

Comments

1. The Company paid a dividend of \$30,000 to stockholders in 2012. After a review of TDCI files and requesting the Company provide information supporting notice of the 2012 dividend, none could be found. It appears the Company did not provide proper dividend notice to the TDCI as required by Tenn. Code Ann. § 56-11-105(e). Subsequent to the 2012 dividend, the Company has since provided all proper dividend notices to the TDCI. It is advised that the Company provide proper dividend notice as required by Tenn. Code Ann. § 56-11-105(e) in the future. See the "Management and Control" section of this report.
2. As noted in the "Management and Control" section of this report, the Company has stated they cannot locate their Bylaws. The Company should either locate their Bylaws, or create a new Adopted and Restated Bylaws.
3. It was determined that the Company does not have a Conflict of Interest Policy. Tenn. Code Ann. § 56-3-103 prohibits Company officers from having a pecuniary interest in the funds of an insurance company. As a "best practice" and to evidence compliance with Tenn. Code Ann. § 56-3-103, the Company should implement such a policy and require annual disclosures of conflicts or potential conflicts of interest.
4. As noted in the "Accounts and Records" section in this report, it was noted that subsequent to the examination date, the Company was not in compliance with NAIC SSAP 40R in relation to its real estate properties held for the production of income. It is advised that the Company comply with SSAP 40R by obtaining an appraisal of its real estate held for the production of income every five (5) years, or non-admit the asset.

Recommendations

1. It is recommended the Company comply with the NAIC annual statement instructions by answering the general interrogatory questions correctly and file its Bylaws with the TDCI when amended, as required by Tenn. Code Ann. § 56-1-501. See “Management and Control” section of this report.
2. The Company’s Board did not approve any of the Company’s investment transactions during the period under examination. This is in violation of Tenn. Code Ann. § 56-3-408. It is recommended that the Company come into compliance with Tenn. Code Ann. § 56-3-408 by having its Board approve all investment transactions.
3. As noted in “Accounts and Records” section in this report, it was noted that the Company’s custodial agreement did not comply with Tenn. Comp. R. & Regs. 0780-01-46. When holding securities with a custodian, it is recommended that the Company maintain their investments under an agreement that complies with Tenn. Comp. R. & Regs. 0780-01-46.

CONCLUSION

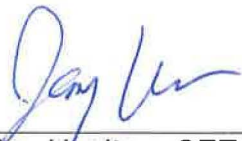
The customary insurance examination practices and procedures, as promulgated by the NAIC, have been followed in connection with the verification and valuation of assets and the determination of liabilities of The Title Guaranty and Trust Company of Chattanooga.

In such manner, it was found that, as of December 31, 2016, the Company had admitted assets of \$3,508,283 and liabilities, exclusive of surplus as regards policyholders, of \$720,959. Thus, there existed for the additional protection of the policyholders, the amount of \$2,787,324 in the form of common capital stock, gross paid in and contributed surplus, and unassigned funds. Tenn. Code Ann. § 56-35-112 requires an insurer of this Company's type to maintain a minimum capital of \$100,000, and another \$100,000 in capital or surplus. For this examination, as of December 31, 2016, the Company maintains capital and surplus in compliance with the requirements of Tenn. Code Ann. § 56-35-112.

The courteous cooperation of the officers and employees of the Company, extended during the course of the examination, is hereby acknowledged.

In addition to the undersigned, Daniel Clements, CPA, and Dustin Rice, Insurance Examiners; and Bryant Cummings, CFE, MCM, Assistant Chief Examiner, from the State of Tennessee participated in the work of this examination.

Respectfully submitted,



A. Jay Uselton, CFE
Examiner-in-Charge
State of Tennessee

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of The Title Guaranty and Trust Company of Chattanooga located in Chattanooga, Tennessee, dated April 13, 2018, and made as of December 31, 2016, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says he is familiar with such instrument and the contents thereof, and the facts therein set forth are true to the best of his knowledge, information and belief.



A. Jay Uselton, CFE
Examiner-in-Charge
State of Tennessee

State Tennessee

County Davidson

Subscribed to and sworn before me

this 19th day of June, 2018

Kira Burnett
(NOTARY)



My Commission Expires: November 8, 2021

EXHIBIT B



The South's Oldest Title Company

The Title Guaranty and Trust Company of Chattanooga

617 Walnut Street
Chattanooga, Tennessee 37402
Telephone (423) 266-5751
Facsimile (423) 265-8855

Charles O. Hon, III.....Chairman, CEO
Brian F. Kopet.....President, Treasurer
Jason L. Eslinger.....Executive Vice President
Cathy Gibson.....Vice President
Sally D. Hunt.....Secretary

June 18, 2018

E. Joy Little
Director of Financial Examinations/Chief Examiner
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, TN 37243-1135

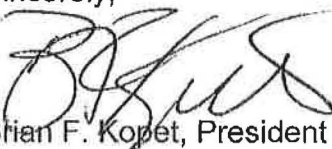
**RE: Report of Examination - Title Guaranty & Trust Company of
Chattanooga (the "Company")**

Dear Ms. Little:

The Company hereby acknowledges receipt of the final Report of Examination for Title Guaranty & Trust Company of Chattanooga.

By signing below, the Company indicates acceptance of the report, as transmitted, and without rebuttal.

Sincerely,



Brian F. Kopet, President