Statutory Financial Statements and Report of Independent Certified Public Accountants

Connecticut Attorneys Title Insurance Company

December 31, 2012 and 2011

Contents

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Report of Independent Certified Public Accountants

Board of Directors and Stockholder
Connecticut Attorneys Title Insurance Company

We have audited the accompanying statutory financial statements of Connecticut Attorneys Title Insurance Company (a Connecticut Corporation) (the "Company"), which comprise the statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2012 and 2011, and the related statutory statements of operations and changes in capital and surplus, and cash flows for the years then ended, and the related notes to the statutory financial statements.

Management's responsibility for the statutory financial statements

Management is responsible for the preparation and fair presentation of these statutory financial statements in accordance with the accounting practices prescribed or permitted by the Connecticut Insurance Department. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of statutory financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these statutory financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statutory financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statutory financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statutory financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the statutory financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statutory financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Grant Thornton

Basis for adverse opinion on generally accepted accounting principles

As described in Note B of the statutory financial statements, the statutory financial statements are prepared by the Company on the basis of the accounting practices prescribed or permitted by the Connecticut Insurance Department, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Connecticut Insurance Department.

Adverse opinion on generally accepted accounting principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on Generally Accepted Accounting Principles paragraph, the statutory financial statements referred to above do not present fairly the financial position of Connecticut Attorneys Title Insurance Company as of December 31, 2012 and 2011, and the results of its operations and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Opinion on statutory basis of accounting

In our opinion, the statutory financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and capital and surplus of Connecticut Attorneys Title Insurance Company as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with the accounting practices prescribed or permitted by the Connecticut Insurance Department described in Note B.

Differences between statutory accounting practices and generally accepted accounting principles

The effects on the statutory financial statements of the variances between accounting practices prescribed or permitted by the Connecticut Insurance Department and accounting principles generally accepted in the United States of America described in Note O have not been subjected to the auditing procedures applied in the audit of the statutory financial statements, and accordingly, we do not express an opinion or provide any assurance on the information management disclosed in Note O.

Grant Thornton LLP

Glastonbury, Connecticut
May 20, 2013

CONNECTICUT ATTORNEYS TITLE INSURANCE COMPANY
Statutory Statements of Admitted Assets, Liabilities and Capital Surplus
December 31, 2012 and 2011

	2012	2011
ADMITTED ASSETS		
Cash and invested assets:		
Bonds	$ 45,664,145	$ 49,160,992
Common stocks	4,968,085	4,486,649
Common stock of subsidiary	2,062,478	-
Real estate occupied by the company,		
less encumbrances of $2,011,020 and $-0-, respectively	1,545,579	-
Cash and short-term investments	3,727,271	2,858,880
Other invested assets	1,519,285	105,761
Total cash and invested assets	59,486,843	56,612,282
Accounts and other receivables	466,249	397,853
Accrued interest	455,113	494,984
Federal income tax recoverable	17,160	17,160
Receivable from affiliates	31,697	131,356
Deferred income taxes	525,000	150,000
Electronic data processing equipment and software, net	175,129	166,597
Title plant	306,463	306,463
Total admitted assets	$ 61,463,654	$ 58,276,695
LIABILITIES AND CAPITAL AND SURPLUS		
Liabilities		
Known claims reserve	$ 1,727,858	$ 1,587,149
Statutory premium reserve	18,627,426	17,633,236
Supplemental reserve	63,622	69,615
Accounts payable and accrued expenses	2,276,456	2,039,588
Due to affiliates	457,000	544,796
Premiums received in advance	50,478	107,480
Note payable	2,600,000	2,600,000
Total liabilities	25,802,840	24,581,864
Capital and Surplus		
Common stock, $100 par value, 5,000 shares		
authorized, issued and outstanding	500,000	500,000
Additional paid-in capital	27,686,333	27,936,333
Unassigned surplus	7,474,481	5,258,498
Total capital and surplus	35,660,814	33,694,831
Total liabilities and capital and surplus	$ 61,463,654	$ 58,276,695

The accompanying notes are an integral part of these statutory financial statements.

CONNECTICUT ATTORNEYS TITLE INSURANCE COMPANY
Statutory Statements of Operations and Changes in Capital and Surplus
Years Ended December 31, 2012 and 2011

	2012	2011
OPERATING REVENUE		
Title insurance premiums earned	$ 63,059,577	$ 52,180,925
Other title insurance service fees	3,288,148	2,593,161
Mortgage recording and other service fees	654,316	662,572
Total operating revenue	67,002,041	55,436,658
OPERATING EXPENSES		
Policy claims and loss adjustment expenses	2,921,763	2,540,020
Title insurance commissions	42,779,803	34,978,965
Compensation and benefits	11,974,852	11,482,138
Other general and administrative expenses	7,457,807	5,227,793
Premium taxes, licenses and fees	1,518,113	1,048,654
Total operating expenses	66,652,338	55,277,570
Net operating income	349,703	159,088
NON-OPERATING INCOME (EXPENSE)		
Net investment income	1,324,507	1,589,639
Net realized investment gains (losses), net of income tax	(147,107)	92,111
Other (expense) income	(26,748)	(11,277)
Net non-operating income	1,150,652	1,670,473
Income before federal income taxes	1,500,355	1,829,561
Federal income tax expense	427,849	568,943
Net income	1,072,506	1,260,618
Other increases (decreases) in capital and surplus:		
Change in deferred income taxes	(705,452)	168,767
Change in non-admitted assets:		
Net deferred tax asset	1,247,144	(1,846,020)
Electronic data processing equipment and software	(265,447)	(492,761)
Other	(155,911)	(262,790)
Net change in unrealized gains on investments, net of income tax	1,017,150	(97,887)
Change in supplemental reserve	5,993	(69,615)
Dividends to stockholder	(250,000)	-
Increase (decrease) in capital and surplus	1,965,983	(1,339,688)
CAPITAL AND SURPLUS, beginning of year	33,694,831	35,034,519
CAPITAL AND SURPLUS, end of year	$ 35,660,814	$ 33,694,831

The accompanying notes are an integral part of these statutory financial statements.

CONNECTICUT ATTORNEYS TITLE INSURANCE COMPANY
Statutory Statements of Cash Flows
Years Ended December 31, 2012 and 2011

		2012		2011
CASH FLOWS FROM OPERATIONS				
Premiums collected, net of reinsurance	$	67,243,129	$	55,911,743
Net investment income collected		1,598,015		2,021,668
Other income collected		627,568		651,295
Policy claims and loss adjustment expenses paid		(2,781,054)		(3,565,249)
Commissions and other expenses paid		(63,321,884)		(51,783,506)
Federal income taxes recovered		(537,046)		40,122
Net cash provided by (used in) operations		2,828,728		3,276,073
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale and maturity of bonds		11,721,066		14,125,107
Purchases of bonds		(9,645,508)		(15,468,237)
Proceeds from the sale of common stocks		8,800		1,813,103
Purchases of common stocks		(2,001,700)		(2,449,313)
Purchases of other invested assets		(1,500,000)		-
Purchases of software and equipment		(281,760)		(787,208)
Net cash (used in) provided by investing activities		(1,699,102)		(2,766,548)
CASH FLOWS FROM FINANCING AND OTHER ACTIVITIES				
Repayments of notes payable		(11,235)		-
Dividends paid to stockholder		(250,000)		-
Net cash used in financing and other activities		(261,235)		-
Net increase in cash and short-term investments		868,391		509,525
CASH AND SHORT-TERM INVESTMENTS, beginning of year		2,858,880		2,349,355
CASH AND SHORT-TERM INVESTMENTS, end of year	$	3,727,271	$	2,858,880
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:				
Non-cash investing and financing activities:				
Liabilities assumed to acquire real estate (Note C)	$	2,022,255	$	-
Related party note exchanged to acquire real estate (Note C)		1,692,188		-

The accompanying notes are an integral part of these statutory financial statements.

NOTE A - NATURE OF BUSINESS

Connecticut Attorneys Title Insurance Company (a Connecticut Corporation) (the "Company") is a wholly-owned subsidiary of CATIC Financial, Inc. ("Financial"). The Company's principal business is providing title insurance on residential and commercial properties in New England.

The Company owns and operates two wholly-owned subsidiaries: CATIC Acquired Properties, LLC (a Connecticut Limited Liability Company) ("CAP") and CATIC Insurance (VT) Ltd. (a Vermont Domestic Corporation) ("CIVL"). The purpose of CAP is to hold and sell real property received by the Company in the normal course of settling policy claims. CIVL was formed during 2012 as a Vermont captive insurance company for the purpose of providing agent defalcation coverage to the Company and accessing the reinsurance marketplace for such coverage. The Company capitalized CIVL through the transfer of bonds and cash with an aggregate fair value of $2,000,000 at the date of transfer.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying statutory financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Connecticut Insurance Department ("NAIC SAP"). The Connecticut Insurance Department has adopted the National Association of Insurance Commissioners ("NAIC") *Accounting Practices and Procedures Manual* as a component of prescribed NAIC SAP. Permitted statutory practices encompass all accounting practices not so prescribed.

In financial statements prepared in conformity with NAIC SAP, the accounting treatment of certain items differs from financial statements prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The significant differences between statutory accounting practices and GAAP are described in Note O.

Use of Estimates

The preparation of financial statements in conformity with NAIC SAP requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of income and expenses. Significant estimates are made by management with regard to the valuation of accounts and other receivables, valuation of deferred income tax assets and the reserve for known and unknown (IBNR) policy claims and claim adjustment expenses. Actual results may differ from those estimates, and those differences may be material.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Short-Term Investments

The Company deposits substantial funds in financial institutions, maintaining its cash and short-term cash investments in bank deposit or brokerage accounts which are periodically reviewed by management for financial stability. These funds include amounts owned by third parties, such as escrow deposits. Generally, the Company's cash and short-term investments in interest-bearing accounts exceed Federal Deposit Insurance Corporation ("FDIC") depository insurance limits. Should one or more of the financial institutions at which the Company maintains deposits fail, there is no guarantee that the Company would recover the funds it has deposited, whether through FDIC coverage or otherwise. In the event of such failure, the Company could also be held liable for the funds owned by third parties even though such amounts are not considered assets of the Company (Note K). Such events could be disruptive to the Company's business and could adversely affect the Company's liquidity, results of operations and financial condition. The Company has not experienced any losses in such cash accounts or short-term cash investments.

Accounts Receivable and Revenue Recognition

Accounts receivable are recorded at their estimated realizable value. Amounts greater than 90 days past due are non-admitted and charged directly to surplus. The Company extends credit to agents without requiring collateral. Receivables are written off after all efforts to collect them have been exhausted. Unpaid policy premiums are reported to the various credit rating agencies.

Title insurance premiums are recognized as policies and premiums from agents are received by the Company. Revenue is reported based on 40% of the actual amount of the gross, ratings-approved premiums remitted by Connecticut agents, but negotiated elsewhere. As further described below, in accordance with Connecticut Statute a portion of revenues are deferred to the extent necessary to maintain a Statutory Premium Reserve.

Service fee revenue is recognized in the period in which the related service is performed.

Investments

Bonds are reported at amortized cost or fair value based on the rating assigned to the security by the Securities Valuation Office of the National Association of Insurance Commissioners ("NAIC rating"). Bonds with an NAIC rating of 1 or 2 are carried at amortized cost. Bonds with an NAIC rating of 3 through 6 are carried at the lower of amortized cost or fair value. Equity securities are carried at fair value based upon quoted market prices. The Company's investment in the common stock of CIVL (an insurance subsidiary) is carried on the equity method. During 2011, the Company held a related party note receivable from Financial that received a NAIC rating of 5 and was therefore carried at fair value, which was lower than amortized cost. Equity securities are carried at fair value based upon quoted market prices.

Other invested assets consist of an equity interest in an institutional loan fund, which is carried at the fund's net asset value, and the Company's investment in CAP, which is carried on the equity method. Changes in the carrying value of other invested assets are recorded as unrealized gains (losses) in the period in which they occur.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Unrealized gains and losses resulting from changes in the valuation of investments carried at fair value and other invested assets are charged or credited directly to surplus. Realized capital gains or losses on the sale of investments are based on specific identification at the time of sale. The premium or discount on bonds is recognized using the effective interest rate method.

The Company regularly evaluates investments for other-than-temporary impairments based on current economic conditions, credit risk experience, intent and ability to hold and other circumstances of the underlying securities. If it is determined that a decline in the fair value of an investment is other-than-temporary, the cost basis of the investment is written down to fair value as a new cost basis and the amount of the write down is recognized as a realized loss. Subsequent fluctuations in fair value determined to be temporary are recorded as unrealized gains or losses.

Investment income is recorded on the accrual basis. Investment income due and accrued which is 90 days past due is excluded from unassigned surplus. The Company did not exclude any investment income due and accrued from unassigned surplus as of December 31, 2012 and 2011.

Title Plant

Title plant is carried at original cost. The costs of maintaining (updating) the title plant are charged to expense as incurred. A properly maintained title plant has an indefinite life and does not diminish in value with the passage of time. Accordingly, there is no provision for depreciation or amortization of title plant. The Company periodically analyzes its title plant for impairment and has determined that fair value exceeds carrying value. The Company's impairment analysis includes, but is not limited to, the effects of obsolescence, duplication, demand and other economic factors. No impairment loss on the title plant was recognized during 2012 or 2011.

Capital Assets

The Company capitalizes the cost of capital assets greater than $1,000. Electronic Data Processing ("EDP") hardware is capitalized and depreciated using the straight-line method over its estimated useful life of three years. The net book value of EDP hardware is presented as an admitted asset in the accompanying statutory statements of admitted assets, liabilities and capital and surplus. Purchased and internally developed EDP software that the Company considers to be non-operating software is non-admitted and depreciated using the straight-line method over the lesser of its useful life or three years once placed in service. Furniture and fixtures are recorded at cost and depreciated using the straight-line method over their estimated useful lives, which range from five to ten years. Furniture and fixtures are non-admitted assets.

Policy Claims and Loss Adjustment Expense Revenue

The Company establishes a liability for all known unpaid policy claims and loss adjustment expenses (known claims reserve) in an amount estimated to be sufficient to cover all costs required to settle reported claims.

In accordance with Connecticut Statute, the Company also establishes a Statutory Premium Reserve to defer a portion of gross premiums received. The amount of statutory premium reserve is based on a statutorily prescribed formula applied to the net liability retained by the Company, which is then amortized into title insurance premiums earned in accordance with a statutorily prescribed schedule.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A supplemental reserve is required to be established when the sum of the Company's known claims reserves plus statutory premium reserve is not sufficient to cover the Company's estimated ultimate losses for all known and incurred but not reported (IBNR) claims and related loss adjustment expenses. The Company develops its estimate of the IBNR claims based upon an independent actuarial study. Current economic and business trends are also reviewed and used in the reserve analysis. These include real estate and mortgage market conditions, changes in residential and commercial real estate values, and changes in the levels of defaults and foreclosures that may affect claims levels and patterns of emergence, as well as Company-specific factors that may be relevant to past and future claims experience. Results from the analysis include, but are not limited to, a range of IBNR reserve estimates and a single point estimate for the IBNR as of the end of the reporting period. The third-party actuary's analysis uses generally accepted actuarial methods and is used to validate the accuracy of the total of the known claims reserves. The Company uses the central estimate of the projected IBNR from the third-party actuary's analysis, considering it to be the best estimate of the total amount required for the IBNR reserve. As of December 31, 2012 and 2011, a supplemental reserve was recorded for $63,622 and $69,615, respectively.

Escrow Funds

In the normal course of business, the Company receives and holds escrow funds for certain transactions or disputes with title. The Company holds these funds as a fiduciary and does not consider them to be assets or liabilities of the Company therefore, the amounts are not included in the statutory statements of admitted assets, liabilities and capital and surplus.

Leases

Rentals that convey merely the right to use property are charged to expense as incurred.

Advertising

The Company expenses production costs of advertising the first time the advertising takes place. Advertising expense for the years ended December 31, 2012 and 2011 was $712,042 and $393,814, respectively.

Income and Premium Taxes

Income tax expense includes federal income taxes currently payable and deferred federal income taxes. The Company provides for deferred taxes on temporary differences arising from assets and liabilities whose bases are different for statutory financial reporting and income tax purposes. These differences relate primarily to different loss reserve methods used for statutory financial reporting and income tax purposes and unrealized gains (losses) on investments.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Company has adopted Statement on Statutory Accounting Principles (SSAP) No. 101 *Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10,* (SSAP 101) effective January 1, 2012. Like previous statutory guidance, SSAP 101 requires management to identify deferred tax assets and liabilities related to the estimated future tax consequences of temporary differences and carryforwards using a balance sheet approach. Gross deferred tax assets are reduced by a statutory valuation allowance if, based on the weight of all available evidence, it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. Adjusted gross deferred tax assets are then admitted in an amount equal to the sum of (i) federal income taxes that can be recovered through loss carry-backs, (ii) the lesser of the amount of deferred tax assets expected to be realized within a period of three-years from the date of the statement of admitted assets, liabilities and capital and surplus or 15% of statutory capital and surplus and (iii) the amount that can be offset against gross deferred tax liabilities.

In lieu of state income taxes, the Company pays state premium taxes based on premiums written.

The Company recognizes interest accrued related to unrecognized tax benefits and penalties, if incurred, as a component of income tax expense.

Fair Value Measurements

The Company follows SSAP 100, *Fair Value Measurements*, which applies under other statutory accounting pronouncements that require or permit fair value measurements. This principle defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This principle permits fair value to be measured using valuation techniques consistent with the market approach, income approach and cost approach, which rely upon observable and unobservable inputs to determine fair value. The valuation techniques used to measure fair value are required to maximize the use of observable inputs and minimize the use of unobservable inputs. This principle establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following summarizes the fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices of identical or similar assets or liabilities in markets that are not active;
- Inputs other than quoted prices that are observable for the asset or liability and;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs that are unobservable for the asset or liability.

The level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

For the years ended December 31, 2012 and 2011, the Company has determined that its assets and liabilities required to be measured at fair value consist solely of common stocks and a related party note receivable.

NOTE C - INVESTMENTS

Bonds and Common Stocks

Details on carrying value, fair value and amortized cost of bonds and cost of common stock at December 31, 2012 and 2011, follows:

	2012			2011		
	Carrying Value	Fair Value	Amortized cost of bonds/cost of common stock	Carrying Value	Fair Value	Amortized cost of bonds/cost of common stock
Bonds:						
Tax-exempt	$ 14,331,512	$ 15,315,860	$ 14,331,512	$ 16,705,285	$ 17,614,135	$ 16,705,285
Government	14,529,550	15,400,364	14,529,550	16,109,803	17,118,703	16,109,803
Corporate	16,803,083	17,891,183	16,803,083	15,283,958	15,973,530	15,283,958
Related-party note	-	-	-	1,061,946	1,061,946	1,781,250
	45,664,145	48,607,407	$ 45,664,145	49,160,992	51,768,314	$ 49,880,296
Common stocks:						
Exchange traded funds	4,968,085	4,968,085	$ 4,217,694	4,486,649	4,486,649	$ 4,224,794
Subsidiary	2,062,478	2,062,478	2,000,000	-	-	-
	7,030,563	7,030,563	$ 6,217,694	4,486,649	4,486,649	$ 4,224,794
	$ 52,694,708	$ 55,637,970		$ 53,647,641	$ 56,254,963	

NOTE C – INVESTMENTS - Continued

Details on unrealized gains and losses of the Company's bonds and common stocks at December 31, 2012 and 2011, is summarized as follows:

	2012		2011	
	Unrealized Gains	Unrealized Losses	Unrealized Gains	Unrealized Losses
Bonds, carried at amortized cost:				
Tax-exempt	$ 985,204	$ (856)	$ 910,932	$ (2,082)
Government	870,828	(14)	1,014,482	(5,582)
Corporate	1,089,193	(1,093)	713,252	(23,680)
	2,945,225	(1,963)	2,638,666	(31,344)
Bonds, carried at fair value:				
Related party note	-	-	-	(719,304)
Common stocks, carried at fair value:				
Exchange traded funds	750,391	-	261,855	-
Subsidiary	62,478	-	-	-
	812,869	-	261,855	(719,304)
	$ 3,758,094	$ (1,963)	$ 2,900,521	$ (750,648)

The following table reconciles unrealized gains and losses at December 31, 2012 and 2011 to changes included in unassigned surplus:

	2012	2011
Net unrealized gains (losses) on bonds and common stocks carried at fair value	$ 812,869	$ (457,449)
Deferred income tax (expense) benefit related to unrealized gains and losses	(255,133)	(89,034)
Net unrealized losses included in unassigned surplus, net of income taxes	$ 557,736	$ (546,483)
Net change in unrealized gains (losses)	$ 1,104,219	$ 472,571

The Company held a note receivable from its parent, Financial in 2011 and for part of 2012. The note had received a NAIC rating of 5 and, accordingly, was carried at fair value. The note receivable from Financial was ultimately to be repaid at face value and therefore, the Company had not recorded a deferred tax benefit related to the unrealized loss on that security as of December 31, 2011. In 2012, the note receivable was forgiven in connection with the transfer of real estate described below, and the Company recognized a realized loss of $188,651.

NOTE C – INVESTMENTS - Continued

The following table sets forth, as of December 31, 2012, investments that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for 12 months or longer for which other-than-temporary impairments have not been recognized.

	Less Than 12 Months		Greater Than 12 Months	
	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value
Bonds:				
Tax exempt	$ (856)	$ 699,145	$ -	$ -
Government	-	-	(14)	663
Corporate	(1,093)	311,506	-	-
	$ (1,949)	$ 1,010,651	$ (14)	$ 663

The following table sets forth the carrying value, fair value and amortized cost of bonds at December 31, 2012 by contractual or expected maturity. Actual maturities will differ from contractual or estimated maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Carrying Value	Fair Value	Amortized Cost
One year to less	$ 3,432,996	$ 3,501,860	$ 3,432,996
One to five years	23,229,553	24,504,016	23,229,553
Five to ten years	14,785,902	16,076,393	14,785,902
After ten years	4,215,694	4,525,138	4,215,694
	$ 45,664,145	$ 48,607,407	$ 45,664,145

As of December 31, 2012 and 2011, bonds with an amortized cost of $431,151 and $434,549, respectively, were pledged as collateral to conduct business in three states; and bonds with an amortized cost of $2,993,192 and $3,020,285, respectively, were pledged as collateral for a note payable to the Federal Home Loan Bank of Boston (Note G).

NOTE C – INVESTMENTS - Continued

The components of net realized investment gains (losses) presented in the accompanying statutory statements of operations and changes in capital and surplus for the years ended December 31, 2012 and 2011 were as follows:

	2012		2011	
	Realized Gains	Realized Losses	Realized Gains	Realized Losses
Bonds:				
Tax-exempt securities	$ 1,945	$ -	$ -	$ -
Government	34,899	-	23,853	-
Corporate	26,101	-	180,052	(64,633)
Related party note	-	(188,651)	-	-
	62,945	(188,651)	203.905	(64,633)
Common stock	-	-	27,627	(27,337)
	62,945	(188,651)	231,532	(91,970)
Net realized investment (losses) gains	$ (125,706)		$ 139,562	
Current income tax benefit (expense) related to net realized investment (losses) gains	21,401		(47,451)	
	$ (147,107)		$ 92,111	

The results of operations and financial position of the Company's investment in CIVL, carried on the equity basis, are summarized below as of and for the year ended December 31, 2012:

Condensed income statement information:	
Revenues	$ 153,823
Expenses	59,206
Income before federal income tax expense	94,617
Federal income tax expense	32,170
Net income	$ 62,447
Condensed balance sheet information:	
Assets	$ 2,422,771
Liabilities	360,293
Stockholders' equity	2,062,478
Total liabilities and stockholders' equity	$ 2,422,771

NOTE C – INVESTMENTS - Continued

Real Estate

During December 2012, the Company entered into a real estate exchange with its parent, Financial, whereby Financial transferred title to the land, building and building improvements used by Company as its primary operating facility to the Company. In exchange, the Company assumed the outstanding mortgage obligation on the real property totaling $2,022,255, an outstanding term note on certain equipment and building improvements totaling $48,892 and forgave the amount due to the Company under an outstanding related party note, totaling $1,692,188. The Company recorded the real estate received in the exchange at fair value, which was determined to be $3,575,000 based upon third-party appraisal. At December 31, 2012, the real estate has been presented net of the outstanding mortgage encumbrance of $2,011,020 in the accompanying statutory statement of admitted assets, liabilities and capital and surplus.

The Company occupies approximately 61% of the real estate as its primary operating facility. The remaining 39% of the real estate is occupied by unrelated, third parties under non-cancelable lease agreements. The following table sets forth the required minimum rental payments due to the Company under the lease agreements:

Year ended December 31:		
2013	$	204,590
2014		230,639
2015		177,668
2016		59,567
2017		61,241
Thereafter		25,808
	$	759,513

Other Invested Assets

The following table sets forth the components of other invested assets at December 31, 2012 and 2011:

	2012				2011			
		Cost		Carrying Value		Cost		Carrying Value
CATIC Acquired Properties, LLC	$	15,000	$	17,651	$	15,000	$	105,761
Institutional loan fund		1,500,000		1,501,634		-		-
	$	1,515,000	$	1,519,285	$	15,000	$	105,761

Gross unrealized gains from other invested assets totaling $4,285 and $90,761 have been charged directly to unassigned surplus net of taxes of $593 and $-0- for the years ended December 31, 2012 and 2011, respectively.

NOTE C – INVESTMENTS - Continued

Net Investment Income

Net investment income presented in the accompanying statutory statements of operations and changes in capital and surplus for the years ended December 31, 2012 and 2011 consist of the following:

	2012	2011
Interest and dividend income from:		
Bonds	$ 1,547,237	$ 1,792,637
Common stocks	128,887	112,862
Cash and cash equivalents	485	1,053
	1,676,609	1,906,552
Interest expense	(121,065)	(120,734)
Investment expenses	(231,037)	(196,179)
	$ 1,324,507	$ 1,589,639

Fair Value Measurements

The following table sets forth the Company's invested assets measured at fair value on a recurring basis using Level 1 and Level 2 inputs as of December 31, 2012 and 2011:

	2012		2011	
	Level 1	Level 2	Level 1	Level 2
Common Stocks	$ 4,968,085	$ -	$ 4,486,649	$ -

The following table sets forth the Company's investments measured at fair value on a recurring basis using Level 3 inputs as of December 31, 2012 and 2011 and changes in the fair value of investments measured at fair value on a recurring basis using Level 3 inputs for the years ended December 31, 2012 and 2011:

	2012	2011
Bonds - Related party note		
Total gains or (losses):		
Included in net income	$ (188,651)	$ -
Included in surplus	719,304	(199,749)
Settlements	(1,592,599)	(118,750)
Transfers in (out) of Level 3	-	-
	(1,061,946)	(318,499)
Balance - beginning of year	1,061,946	1,380,445
Balance - end of year	-	1,061,946

NOTE C – INVESTMENTS - Continued

As of December 31, 2012 and 2011, the Company's common stocks are measured based upon quoted market prices for identical assets in active markets and the Company's related party note is measured using unobservable inputs.

NOTE D – CAPITAL ASSETS

The following table sets forth the Company's capital assets at December 31, 2012 and 2011:

	2012	2011
Furniture and fixtures	$ 1,935,397	$ 2,034,535
EDP hardware	1,126,515	1,271,292
EDP non-operating software	554,062	656,565
Internally developed EDP non-operating software	866,868	492,599
	4,482,842	4,454,991
Less: Accumulated depreciation and amortization	(2,888,545)	(3,192,767)
	1,594,297	1,262,224
Less: Non-admitted capital assets	(1,419,168)	(1,095,627)
	$ 175,129	$ 166,597

The Company recorded depreciation and amortization expense totaling $321,641 and $180,536 for the years ended December 31, 2012 and 2011, respectively, included in other general and administrative expense in the accompanying statutory statements of operations and changes in capital and surplus.

NOTE E - POLICY CLAIMS AND LOSS ADJUSTMENT EXPENSES

Activity affecting the Company's known claims reserve for the years ended December 31, 2012 and 2011 is summarized as follows:

	2012	2011
Incurred related to:		
Current year	$ 90,039	$ 492,003
Prior years	2,831,724	2,048,017
	2,921,763	2,540,020
Paid related to:		
Current year	82,539	428,033
Prior years	2,698,515	3,137,216
	2,781,054	3,565,249
Net increase (decrease) in liability	140,709	(1,025,229)
Known claims reserve - beginning of year	1,587,149	2,612,378
Known claims reserve - end of year	$ 1,727,858	$ 1,587,149

NOTE E - POLICY CLAIMS AND LOSS ADJUSTMENT EXPENSES - Continued

The nature of title insurance makes its claims experience particularly sensitive to economic events such as changes in interest rates or declines in home sales. Events such as mortgage fraud and agent defalcations have been on the rise, and if this trend continues, they can substantially and unexpectedly cause increases in estimates of losses. These risk factors, coupled with the variability that is inherent in any unpaid claim estimate, could result in a material deviation from the net unpaid claims.

Activity affecting the Company's statutory premium reserves for the years ended December 31, 2012 and 2011 is summarized as follows:

	2012	2011
Deferral of current year title insurance premiums	$ 2,974,054	$ 2,937,856
Recognition of prior year deferred title insurance premiums	(1,979,864)	(1,868,436)
Net increase in liability	994,190	1,069,420
Statutory premium reserve – beginning of year	17,633,236	16,563,816
Statutory premium reserve - end of year	$ 18,627,426	$ 17,633,236

NOTE F - REINSURANCE

Reinsurance Ceded

The Company cedes and assumes title policy risks to and from other insurance companies in order to limit and diversify its risk. Prior to April 20, 2011 the Company had two reinsurance treaties in place. The first which the Company retained, without reinsurance, the first $5 million of loss and 30% of loss in excess of $5 million up to $21.7 million on any individual title policy. The Company ceded 100% of loss in excess of $21.7 million under this treaty, resulting in a maximum retention on any individual title policy of $10 million. This treaty was cancelled as of January 1, 2011. Under the second treaty, the Company retained, without reinsurance the first $7.5 million of loss and ceded 100% of the loss in excess of $7.5 million up to $27.5 million. This treaty was cancelled with an effective date of April 20, 2011.

Due to statutory regulatory restraints, the Company is restricted to purchasing reinsurance from other title insurance companies unless such reinsurance is not commercially feasible. Beginning January 1, 2012, the Company joined four other regional title insurers in a risk purchasing group called the American Title Reinsurance Association (ATRA). Through an arrangement between insurance brokers located in the United States and the United Kingdom, ATRA acquired individual treaties with five Lloyd's syndicates. Under this treaty, CATIC retains the first $1 million of every policy risk and cedes the next $9 million excess of $1 million to the syndicates. CATIC retains risk above $10 million to $20 million and facultatively reinsures any risk above $20 million.

The Company has not recovered any reinsurance losses during the years ended December 31, 2012 and 2011. The Company has assumed $91,048 and $50,000 in reinsurance losses, and paid $73,865 and $6,030 during the years ending December 31, 2012 and 2011, respectively. The total amount of premiums for assumed and ceded risks was less than 1% of title insurance premiums.

NOTE F – REINSURANCE - Continued

Reinsurance Assumed

Under an agreement with New Jersey Title Insurance Company (NJTIC) the Company provided reinsurance to NJTIC. Effective July 2011, when NJTIC voluntarily ceased accepting policy risks, the policy terminated. From January through July 2011 the Company agreed to assume $8 million loss in excess of $2 million from NJTIC. Thus, the maximum retention on any individual NJTIC risk under this agreement is $8 million to the Company covering standard title losses with no coverage for defalcations.

Effective for policies with insurance dates of January 1, 2012 and forward, under the ATRA assumption agreement, the Company assumes 30% of the ATRA group's losses in excess of certain retention limits ranging from $250,000 to $500,000 up to a maximum of $3 million per occurrence. Under the assumption agreement, CATIC is not exposed to its own losses ceded to ATRA and is not exposed to losses in excess of $3 million per occurrence. For any policy exposure in excess of $10 million, the Company plans to retain $10 million excess of $10 million and to seek facultative reinsurance for any exposure above $20 million. Such possible cumulative retention by CATIC of $11 million is well within the Company's statutory limitation. There were no losses in excess of each individual underwriter's retention level during 2012.

NOTE G - DEBT

Notes Payable

The Company is a member of the Federal Home Loan Bank of Boston (FHLBB). Through its membership, on February 18, 2009, the Company borrowed $2.6 million from the FHLBB, for ten years at a fixed rate of 4.58%. The loan requires monthly payments of interest only through January 2019, with the outstanding principal balance totaling $2.6 million due in February 2019. The loan is collateralized by certain bonds on deposit with the FHLBB (Note C). The proceeds from this loan were used to partially fund a dividend paid by the Company to Financial in March 2009. Interest expense totaled $120,734 in each of the years ended December 31, 2012 and 2011.

As further described in Note C, the Company assumed an outstanding mortgage obligation on the Company's primary operating facility in the amount of $2,022,255, requiring seventeen monthly payments of principal and interest and a final payment of principal and any accrued interest outstanding on June 1, 2014. The mortgage carries a variable interest rate equal to LIBOR plus 2.5% (2.71% at December 31, 2012) and is secured by the Company's real estate investment. As of December 31, 2012, the outstanding balance of the mortgage obligation is presented as an encumbrance of the related real estate on the statement of admitted assets, liabilities and capital and surplus.

The Company financed purchases of equipment under term loans maturing at various dates through 2016 and requiring monthly payments of principal and interest. The aggregate outstanding balance under the term loans totaling $244,311 and $341,787 as of December 31, 2012 and 2011 is included in accounts payable and accrued expenses in the accompanying statutory statements of admitted assets, liabilities and capital and surplus.

NOTE G – DEBT - Continued

The following table sets forth required payments of principal due under the terms of the Company's notes payable at December 31, 2012:

Year ended December 31:		
2013	$	175,533
2014		1,904,047
2015		9,833
2016		6,556
2017		2,600,000
Thereafter		-
	$	4,695,969

Line of Credit

The Company has a $1,500,000 line of credit available through a national commercial bank with interest at LIBOR plus 100 basis points or at the bank's prime rate, whichever rate the Company chooses at drawdown. The drawdown period under this agreement extends through April 30, 2013. The line is uncollateralized and was issued under the general credit of the Company. The line contains various financial and other covenants as are customary in commercial arrangements of this type. There was no outstanding balance at December 31, 2012 and 2011.

NOTE H - 401(k) SAVINGS AND PROFIT-SHARING PLAN

The Company has a 401(k) savings and profit-sharing plan that covers substantially all employees subject to age and service requirements. The Company matches a portion of each employee's contributions to the plan and may also provide for additional, discretionary profit-sharing contributions at the sole discretion of the Board of Directors Compensation Committee. Company contributions to the 401(k) plan for the years ended December 31, 2012 and 2011, totaled $629,452 and $298,897 respectively.

NOTE I - INCOME TAXES

Income tax (benefit) expense applicable to net income and other changes in capital and surplus were as follows:

	2012	2011
Applicable to net income, excluding net realized net investment gains:		
Current federal income tax (benefit) expense	$ 457,000	$ 544,796
Other	(7,750)	71,598
	449,250	616,394
Applicable to net realized investment gains:		
Current federal income tax benefit	(21,401)	(47,451)
	427,849	568,943
Applicable to other changes in capital and surplus:		
Deferred federal income tax expense applicable to net change in unrealized gains on investments	166,692	9,925
Changes in non-admitted deferred income tax assets	(1,247,144)	1,846,020
Other changes in deferred income taxes	705,452	(168,767)
Income tax expense applicable to net income	(375,000)	1,687,178
and other changes in capital and surplus	$ 52,849	$ 2,256,121

NOTE I - INCOME TAXES - Continued

Income tax expense applicable to net income and other changes in capital and surplus, excluding changes in non-admitted deferred income tax assets, differs from that which would be obtained by applying the statutory federal income tax rate to income before taxes. The significant items causing the difference are as follows:

	2012		2011	
	Amount	Percent	Amount	Percent
Provision, computed at statutory rate	$ 510,120	34%	$ 622,051	34%
Tax-exempt interest and dividends	(138,730)	(9)	(151,400)	(8)
Other permanent differences	177,107	12	69,803	4
Deferred income tax on unrealized gains and losses	166,692	11	9,925	1
Change in statutory valuation reserve	481,050	32	-	-
Other	103,754	7	(149,278)	(8)
	1,299,993	87%	401,101	23%
(Decrease) increase in non-admitted deferred income tax assets	(1,247,144)		1,846,020	
Income tax expense applicable to net income and other changes in capital and surplus	$ 52,849		$ 2,256,121	

NOTE I - INCOME TAXES - Continued

Deferred income tax assets and liabilities arising from temporary differences between accounting income and taxable income and the tax character of such differences consisted of the following at December 31, 2012 and 2011:

	2012	2011
Deferred income tax assets:		
Ordinary:		
Discounting of statutory premium reserve and disallowed claims	$ 1,487,684	$ 1,479,647
Net operating loss carry-forwards	1,055,473	1,024,871
Compensated absences and retirement contracts	103,254	80,567
Alternative minimum tax credit carry-forwards	17,154	17,154
Other	5,475	4,788
Gross deferred tax assets	2,669,040	2,607,027
Statutory valuation allowance	(481,050)	-
Adjusted gross deferred tax assets	2,187,990	2,607,027
Non-admitted deferred income tax assets	(1,055,473)	(2,302,617)
Gross admitted deferred income tax assets	1,132,517	304,410
Deferred income tax liabilities:		
Ordinary:		
Prepaid expenses	57,990	43,753
Depreciation	293,801	21,623
	351,791	65,376
Capital:		
Unrealized gains on investments charged to capital and surplus	255,726	89,034
Total deferred income tax liabilities	607,517	154,410
Net admitted deferred income tax assets	$ 525,000	$ 150,000

As of December 31, 2012 and 2011, the Company has non-admitted deferred income tax assets totaling $1,055,473 and $2,302,617, respectively, representing the portion of its net deferred income tax assets expected to be realized within three years of December 31, 2012. As of December 31, 2012, the Company had the following net operating loss carry-forwards available for tax purposes:

Origination Date	Expiration Date	Amount
2010	2030	$ 3,104,332

As of December 31, 2012, the Company has no federal income taxes incurred in prior years available for recoupment in the event of future losses.

NOTE I - INCOME TAXES - Continued

The Company is subject to federal income tax as well as income tax of certain state jurisdictions. The Company has not been audited by the Internal Revenue Service or any states in connection with income taxes. As of December 31, 2012, the Company's tax filings for the years 2009 through 2011 remain open to examination by the Internal Revenue Service and state tax authorities.

The Company is included in a consolidated federal income tax return with Financial and its other subsidiaries. The Company has a written tax agreement, approved by its Board of Directors, which sets forth the manner in which the total combined federal income tax is allocated to each entity which is party to the consolidation. Pursuant to this agreement, the Company has the right to recover federal income taxes paid in prior years in the event of net losses that it may incur, or to recover federal income taxes from its net losses carried forward, which offset future net income subject to federal income taxes. During 2012 and 2011, the Company's net taxable income was recorded as a payable to offset net taxable loss of an affiliated entity included in the consolidated federal income tax return. As a result, in 2012 and 2011 the Company recognized current expense from federal income taxes totaling $457,000 and $544,796, respectively, in the accompanying statutory statements of operations representing the amount due to the affiliated entities.

The following entities are included in the consolidated federal income tax return:

CATIC Financial, Inc.
Connecticut Attorneys Title Insurance Company (designated tax parent)
CATIC Acquired Properties, LLC
CATIC Exchange Solutions, Inc.
CATIC Exchange Facilitator, Inc.
CATIC Insurance, Ltd.
Eastern Attorneys Services, Inc.
New Jersey Title Insurance Company
CATIC Insurance (VT), Ltd.

NOTE J - DIVIDENDS

Without prior approval of the Connecticut Insurance Department, the Company's ability to pay dividends is limited by the laws of the State of Connecticut, which amounts are based on restrictions relating to the greater of either 10% of statutory capital and surplus as of the preceding year-end or the net income in the previous year. As filed with the Connecticut Insurance Department, the Company reported statutory capital and surplus of $35,660,814 as of December 31, 2012 and net income of $1,072,506 for the year ended December 31, 2012. During 2012 and 2011, the Company paid dividends to Financial totaling $250,000 and $-0-, respectively, which were less than 10% of the 2011 and 2010 statutory surplus, respectively, as filed with the Connecticut Insurance Department. Thus any dividend less than $3,566,081 would be considered an ordinary dividend in 2013.

NOTE K - ESCROW AND REVERSE LIKE-KIND EXCHANGE TRANSACTIONS

The Company administers escrow and trust deposits representing undisbursed amounts received for indemnities against specific title risks. The amount of escrow assets being held by the Company totaled $8,739,328 and $3,901,675 at December 31, 2012 and 2011, respectively. The escrow amounts are not considered assets or liabilities of the Company and are, therefore, excluded from the accompanying statutory statements of admitted assets, liabilities and capital and surplus.

NOTE L - LEASES

The Company leases office equipment through non-cancelable lease agreements expiring on various dates through 2022. Total rent expense totaled $354,957 and $345,256 in 2012 and 2011, respectively. Rent expense is recorded in other general and administrative expenses in the accompanying statutory statements of operations and changes in capital and surplus.

Future minimum lease payments under operating leases are as follows:

Year ending December 31,		
2013	$	250,925
2014		217,415
2015		213,673
2016		208,450
2017		137,058
Thereafter		412,631
	$	1,440,152

NOTE M - RELATED PARTY TRANSACTIONS

The Company held a note receivable from Financial in the original principal balance of $2,375,000, scheduled to mature in 2016, bearing interest of 5.818%, and requiring quarterly interest and principal payments (over a 20 year amortization schedule) due in arrears on the first day of each quarter. During both 2012 and 2011, the Company received four principal payments totaling $118,750 and interest payments totaling $97,726 and $111,117 during 2012 and 2011, respectively. As further described in Note C the note receivable was forgiven in connection with receipt of the building from Financial.

Prior to receipt of the building from Financial, as described in Note C, the Company leased its primary office space from its parent, Financial. Rent expense to Financial totaled $394,843 and $371,840 for the years ended December 31, 2012 and 2011, respectively, and is included in other general and administrative expense in the accompanying statements of operations and changes in capital and surplus.

As described in Note E, the Company has a reinsurance agreement with NJTIC.

At December 31, 2012 and 2011, the Company reported amounts receivable from parents, subsidiaries and affiliates of $31,687 and $131,356, respectively. The terms of settlement of balances due to/from parents, subsidiaries and affiliates require that amounts be settled within 75 days of the month-end in which they arose. There were no receivables over 90-days past due from parents, subsidiaries or affiliates as of December 31, 2012 and 2011. As of December 31, 2012 and 2011, the Company owed no amounts to parents, subsidiaries or affiliates.

The Company has entered into an agreement with CATIC Exchange Solutions, Inc. (CESI), a wholly-owned subsidiary of Financial, whereby CESI pays the Company a fixed monthly fee in exchange for management and other services and coverage under certain property-casualty insurance policies. Pursuant to this agreement, the Company received payments from CESI totaling $28,656 and $31,980 during 2012 and 2011, respectively, included in other general and administrative expenses in the accompanying statutory statements of operations and changes in capital and surplus.

The Company entered into an agreement with Eastern Attorney's Services, Inc., (EASI) a wholly-owned subsidiary of Financial, whereby EASI pays the Company a fixed monthly fee in exchange for management and other services including finance and accounting services, legal consultation and coverage under certain property-casualty insurance policies. Pursuant to this agreement the Company received payments from EASI totaling $26,268 and $20,256 during 2012 and 2011, respectively, included in other general and administrative expenses in the accompanying statutory statements of operations and changes in capital and surplus.

The Company has entered into an agreement with Financial, whereby Financial pays the Company a fixed monthly fee in exchange for management and other services and coverage under certain property-casualty insurance policies. Pursuant to this agreement, the Company received payments from Financial totaling $244,788 and $239,568 during 2012 and 2011, respectively, included in other general and administrative expenses in the accompanying statutory statements of operations and changes in capital and surplus.

NOTE M - RELATED PARTY TRANSACTIONS - Continued

The Company has entered into an agreement with NJTIC, whereby NJTIC pays the Company a fixed monthly fee in exchange for management and other services and coverage under certain property-casualty insurance policies. Pursuant to this agreement, the Company received payments from NJTIC totaling $26,738 during the period from January 1, 2012 through April 30, 2012 and $101,100 or the year ended December 31, 2011, included in other general and administrative expenses in the accompanying statutory statement of operations and changes in capital and surplus. Pursuant to agreement with the New Jersey Department of Banking and Insurance, the Company continued to render such services during the period from May 1, 2012 through December 31, 2012 at no cost. The Company estimates the value of the services provided during the period from May 1, 2012 through December 31, 2012 to be $86,769.

Certain agents of the Company are also stockholders of Financial. Agents receive title insurance commissions in the ordinary course of business. During the periods covered by these statements, no agent received commissions of more than one percent of total commissions. There were no amounts loaned to any directors, officers or stockholders during the two years covered by these statutory financial statements.

The Board of Directors has established CATIC Foundation, Inc. (the "Foundation"). No contributions to the Foundation have been made during 2012 or 2011. The Foundation is managed by a President, who is a former director of the Company, and a non-director treasurer, and is administered by an independent Board of Directors. However, three of the five directors are also current Board members of the Company, and the Foundation's treasurer is an officer of the Company.

NOTE N - LITIGATION

In the ordinary course of business, claims have been made against the Company. Certain of the claims are insured but subject to varying deductibles and certain claims may be uninsured. The amount of liability, if any, from these claims cannot be estimated at this time, but management is of the opinion that the outcome of the claims will not have a material effect on the Company's financial position or operations.

NOTE O - DIFFERENCES BETWEEN STATUTORY ACCOUNTING PRACTICES AND GAAP (UNAUDITED)

The significant differences between statutory accounting practices and GAAP affecting the Company consist primarily of the following:

- *Investments*: Under statutory accounting practices, debt securities are reported at amortized cost or fair value based on their Securities Valuation Office of the National Association of Insurance Commissioners rating; whereas under GAAP, debt securities are classified as either held-to-maturity and are carried at cost, net of amortization, or as available-for-sale and are carried at fair value. Under GAAP, unrealized gains and losses, calculated as the difference between the fair value and amortized cost of the available-for-sale portfolio, are included in accumulated other comprehensive income net of taxes, a component of stockholders' equity.

NOTE O – DIFFERENCES BETWEEN STATUTORY ACCOUNTING PRACTICES AND GAAP (UNAUDITED) – Continued

- *Non-admitted Assets:* Under statutory accounting practices, certain assets designated as "non-admitted," are excluded from the statutory statements of admitted assets, liabilities and capital and surplus and directly charged or credited to unassigned surplus. Under statutory accounting practices, receivables over 90 days past due are non-admitted, whereas under GAAP, such receivables would be recorded as an asset net of specific reserves. Under statutory accounting practices, prepaid expenses are non-admitted, whereas under GAAP, prepaid expenses would be recorded as an asset and amortized over the periods during which the related benefit is realized. Under statutory accounting practices, certain furniture and equipment are non-admitted, whereas under GAAP, furniture and equipment would be recorded at cost and depreciated over its estimated useful life.

- *Reserve for Incurred but Not Reported Losses:* Under statutory accounting practices, the Company defers a portion of gross premiums received based on a statutorily prescribed formula applied to the net liability retained by the Company, which is then amortized into income in accordance with a statutorily prescribed schedule, whereas under GAAP, the Company provides for title insurance losses based upon its historical experience by a charge to expense when the related premium revenue is recognized.

- *Deferred Federal Income Taxes:* Under statutory accounting practices, deferred federal income taxes are subject to limitation, but are provided for based on differences between statutory and tax income with the change in asset or liability recorded to surplus, whereas under GAAP, deferred federal income taxes are fully recognized, subject to an assessment of recoverability, and recorded through income.

- *Cash Flows:* Under statutory accounting practices, cash and short-term investments include investments with maturities of one-year or less at the date of acquisition for purposes of the statutory statement of cash flows, whereas under GAAP, cash and cash equivalents include investments with original maturities of three-months or less at the acquisition date for purposes of the statement of cash flows.

- *Real Estate:* Under statutory accounting practices, transfers of real estate from an affiliated entity are at fair value. Under GAAP, transfers of real estate from an affiliated entity are recorded at book value.

NOTE O - DIFFERENCES BETWEEN STATUTORY ACCOUNTING PRACTICES AND GAAP (UNAUDITED) - Continued

A reconciliation of the significant differences between the balances and transactions reported in these statutory financial statements and what would otherwise have been reported under GAAP as of and for the years ended December 31, 2012, and 2011, is as follows:

	Capital and Surplus		Net Income	
	2012	2011	2012	2011
Investments at amortized cost, not fair value	$ 867,253	$ 1,245,295	$ 74,698	$ -
Bad debt reserve on receivables	(331,050)	(348,910)	17,860	(56,610)
Federal income taxes recoverable	76,309	145,190	1,402,474	183,564
Other	-	-	-	(17,728)
Transfer of real estate	(2,423,165)	-	188,651	-
Non-admitted assets:				
Receivables	322,298	348,910	-	-
Prepaid expenses	364,183	223,415	-	-
Deferred income taxes	1,055,473	2,302,617	-	-
Capital assets	1,419,168	1,095,627	-	-
Deposits	16,500	32,839	-	-
Statutory Premium Reserve	-	-	-	(69,615)
Change in capital and surplus/net income	1,366,969	5,044,983	1,683,683	39,611
Capital and surplus/net income under statutory accounting practices	35,660,814	33,694,831	1,072,506	1,260,618
Stockholder's equity/net income under GAAP	$ 37,027,783	$ 38,739,814	$ 2,756,189	$ 1,300,229

NOTE P - SUBSEQUENT EVENTS

Subsequent events were evaluated through May 20, 2012, which is the date the statutory financial statements were available to be issued. No events occurred after the date the Company filed its Annual Statement with the Connecticut Insurance Department or on or before May 20, 2013 that required adjustment to or disclosure in the statutory financial statements.