

**ANNUAL STATEMENT**

Including Supplements

OF THE

**SOUTHERN TITLE**

---

**INSURANCE CORPORATION**

---

---

---

of **RICHMOND**

---

in the state of **VIRGINIA**

---

TO THE

**Insurance Department**

OF THE

**STATE OF VIRGINIA**

The Annual Statement contain here is redacted to include only the first 22 pages of financial information. If you wish to obtain the complete Annual Statement as filed with the Bureau of Insurance and the NAIC, please contact: Emory E. Donelson III, C.F.O. and Treasurer Southern Title Insurance Corporation, P.O. Box 399, Richmond, VA 23218  
edonelson@southerntitle.com

**FOR THE YEAR ENDED**

**December 31, 2003**

TITLE

**2003**



50792200320100100

ANNUAL STATEMENT

For the Year Ended December 31, 2003
OF THE CONDITION AND AFFAIRS OF THE

Southern Title Insurance Corporation

NAIC Group Code 0228 (Current Period) 0228 (Prior Period) NAIC Company Code 50792 Employer's ID Number 54-0483197

Organized under the Laws of VIRGINIA, State of Domicile or Port of Entry VIRGINIA

Country of Domicile UNITED STATES

Incorporated September 25, 1925 Commenced Business May 12, 1948

Statutory Home Office 1051 EAST CARY STREET RICHMOND, VA 23219

Main Administrative Office 1051 EAST CARY STREET RICHMOND, VA 23219 804-648-6000

Mail Address P.O. BOX 399 RICHMOND, VA 23218

Primary Location of Books and Records 1051 EAST CARY STREET RICHMOND, VA 23219 804-648-6000

Internet Website Address WWW.SOUTHERNTITLE.COM

Statutory Statement Contact RONALD C. BRITT 804-648-6000

RONB@SOUTHERNTITLE.COM 804-643-4139 (E-Mail Address) (Fax Number)

Policyowner Relations Contact 804-648-6000

OFFICERS

President Dennis Michael Reeves #

Secretary Gerald William Sklar

Treasurer Ronald Clifton Britt

Vice-Presidents

Michael Edward Briel Ronald DeWitt Wiley Jr. Gerald William Sklar Scott Alan Johnson
Clyde Morton Weaver Ronald Clifton Britt William Joseph Hardwick Edward Ray Waugaman
Dennis Michael Reeves Robert Lewis Bradshaw Mark Haase Hathaway Eugene Ross McCullough
Derry Ovette Jackson Glenda Faye Houser Michael Thomas Bates William Richard Blackstock

DIRECTORS OR TRUSTEES

Robert Joseph Joyce John Eric Warfel Dennis Michael Reeves Gerald William Sklar

State of VIRGINIA
County of CITY OF RICHMOND ss

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

(Signature) Dennis Michael Reeves (Printed Name) President
(Signature) Gerald William Sklar (Printed Name) Secretary
(Signature) Ronald Clifton Britt (Printed Name) Treasurer

Subscribed and sworn to before me this 27TH day of FEBRUARY, 2004

- a. Is this an original filing? YES [X] NO [ ]
b. If no: 1. State the amendment number
2. Date filed
3. Number of pages attached

**ASSETS**

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D)	7,489,133		7,489,133	5,721,752
2. Stocks (Schedule D):				
2.1 Preferred stocks	220,664		220,664	16,275
2.2 Common stocks	1,113		1,113	20,172
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)	235,921		235,921	249,177
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 1,182,437, Schedule E-Part 1), cash equivalents (\$ 0, Schedule E-Part 2) and short-term investments (\$ 937,320, Schedule DA)	2,119,757		2,119,757	1,383,509
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)				
8. Receivable for securities				
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	10,066,588		10,066,588	7,390,885
11. Investment income due and accrued	118,606		118,606	101,009
12. Premiums and considerations:				
12.1 Uncollected premiums and agents' balances in the course of collection	328,637	143,056	185,581	148,254
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)				
12.3 Accrued retrospective premiums				
13. Reinsurance:				
13.1 Amounts recoverable from reinsurers				
13.2 Funds held by or deposited with reinsured companies				
13.3 Other amounts receivable under reinsurance contracts				
14. Amounts receivable relating to uninsured plans				
15.1 Current federal and foreign income tax recoverable and interest thereon				
15.2 Net deferred tax asset	146,958		146,958	476,519
16. Guaranty funds receivable or on deposit				
17. Electronic data processing equipment and software	140,953	78,322	62,631	91,424
18. Furniture and equipment, including health care delivery assets (\$ 0 )	234,946	234,946		
19. Net adjustment in assets and liabilities due to foreign exchange rates				
20. Receivables from parent, subsidiaries and affiliates	2,815,218	1,053,196	1,762,022	1,742,985
21. Health care (\$ 0 ) and other amounts receivable				
22. Other assets nonadmitted				
23. Aggregate write-ins for other than invested assets	2,454,798	405,163	2,049,635	2,149,893
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	16,306,704	1,914,683	14,392,021	12,100,969
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	16,306,704	1,914,683	14,392,021	12,100,969

DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page				
0999. Totals (Lines 0901 through 0903 + 0998) (Line 9 above)				
2301. Other Receivables	716		716	99,521
2302. Deposits	26,696		26,696	28,149
2303. Other Assets	194,911	194,911		
2398. Summary of remaining write-ins for Line 23 from overflow page	2,232,475	210,252	2,022,223	2,022,223
2399. Totals (Lines 2301 through 2303 + 2398) (Line 23 above)	2,454,798	405,163	2,049,635	2,149,893

<b>LIABILITIES, SURPLUS AND OTHER FUNDS</b>	1 Current Year	2 Prior Year
1. Known claims reserve (Part 2B, Line 3, Col. 4)	1,243,135	786,364
2. Statutory premium reserve (Part 1B, Line 2.5, Col. 1)	4,929,005	3,817,336
3. Aggregate of other reserves required by law		
4. Supplemental reserve (Part 2B, Col. 4, Line 12)		
5. Commissions, brokerage and other charges due or accrued to attorneys, agents and real estate brokers		
6. Other expenses (excluding taxes, licenses and fees)	546,323	444,906
7. Taxes, licenses and fees (excluding federal and foreign income taxes)	166,069	67,634
8.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		
8.2 Net deferred tax liability		
9. Borrowed money \$ 0 and interest thereon \$ 0		
10. Dividends declared and unpaid		
11. Premiums and other consideration received in advance		
12. Unearned interest and real estate income received in advance		
13. Funds held by company under reinsurance treaties		
14. Amounts withheld or retained by company for account of others		
15. Provision for unauthorized reinsurance		
16. Net adjustment in assets and liabilities due to foreign exchange rates		
17. Drafts outstanding		
18. Payable to parent, subsidiaries and affiliates		
19. Payable for securities		
20. Aggregate write-ins for other liabilities		
21. Total liabilities (Lines 1 through 20)	6,884,532	5,116,240
22. Aggregate write-ins for special surplus funds		
23. Common capital stock	1,001,123	1,001,123
24. Preferred capital stock		
25. Aggregate write-ins for other than special surplus funds		
26. Surplus notes		
27. Gross paid in and contributed surplus	5,277,633	5,277,633
28. Unassigned funds (surplus)	1,228,733	705,973
29. Less treasury stock, at cost:		
29.1 0 shares common (value included in Line 23 \$ 0 )		
29.2 0 shares preferred (value included in Line 24 \$ 0 )		
30. Surplus as regards policyholders (Lines 22 to 28 less 29)(Page 4, Line 32)	7,507,489	6,984,729
31. Totals (Page 2, Line 26, Col. 3)	14,392,021	12,100,969

<b>DETAILS OF WRITE-INS</b>		
0301.		
0302.		
0303.		
0398. Summary of remaining write-ins for Line 3 from overflow page		
0399. Totals (Lines 0301 through 0303 plus 0398) (Line 3 above)		
2001.		
2002.		
2003.		
2098. Summary of remaining write-ins for Line 20 from overflow page		
2099. Totals (Lines 2001 through 2003 plus 2098) (Line 20 above)		
2201.		
2202.		
2203.		
2298. Summary of remaining write-ins for Line 22 from overflow page		
2299. Totals (Lines 2201 through 2203 plus 2298) (Line 22 above)		
2501.		
2502.		
2503.		
2598. Summary of remaining write-ins for Line 25 from overflow page		
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)		

<b>OPERATIONS AND INVESTMENT EXHIBIT STATEMENT OF INCOME</b>	1 Current Year	2 Prior Year
<b>OPERATING INCOME</b>		
1. Title insurance and related income (Part 1):		
1.1 Title insurance premiums earned (Part 1B, Line 3, Col. 1)	31,178,456	17,747,681
1.2 Escrow and settlement services (Part 1A, Line 2, Col. 4)	334,011	301,993
1.3 Other title fees and service charges (Part 1A, Line 3, Col. 4)	1,611,403	1,308,011
2. Aggregate write-ins for other operating income	2,404,381	1,649,746
3. Total Operating Income (Lines 1 through 2)	35,528,251	21,007,431
<b>DEDUCT:</b>		
4. Losses and loss adjustment expenses incurred (Part 2A, Line 10, Col. 4)	919,380	866,065
5. Operating expenses incurred (Part 3, Line 24, Cols. 4 and 6)	32,304,905	19,665,025
6. Aggregate write-ins for other operating deductions		
7. Total Operating Deductions	33,224,285	20,531,090
8. Net operating gain or (loss) (Lines 3 minus 7)	2,303,966	476,341
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net investment Income, Line 17)	396,124	355,503
10. Net realized capital gains and (losses) (Exhibit of Capital Gains (Losses))	34,226	(5,577)
11. Net investment gain or (loss) (Lines 9 + 10)	430,350	349,926
<b>OTHER INCOME</b>		
12. Aggregate write-ins for miscellaneous income or (loss)		
13. Net income, before federal income taxes (Lines 8 + 11 + 12)	2,734,316	826,267
14. Federal and foreign income taxes incurred	1,154,873	281,477
15. Net income (Lines 13 minus 14)	1,579,443	544,790
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
16. Surplus as regards policyholders, December 31 prior year (Page 3, Line 30, Column 2)	6,984,729	6,424,513
<b>GAINS AND (LOSSES) IN SURPLUS</b>		
17. Net income (from Line 15)	1,579,443	544,790
18. Net unrealized capital gains or losses	7,399	(70,221)
19. Change in net unrealized foreign exchange capital gain (loss)		
20. Change in net deferred income tax	(329,561)	403,911
21. Change in nonadmitted assets (Exhibit 1, Line 5, Col. 3)	(601,428)	(318,264)
22. Change in provision for unauthorized reinsurance (Page 3, Line 15, Cols. 2 minus 1)		
23. Change in supplemental reserves (Page 3, Line 4, Cols. 2 minus 1)		
24. Change in surplus notes		
25. Cumulative effect of changes in accounting principles		
26. Capital Changes:		
26.1 Paid in		
26.2 Transferred from surplus (Stock Dividend)		
26.3 Transferred to surplus		
27. Surplus Adjustments:		
27.1 Paid in		
27.2 Transferred to capital (Stock Dividend)		
27.3 Transferred from capital		
28. Dividends to stockholders	(133,093)	
29. Change in treasury stock (Page 3, Lines (29.1) and (29.2), Cols. 2 minus 1)		
30. Aggregate write-ins for gains and losses in surplus		
31. Change in surplus as regards policyholders for the year (Lines 17 through 30)	522,760	560,216
32. Surplus as regards policyholders, December 31 current year (Lines 16 plus 31) (Page 3, Line 30)	7,507,489	6,984,729

<b>DETAILS OF WRITE-INS</b>		
0201. Management Fees	2,404,381	1,649,746
0202.		
0203.		
0298. Summary of remaining write-ins for Line 2 from overflow page		
0299. Totals (Lines 0201 through 0203 plus 0298) (Line 2 above)	2,404,381	1,649,746
0601.		
0602.		
0603.		
0698. Summary of remaining write-ins for Line 6 from overflow page		
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)		
1201.		
1202.		
1203.		
1298. Summary of remaining write-ins for Line 12 from overflow page		
1299. Totals (Lines 1201 through 1203 plus 1298) (Line 12 above)		
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page		
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)		

**CASH FLOW**

<b>Cash from Operations</b>	1 Current Year	2 Prior Year
1. Premiums collected net of reinsurance	32,252,798	19,855,440
2. Net investment income	378,527	332,446
3. Miscellaneous income	4,048,196	1,600,492
4. Total (Lines 1 through 3)	36,679,521	21,788,378
5. Benefit and loss related payments	462,609	767,645
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	32,105,053	19,530,321
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) \$ 0 net tax on capital gains (losses)	1,233,155	474,750
10. Total (Lines 5 to 9)	33,800,817	20,772,716
11. Net cash from operations (Lines 4 minus 10)	2,878,704	1,015,662
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	455,698	1,058,983
12.2 Stocks	35,963	8,298
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains (losses) on cash and short-term investments		
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	491,661	1,067,281
13. Cost of investments acquired (long-term only):		
13.1 Bonds	2,389,239	2,398,892
13.2 Stocks	12,759	24,011
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)	2,401,998	2,422,903
14. Net increase (decrease) in policy loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(1,910,337)	(1,355,622)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds received		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders	133,093	
16.6 Other cash provided (applied)	(99,026)	(229,740)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(232,119)	(229,740)
<b>RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash and short-term investments (Line 11, plus Line 15, plus Line 17)	736,248	(569,700)
19. Cash and short-term investments:		
19.1 Beginning of year	1,383,509	1,953,209
19.2 End of year (Line 18 plus Line 19.1)	2,119,757	1,383,509

## OPERATIONS AND INVESTMENT EXHIBIT

### PART 1A - SUMMARY OF TITLE INSURANCE PREMIUMS WRITTEN AND RELATED REVENUES

	1	Agency Operations		4	5
		2	3		
	Direct Operations	Non-Affiliated Agency Operations	Affiliated Agency Operations	Current Year Total (Cols. 1 + 2 + 3)	Prior Year Total
1. Direct premiums written	3,104,779	23,145,580	6,240,154	32,490,513	18,282,865
2. Escrow and settlement service charges	334,011	X X X	X X X	334,011	301,993
3. Other title fees and service charges (Part 1C, Line 5)	1,611,403	X X X	X X X	1,611,403	1,308,011
4. Totals (Lines 1 + 2 + 3)	5,050,193	23,145,580	6,240,154	34,435,927	19,892,869

### PART 1B - PREMIUMS EARNED EXHIBIT

	1	2
	Current Year	Prior Year
1. Title premiums written:		
1.1 Direct (Part 1A, Line 1)	32,490,513	18,282,865
1.2 Assumed		
1.3 Ceded	200,388	97,737
1.4 Net title premiums written (Lines 1.1 + 1.2 - 1.3)	32,290,125	18,185,128
2. Statutory premium reserve:		
2.1 Balance at December 31 prior year	3,817,336	3,379,889
2.2 Additions during the current year	1,567,007	835,719
2.3 Withdrawals during the current year	455,338	398,272
2.4 Other adjustments to statutory premium reserves		
2.5 Balance at December 31 current year	4,929,005	3,817,336
3. Net title premiums earned during year (Lines 1.4 - 2.2 + 2.3)	31,178,456	17,747,681

### PART 1C - OTHER TITLE FEES AND SERVICE CHARGES

	1	2
	Current Year	Prior Year
1. Title examinations		
2. Searches and abstracts	1,277,235	1,034,761
3. Surveys		
4. Aggregate write-ins for service charges	334,168	273,250
5. Totals	1,611,403	1,308,011
DETAILS OF WRITE-INS		
0401. Production Fees	216,872	191,485
0402. Other Service Fees	117,296	81,765
0403.		
0498. Summary of remaining write-ins for Line 4 from overflow page		
0499. Total (Lines 0401 through 0403 plus 0498) (Line 4 above)	334,168	273,250

**OPERATIONS AND INVESTMENT EXHIBIT  
PART 2A - LOSSES PAID AND INCURRED**

	1	Agency Operations		4	5
		2	3		
	Direct Operations	Non-Affiliated Agency Operations	Affiliated Agency Operations	Total Current Year (Cols. 1+2+3)	Total Prior Year
1. Losses and allocated loss adjustment expenses paid - direct business, less salvage	147,612	232,968	82,029	462,609	767,645
2. Losses and allocated loss adjustment expenses paid - reinsurance assumed, less salvage					
3. Total (Line 1 plus Line 2)	147,612	232,968	82,029	462,609	767,645
4. Deduct: Recovered during year from reinsurance					
5. Net payments (Line 3 minus Line 4)	147,612	232,968	82,029	462,609	767,645
6. Known claims reserve - current year (Page 3, Line 1, Col. 1)	278,867	668,317	295,951	1,243,135	786,364
7. Known claims reserve - prior year (Page 3, Line 1, Column 2)	79,732	558,447	148,185	786,364	687,944
8. Losses and allocated LAE incurred (Lines 5 plus Line 6 minus Line 7)	346,747	342,838	229,795	919,380	866,065
9. Unallocated loss adjustment expenses incurred (Part 3, Line 24, Column 5)					
10. Losses and loss adjustment expenses incurred (Line 8 plus Line 9)	346,747	342,838	229,795	919,380	866,065

**OPERATIONS AND INVESTMENT EXHIBIT**  
**PART 2B - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES**

	1  Direct Operations	Agency Operations		4  Total Current Year (Cols. 1 + 2 + 3)	5  Total Prior Year
		2  Non-Affiliated Agency Operations	3  Affiliated Agency Operations		
1. Loss and allocated LAE reserve for title and other losses of which notice has been received:					
1.1 Direct (Schedule P, Part 1, Line 12, Col. 17)	278,867	668,317	295,951	1,243,135	786,364
1.2 Reinsurance assumed (Schedule P, Part 1, Line 12, Col. 18)					
2. Deduct reinsurance recoverable from authorized and unauthorized companies (Schedule P, Part 1, Line 12, Col. 19)					
3. Known claims reserve (Line 1.1 plus Line 1.2 minus Line 2)	278,867	668,317	295,951	1,243,135	786,364
4. Incurred But Not Reported:					
4.1 Direct (Schedule P, Part 1, Line 12, Col. 20)	329,886	1,145,306	308,192	1,783,384	1,131,692
4.2 Reinsurance assumed (Schedule P, Part 1, Line 12, Col. 21)					
4.3 Reinsurance ceded (Schedule P, Part 1, Line 12, Col. 22)					
4.4 Net incurred but not reported	329,886	1,145,306	308,192	1,783,384	1,131,692
5. Unallocated LAE reserve (Schedule P, Part 1, Line 12, Col. 23)	X X X	X X X	X X X		X X X
6. Less discount for time value of money, if allowed (Sch. P, Part 1, Line 12, Col. 33)	X X X	X X X	X X X		X X X
7. Total Schedule P reserves (Lines 3 + 4.4 + 5 - 6)(Sch. P, Part 1, Line 12, Col. 35)	X X X	X X X	X X X	3,026,519	X X X
8. Statutory premium reserve at year end	X X X	X X X	X X X	4,929,005	X X X
9. Aggregate of other reserves required by law	X X X	X X X	X X X		X X X
10. Gross supplemental reserve (a) (Lines 7 - (3 + 8 + 9))	X X X	X X X	X X X		X X X
11. Unrecognized Schedule P transition obligation	X X X	X X X	X X X		X X X
12. Net recognized supplemental reserve (Lines 10 - 11)	X X X	X X X	X X X		X X X

(a) If the sum of Lines 3 + 8 + 9 is greater than Line 7, place a "0" in this Line.

**OPERATIONS AND INVESTMENT EXHIBIT**  
**PART 3 - EXPENSES**

	Title and Escrow Operating Expenses				5 Unallocated Loss Adjustment Expenses	6 Other Operations	7 Investment Expenses	Totals	
	1 Direct Operations	Agency Operations		4 Total (Cols. 1 + 2 + 3)				8 Current Year (Cols. 4 + 5 + 6 + 7)	9 Prior Year
		2 Non-affiliated Agency Operations	3 Affiliated Agency Operations						
1. Personnel costs:									
1.1 Salaries	2,912,708	909,223	354,614	4,176,545		730,991		4,907,536	3,749,898
1.2 Employee relations and welfare	157,094	29,045	14,522	200,661		53,993		254,654	173,805
1.3 Payroll taxes	188,893	60,645	24,021	273,559		56,909		330,468	256,410
1.4 Other personnel costs	15,342			15,342		338		15,680	13,433
1.5 Total personnel costs	3,274,037	998,913	393,157	4,666,107		842,231		5,508,338	4,193,546
2. Amounts paid to or retained by title agents		17,050,524	5,969,704	23,020,228				23,020,228	12,659,202
3. Production services (purchased outside):									
3.1 Searches, examinations and abstracts	59,307			59,307		623,196		682,503	470,078
3.2 Surveys									
3.3 Other									
4. Advertising	15,952	47,855	31,903	95,710		913		96,623	92,513
5. Boards, bureaus and associations	31,735	47,603	15,868	95,206		965		96,171	67,112
6. Title plant rent and maintenance									
7. Claim adjustment services									
8. Amounts charged off, net of recoveries	110,779			110,779				110,779	77,084
9. Marketing and promotional expenses									
10. Insurance	12,782	8,521	4,262	25,565		17,680		43,245	43,468
11. Directors' fees									
12. Travel and travel items	67,951	181,202	90,601	339,754		36,130		375,884	287,961
13. Rent and rent items	77,673	330,108	110,036	517,817		49,966		567,783	512,627
14. Equipment	49,071	130,859	65,429	245,359		23,695		269,054	214,028
15. Cost or depreciation of EDP equipment and software									
16. Printing, stationery, books and periodicals	24,296	103,259	34,420	161,975		89,368		251,343	192,973
17. Postage, telephone, messengers and express	15,204	152,040	22,807	190,051		38,570		228,621	175,619
18. Legal and auditing	44,880	29,920	49,866	124,666				124,666	101,650
19. Totals (Lines 1.5 to 18)	3,783,667	19,080,804	6,788,053	29,652,524		1,722,714		31,375,238	19,087,861
20. Taxes, licenses and fees:									
20.1 State and local insurance taxes		573,756	154,687	728,443				728,443	413,824
20.2 Insurance department licenses and fees		14,585	3,933	18,518				18,518	10,380
20.3 Gross guaranty association assessments									
20.4 All other (excluding federal income and real estate)	11,909	35,728	11,910	59,547				59,547	48,276
20.5 Total taxes, licenses and fees (Lines 20.1 + 20.2 + 20.3 + 20.4)	11,909	624,069	170,530	806,508				806,508	472,480
21. Real estate expenses	12,442			12,442				12,442	34,516
22. Real estate taxes	4,856			4,856				4,856	4,496
23. Aggregate write-ins for miscellaneous expenses	26,010	49,402	28,629	104,041		1,820	13,015	118,876	69,309
24. Total expenses incurred (Lines 19+20.5+21+22+23)	3,838,884	19,754,275	6,987,212	30,580,371		1,724,534	13,015	32,317,920	19,668,662
25. Less unpaid expenses - current year	712,392			712,392				712,392	512,540
26. Add unpaid expenses - prior year	512,540			512,540				512,540	377,836
27. TOTAL EXPENSES PAID (Lines 24 - 25 + 26)	3,639,032	19,754,275	6,987,212	30,380,519		1,724,534	13,015	32,118,068	19,533,958
DETAILS OF WRITE-INS									
2301. Investment Custodial and Management Fees							13,015	13,015	7,274
2302. Miscellaneous	26,010	49,402	28,629	104,041		1,820		105,861	62,035
2303.									
2398. Summary of remaining write-ins for Line 23 from overflow page									
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	26,010	49,402	28,629	104,041		1,820	13,015	118,876	69,309

(a) Includes management fees of \$ 0 to affiliates and \$ 0 to non-affiliates.

**OPERATIONS AND INVESTMENT EXHIBIT  
PART 4 - NET OPERATING GAIN/LOSS EXHIBIT**

	1  Direct Operations	Agency Operations		4  Total (Cols. 1 + 2 + 3)	5  Other Operations	Totals	
		2  Non-affiliated Agency Operations	3  Affiliated Agency Operations			6  Current Year (Cols. 4 + 5)	7  Prior Year
1. Title insurance and related income (Part 1):							
1.1 Title insurance premiums earned (Part 1B, Line 3, Col. 1)	2,907,559	22,170,256	6,100,641	31,178,456		31,178,456	17,747,681
1.2 Escrow and settlement services (Part 1A, Line 2, Col. 4)	334,011			334,011		334,011	301,993
1.3 Other title fees and service charges (Part 1A, Line 3, Col. 4)	334,168			334,168	1,277,235	1,611,403	1,308,011
2. Aggregate write-ins for other operating income			1,888,012	1,888,012	516,369	2,404,381	1,649,746
3. Total Operating Income (Lines 1.1 through 1.3 + 2)	3,575,738	22,170,256	7,988,653	33,734,647	1,793,604	35,528,251	21,007,431
DEDUCT:							
4. Losses and loss adjustment expenses incurred (Part 2A, Line 10, Col. 4)	346,747	342,838	229,795	919,380		919,380	866,065
5. Operating expenses incurred (Part 3, Line 24, Cols. 1 to 3, 6)	3,838,884	19,754,275	6,987,212	30,580,371	1,724,534	32,304,905	19,665,025
6. Aggregate write-ins for other operating deductions							
7. Total Operating Deductions (Lines 4 + 5 + 6)	4,185,631	20,097,113	7,217,007	31,499,751	1,724,534	33,224,285	20,531,090
8. Net operating gain or (loss) (Lines 3 minus 7)	(609,893)	2,073,143	771,646	2,234,896	69,070	2,303,966	476,341
<b>DETAILS OF WRITE-INS</b>							
0201. MANAGEMENT FEES			1,888,012	1,888,012	516,369	2,404,381	1,649,746
0202.							
0203.							
0298. Summary of remaining write-ins for Line 2 from overflow page							
0299. Totals (Lines 0201 through 0203 plus 0298)			1,888,012	1,888,012	516,369	2,404,381	1,649,746
0601.							
0602.							
0603.							
0698. Summary of remaining write-ins for Line 6 from overflow page							
0699. Totals (Lines 0601 through 0603 plus 0698)							

**EXHIBIT OF NET INVESTMENT INCOME**

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 131,131	153,419
1.1 Bonds exempt from U.S. tax	(a) 3,575	3,575
1.2 Other bonds (unaffiliated)	(a) 220,818	201,491
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 16,734	16,734
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	49	49
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d) 30,000	30,000
5. Contract loans		
6. Cash/short-term investments	(e) 18,665	17,127
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income		
10. Total gross investment income	420,972	422,395
11. Investment expenses		(g) 13,015
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i) 13,256
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		26,271
17. Net investment income - (Line 10 minus Line 16)		396,124
<b>DETAILS OF WRITE-INS</b>		
0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)		
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. Totals (Lines 1501 through 1503) plus 1598 (Line 15, above)		

- (a) Includes \$ 22,908 accrual of discount less \$ 15,359 amortization of premium and less \$ 23,511 paid for accrued interest on purchases.
- (b) Includes \$ 2,825 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

**EXHIBIT OF CAPITAL GAINS (LOSSES)**

	1	2	3	4	5
	Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Increases (Decreases) by Adjustment	Net Gain (Loss) from Change in Difference Between Basis Book/Adjusted Carrying and Admitted Values	Total
1. U.S. Government bonds					
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)	25,116				25,116
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	9,110				9,110
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash/short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)			7,399		7,399
10. Total capital gains (losses)	34,226		7,399		41,625
<b>DETAILS OF WRITE-INS</b>					
0901. DEFERRED TAX ADJUSTMENTS			7,399		7,399
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page					
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)			7,399		7,399

**EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS**

	1	2	3
	End of Current Year	End of Prior Year	Changes for year (Increase) or Decrease
1. Summary of Items Page 2, Lines 12 through 20, Column 2 .....	1,509,520	837,396	(672,124)
2. Other Assets:			
2.1 Bills receivable .....			
2.2 Leasehold improvements .....			
2.3 Cash advanced to or in the hands of officers or agents .....			
2.4 Loans on personal security, endorsed or not .....			
2.5 Agents' balances (net) .....			
3. Total (Lines 2.1 to 2.5) .....			
4. Aggregate write-ins for other assets .....	405,163	475,859	70,696
5. Total (Line 1 plus Lines 3 to 4) .....	1,914,683	1,313,255	(601,428)
<b>DETAILS OF WRITE-INS</b>			
0401. Other Assets .....	405,163	475,859	70,696
0402. ....			
0403. ....			
0498. Summary of remaining write-ins for Line 4 from overflow page .....			
0499. Totals (Lines 0401 through 0403 + 0498) (Line 4 above) .....	405,163	475,859	70,696

---

**NOTES TO FINANCIAL STATEMENTS**

---

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## A. BASIS OF PRESENTATION

The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Virginia. Effective January 1, 2001, the State of Virginia required that insurance companies domiciled in the State of Virginia prepare their statutory basis financial statements in accordance with the NAIC *Accounting Practices and Procedures Manual* subject to any deviations prescribed or permitted by the State of Virginia insurance commissioner.

## B. USE OF ESTIMATES IN THE PREPARATION OF THE FINANCIAL STATEMENTS

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

## C. ACCOUNTING POLICIES

The Company generally recognizes premiums when collected on policies it writes directly and when reported to the Company on policies issued by its agents. A statutory premium reserve is established for the protection of holders of title insurance policies. The statutory premium reserve is increased each year based on the number of policies issued and the net retained liability under those policies and amortized annually in accordance with a formula prescribed by the State of Virginia.

In addition, the Company uses the following accounting policies:

- (1) Short-term investments are stated at cost or amortized cost.
- (2) Bonds are stated at amortized cost using the interest method.
- (3) Preferred stocks are stated at market.
- (4) Common stocks are stated at market, except for investments in subsidiaries, which are valued as stated below.
- (5) The Company owns 100% of the common stock of Southern Title Services, Inc. The stock is valued on the equity basis, which was \$0 as of December 31, 2003.
- (6) Land is reported at cost. The building occupied by the Company is stated at depreciated cost. Depreciation is calculated by the straight-line method over its estimated useful life.

## 1. ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS

See Basis of Presentation Above.

## 2. BUSINESS COMBINATIONS AND GOODWILL – NOT APPLICABLE

## 3. DISCONTINUED OPERATIONS – NOT APPLICABLE

## 4. INVESTMENTS

- A. Mortgage Loans – Not Applicable.
- B. Debt Restructuring or Restructured Debt – Not Applicable.
- C. Reverse Mortgages – Not Applicable.
- D. Loan-backed Securities:
  - (1) Not Applicable.
  - (2) Prepayment assumptions for single class and multi-class mortgage-backed securities were obtained from broker dealer survey values or internal estimates.
  - (3) The Company used Hub Data, Inc. in determining the market value of its loan-backed securities.
- E. Repurchase Agreements – Not Applicable.

## 1. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES – NOT APPLICABLE

## 2. INVESTMENT INCOME

- A. All investment income due and accrued with amounts that are over 90 days past due are nonadmitted and excluded from surplus.
- B. The total amount excluded at December 31, 2003 was \$0.

## 3. DERIVATIVE INSTRUMENTS – NOT APPLICABLE

## NOTES TO FINANCIAL STATEMENTS

### 9. INCOME TAXES

A. The components of the net deferred tax asset at December 31 are as follows:

	<u>2003</u>	<u>2002</u>
(1) Total of all deferred tax assets (admitted and nonadmitted)	\$1,188,252	\$1,186,920
(2) Total of all deferred tax liabilities	19,156	11,153
(3) Total of all deferred tax assets nonadmitted in accordance with SSAP No. 10, Income Taxes	1,022,137	699,248
(4) Total of all deferred tax assets admitted	\$146,958	\$476,519
(5) Increase (decrease) in deferred tax assets nonadmitted	\$322,889	\$(62,947)

B. The Company has no unrecognized deferred income tax liabilities as of December 31.

C. Current income taxes incurred (benefit) consist of the following:

	<u>2003</u>	<u>2002</u>
Current year income tax expense (benefit)	\$911,231	\$269,212
Prior year (over) under accrual of income tax expense	243,642	12,265
0199. Current income taxes incurred	\$1,154,873	\$281,477

The main components of the 2003 deferred tax amounts are as follows:

DTAs	Statutory	Tax	Difference	Tax Effect
Amortization – intangibles	\$0	(2,006,828)	\$2,006,828	\$702,390
Known claims reserve	1,243,135	1,213,822	29,313	10,260
Unearned premiums	4,929,005	3,570,139	1,358,866	475,603
0299. Total DTAs	\$6,172,140	\$2,777,133	\$3,395,007	\$1,188,252
0399. DTAs nonadmitted		(1,022,137)	1,022,137	357,748
DTLs				
Investments – bonds	\$7,489,133	\$7,443,852	\$45,281	\$15,848
Investments – common stock	1,113	(4,496)	5,609	1,964
Investments – preferred stock	220,664	216,820	3,844	1,345
0499. Total DTLs	\$7,710,910	\$7,656,176	\$54,734	\$19,157

The changes in the main components of DTAs and DTLs are as follows:

DTAs Resulting from Book/Tax Differences	2003	2002	Change
Amortization - intangibles	\$702,390	\$771,477	\$(69,087)
Known claims reserve	10,260	9,840	420
Unearned premiums	475,603	405,603	70,000
0599. Total DTAs	\$1,188,252	\$1,186,920	\$1,332
0699. DTAs nonadmitted	1,022,137	699,248	322,889
DTLs Resulting from Book/Tax Differences			
Investments – bonds	\$15,848	\$7,845	\$8,003
Investments – common stock	1,963	1,963	1
Investments – preferred stock	1,345	1,345	0
0799. Total DTLs	\$19,157	\$11,153	\$8,004

D. Among the more significant book to tax adjustments were the following:

	<u>Amount</u>	<u>Tax Effect</u>
01. Income before income taxes	\$2,734,316	\$957,011
Travel and entertainment	66,593	23,307
Amortization – intangibles	(197,393)	(69,088)
Change in unearned premiums	200,000	70,000
Accrued market discount	(22,867)	(8,003)
Other	(177,133)	(61,996)
0399. Total adjustments	(130,800)	(45,780)
0499. Taxable income	\$2,603,516	\$911,231

E. (1) As of December 31, 2003, the Company did not have any unused operating loss carryforwards available to offset against future taxable income.

---

**NOTES TO FINANCIAL STATEMENTS**


---

(2) The following are income taxes incurred in the current and prior years that will be available for recoupment in the event of future net losses:

a.	2003	\$911,000
b.	2002	533,000
c.	2001	287,000

F. (1) The Company's federal income tax return is consolidated with its parent, Ohio Farmers Insurance Company (FEIN# 34-0438190; NAIC# 24104).

(2) Each company in the consolidation has agreed to share any tax or recovery of tax based on their individual taxable income or loss. Each company's current taxable income or loss will be adjusted by any prior taxable income or loss which can be carried forward to the current year.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES

- A. All outstanding shares of the Company are owned by Investors Southern Corporation, a holding company for the insurance operations domiciled in the State of Virginia. All outstanding shares of Investors Southern Corporation are owned by Ohio Farmers Insurance Company, an insurance company domiciled in the State of Ohio. The Company has a wholly-owned subsidiary, Southern Title Services, Inc., which is described in Note 1 above and carried in the statutory financial statements at \$0.
- B. Reference is made to Schedule Y concerning affiliated intercompany transactions. The balances due from affiliates as of December 31, 2003 and 2002 amounted to \$1,762,022 and \$1,742,985, respectively, and result from management fees and/or operating advances which will be repaid in 2004.
- C. Reference is made to Schedule Y concerning affiliated intercompany transactions. There were no changes in the method of establishing the terms from that used in the preceding period.
- D. See item B. above.
- E. Not applicable.
- F. The Company has a management fee agreement with Southern Title Services, Inc., Southern Title Agency Corporation, an affiliate and title insurance agency, and Glasgow Enterprises, Corp., an affiliate and holding company, whereby the Company is paid a management fee equal to the profits or losses of each company.
- G. See items A and B above and Schedule Y.
- H. Not applicable.
- I. Not applicable.
- J. Not applicable.

11. DEBT – NOT APPLICABLE.

12. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POST RETIREMENT BENEFIT PLANS

- A. Defined Benefit Plans – Not Applicable.
- B. Defined Contribution Plans – The Company has a 401(k) profit sharing plan (the "Plan") covering employees who meet the participation requirements outlined in the Plan. The Company's contribution aggregated \$49,080 and \$29,669 for the years ended December 31, 2003 and 2002, respectively. Contributions to the Plan are made based on a matching percentage of employee contributions as prescribed by the Plan.
- C. Multipleemployer Plans – Not Applicable.
- D. Consolidated/Holding Company Plans – Not Applicable.
- E. Postemployment Benefits and Compensated Absences – Not Applicable.

13. CAPITAL AND SURPLUS, DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS

The Company has 250,000 shares authorized and 210,320 shares issued and outstanding of its common stock. The Company has no preferred stock.

The Company is subject to certain minimum levels of capital and surplus as required by statutes of the states in which it is authorized to do business. At December 31, 2003 and 2002, the Company exceeded all minimum capital requirements.

The maximum amount of dividends which can be paid by insurers domiciled in the Commonwealth of Virginia to shareholders without prior approval of the Insurance Commissioners is subject to restrictions relating to statutory surplus. Statutory surplus at December 31, 2003 amounted to \$7,507,489. The maximum dividend which may be paid to the Company's parent company without prior approval in 2004 is \$750,749, subject to the broad discretionary powers of insurance regulatory authorities to further limit

## NOTES TO FINANCIAL STATEMENTS

dividend payments of insurance companies.

### 14. CONTINGENCIES

The Company is, from time to time, subject to routine litigation incidental to its business. The Company is not party to any pending litigation proceedings that are expected to have a material adverse effect on the Company's results of operations or financial condition.

### 15. LEASES

The Company leases the majority of its offices and certain equipment under noncancellable operating leases. Total rental expense under non-cancellable operating leases amounted to \$503,000 and \$395,000 in 2003 and 2002, respectively. Future minimum lease payments under these lease agreements are approximately as follows as of December 31, 2003:

2004	\$491,000
2005	484,000
2006	302,000
2007	173,000
2008	142,000
Thereafter	<u>0</u>
Total	\$1,592,000

### 16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK – NOT APPLICABLE.

### 17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES – NOT APPLICABLE.

### 18. NOT APPLICABLE.

### 19. NOT APPLICABLE.

### 20. SEPTEMBER 11 EVENTS – NOT APPLICABLE.

### 21. OTHER ITEMS – NOT APPLICABLE.

### 22. EVENTS SUBSEQUENT – NOT APPLICABLE.

### 23. REINSURANCE

- A. Unsecured Reinsurance Recoverables – Not Applicable.
- B. Reinsurance Recoverable in Dispute – Not Applicable.
- C. Reinsurance Assumed and Ceded

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Premium Reserve	ommissio Equity	Premium Reserve	ommissio Equity	Premium Reserve	ommissio Equity
Affiliates	0	0	0	0	0	0
All Other	0	0	75,418	200,388	75,418	200,388
Total	0	0	75,418	200,388	75,418	200,388

Direct Unearned Premium Reserve - \$4,929,005.

- D. Uncollectible Reinsurance – Not Applicable.
- E. Commutation of Ceded Reinsurance – Not Applicable.
- F. Retroactive Reinsurance – Not Applicable.
- G. Reinsurance Accounted for as a Deposit – Not Applicable.

### 24. RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO RENEGOTIATION – NOT APPLICABLE.

### 25. CHANGE IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES – NOT APPLICABLE.

### 26. INTERCOMPANY POOLING ARRANGEMENTS – NOT APPLICABLE.

## NOTES TO FINANCIAL STATEMENTS

---

- 27. STRUCTURED SETTLEMENTS – NOT APPLICABLE.
- 28. SUPPLEMENTAL RESERVE – NOT APPLICABLE.

## SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	2,219,359	22.063	2,219,359	22.047
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	101,648	1.010	101,648	1.010
1.22 Issued by U.S. government sponsored agencies	1,273,946	12.664	1,273,946	12.655
1.3 Foreign government (including Canada, excluding mortgage-backed securities)	201,411	2.002	201,411	2.001
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations				
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations				
1.43 Revenue and assessment obligations	49,291	0.490	49,291	0.490
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Guaranteed by GNMA				
1.512 Issued by FNMA and FHLMC				
1.513 Privately issued				
1.52 CMOs and REMICs:				
1.521 Issued by FNMA and FHLMC				
1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, or FHLMC				
1.523 All other privately issued	54,850	0.545	54,850	0.545
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	3,538,659	35.178	3,538,659	35.153
2.2 Unaffiliated foreign securities	49,969	0.497	49,969	0.496
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds				
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated	213,995	2.127	220,664	2.192
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated	468	0.005	1,113	0.011
3.4 Other equity securities:				
3.41 Affiliated				
3.42 Unaffiliated				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by company	235,921	2.345	235,921	2.344
5.2 Property held for production of income (includes \$ 0 of property acquired in satisfaction of debt)				
5.3 Property held for sale (\$ 0 including property acquired in satisfaction of debt)				
6. Policy loans				
7. Receivables for securities				
8. Cash and short-term investments	2,119,757	21.073	2,119,757	21.057
9. Other invested assets				
10. Total invested assets	10,059,274	100.000	10,066,588	100.000

## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

#### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [ X ] No [ ]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [ X ] No [ ] N/A [ ]
- 1.3 State Regulating? \_\_\_\_\_
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [ X ]
- 2.2 If yes, date of change: \_\_\_\_\_  
If not previously filed, furnish herewith a certified copy of the instrument as amended.
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2000
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2000
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 12/20/2001

3.4 By what department or departments? VIRGINIA BUREAU OF INSURANCE

.....

.....

- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [ ] No [ X ]
- 4.12 renewals? Yes [ ] No [ X ]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [ ] No [ X ]
- 4.22 renewals? Yes [ ] No [ X ]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [ X ]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action either formal or informal, if a confidentiality clause is part of the agreement) Yes [ ] No [ X ]
- 6.2 If yes, give full information \_\_\_\_\_
- .....
- .....

- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [ ] No [ X ]
- 7.2 If yes,
- 7.21 State the percentage of foreign control 0 %
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

1 Nationality	2 Type of Entity

**GENERAL INTERROGATORIES**  
(continued)

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [X]  
 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [X] No [ ]  
 8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.]

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC
WESTFIELD BANK	WESTFIELD CENTER, OHIO	NO	NO	YES	NO	NO
		NO	NO	NO	NO	NO
		NO	NO	NO	NO	NO
		NO	NO	NO	NO	NO
		NO	NO	NO	NO	NO

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
 ERNST & YOUNG, LLP  
 925 EUCLID AVENUE, CLEVELAND, OH 44115  
 10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification? KATHLEEN C. ODOMIROK, ACAS, MAAA  
 200 CLARENDON STREET, BOSTON, MA 02116  
 SENIOR CONSULTING ACTUARY, ERNST & YOUNG, LLP

11. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

- 11.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?  
 11.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [X]  
 11.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [X]  
 11.4 If answer to (11.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [X]

**BOARD OF DIRECTORS**

12. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes [X] No [ ]  
 13. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [X] No [ ]  
 14. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees which is in or is likely to conflict with the official duties of such person? Yes [X] No [ ]

**FINANCIAL**

- 15.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):  
 15.11 To directors or other officers \$ \_\_\_\_\_  
 15.12 To stockholders not officers \$ \_\_\_\_\_  
 15.13 Trustees, supreme or grand (Fraternal only) \$ \_\_\_\_\_  
 15.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):  
 15.21 To directors or other officers \$ \_\_\_\_\_  
 15.22 To stockholders not officers \$ \_\_\_\_\_  
 15.23 Trustees, supreme or grand (Fraternal only) \$ \_\_\_\_\_  
 16.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [X]  
 16.2 If yes, state the amount thereof at December 31 of the current year:  
 16.21 Rented from others \$ \_\_\_\_\_  
 16.22 Borrowed from others \$ \_\_\_\_\_  
 16.23 Leased from others \$ \_\_\_\_\_  
 16.24 Other \$ \_\_\_\_\_  
 Disclose in Notes to Financial the nature of each obligation.  
 17.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [ ] No [X]  
 17.2 If answer is yes:  
 17.21 Amount paid as losses or risk adjustment \$ \_\_\_\_\_  
 17.22 Amount paid as expenses \$ \_\_\_\_\_  
 17.23 Other amounts paid \$ \_\_\_\_\_

**GENERAL INTERROGATORIES**  
(continued)

**INVESTMENT**

18. List the following capital stock information for the reporting entity:

Class	1 Number of Shares Authorized	2 Number of Shares Outstanding	3 Par Value Per Share	4 Redemption Price If Callable	5 Is Dividend Rate Limited?	6 Are Dividends Cumulative?
Preferred					Yes [ ] No [ ]	Yes [ ] No [ ]
Common	250,000	210,320	5	X X X	X X X X X X	X X X X X X

19.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits? Yes [ ] No [X]

19.2 If no, give full and complete information, relating thereto SUBSTANTIALLY ALL STOCKS, BONDS AND SECURITIES ARE HELD BY J P MORGAN CHASE BANK OR OTHER CUSTODIANS IN CUSTODIAL ACCOUNTS

20.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E - Part 3 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 16.1). Yes [ ] No [X]

20.2 If yes, state the amount thereof at December 31 of the current year:

20.21	Loaned to others	\$ _____
20.22	Subject to repurchase agreements	\$ _____
20.23	Subject to reverse repurchase agreements	\$ _____
20.24	Subject to dollar repurchase agreements	\$ _____
20.25	Subject to reverse dollar repurchase agreements	\$ _____
20.26	Pledged as collateral	\$ _____
20.27	Placed under option agreements	\$ _____
20.28	Letter stock or securities restricted as to sale	\$ _____
20.29	Other	\$ _____

20.3 For each category above, if any of these assets are held by other, identify by whom held:

- 20.31 \_\_\_\_\_
- 20.32 \_\_\_\_\_
- 20.33 \_\_\_\_\_
- 20.34 \_\_\_\_\_
- 20.35 \_\_\_\_\_
- 20.36 \_\_\_\_\_
- 20.37 \_\_\_\_\_
- 20.38 \_\_\_\_\_
- 20.39 \_\_\_\_\_

For categories (20.21) and (20.23) above, and for any securities that were made available for use by another person during the period covered by this statement, attach a schedule as shown in the instructions to the annual statement

20.4 For category (20.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

21.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ ] No [X]

21.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ] N/A [X]

If no, attach a description with this statement.

22.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [ ] No [X]

22.2 If yes, state the amount thereof at December 31 of the current year. \$ \_\_\_\_\_



## GENERAL INTERROGATORIES

(continued)

### OTHER

25.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$ 28,876

25.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid
AMERICAN LAND TITLE ASSOC	\$ 9,583
	\$
	\$
	\$

26.1 Amount of payments for legal expenses, if any? \$ 38,252

26.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
WILLIAMS MULLEN	\$ 28,690
	\$
	\$
	\$

27.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$ \_\_\_\_\_

27.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or department of government during the period covered by this statement.

1 Name	2 Amount Paid
	\$
	\$
	\$
	\$

**GENERAL INTERROGATORIES  
(continued)**

**PART 2-TITLE INTERROGATORIES**

- 1.1 Did any persons while an officer, director, trustee, or employee receive directly or indirectly, during the period covered by this statement, any compensation in addition to his/her regular compensation on account of the reinsurance transactions of the reporting entity? YES [ ] NO [X]
  
- 2. Largest net aggregate amount insured in any one risk. \$ 500,000
  
- 3.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk or portion thereof, reinsured? YES [ ] NO [X]
  
- 3.2 If yes, give full information  
.....  
.....  
.....
  
- 4. If the reporting entity has assumed risk from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? YES [ ] NO [X]
  
- 5.1 Has this reporting entity guaranteed policies issued by any other entity and now in force? YES [ ] NO [X]
  
- 5.2 If yes, give full information  
.....  
.....  
.....
  
- 6. Uncompleted building construction loans:
  - 6.1 Amount already loaned \$ \_\_\_\_\_
  - 6.2 Balance to be advanced \$ \_\_\_\_\_
  - 6.3 Total amount to be loaned \$ \_\_\_\_\_
  
- 7.1 Does the reporting entity issue bonds secured by certificates of participation in building construction loans prior to the completion of the buildings? YES [ ] NO [X]
  
- 7.2 If yes, give total amount of such bonds or certificates of participation issued and outstanding. \$ \_\_\_\_\_
  
- 8. What is the aggregate amount of mortgage loans owned by the reporting entity which consist of co-ordinate interest in first liens? \$ \_\_\_\_\_
  
- 9.1 Reporting entity assets listed on Page 2 include the following segregated assets of the Statutory Premium Reserve or other similar statutory reserves:
  - 9.11 Bonds \$ \_\_\_\_\_
  - 9.12 Short-term investments \$ \_\_\_\_\_
  - 9.13 Mortgages \$ \_\_\_\_\_
  - 9.14 Cash \$ \_\_\_\_\_
  - 9.15 Other admissible invested assets \$ \_\_\_\_\_
  - 9.16 Total \$ \_\_\_\_\_
  
- 9.2 List below segregate funds held for others by the reporting entity, set apart in special accounts and excluded from entity assets and liabilities. (These funds are also included in Schedule E - Part 1D Summary and the "From Separate Accounts, Segregated Accounts and Protected Cell Accounts" line on Page 2.)
  - 9.21 Custodial funds not included in this statement were held pursuant to the governing agreements of custody in the amount of: \$ \_\_\_\_\_  
These funds consist of:
  - 9.22 In cash on deposit \$ \_\_\_\_\_
  - 9.23 Other forms of security \$ \_\_\_\_\_

## FIVE-YEAR HISTORICAL DATA

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

	1 2003	2 2002	3 2001	4 2000	5 1999
<b>Source of Direct Title Premiums Written (Part 1A)</b>					
1. Direct operations (Part 1A, Line 1, Col. 1)	3,104,779	2,381,446	1,726,958	1,244,753	1,811,237
2. Non-affiliated agency operations (Part 1A, Line 1, Col. 2)	23,145,580	11,256,009	8,063,504	7,596,610	8,761,450
3. Affiliated agency operations (Part 1A, Line 1, Col. 3)	6,240,154	4,645,410	4,001,649	1,531,281	1,479,482
4. Total	32,490,513	18,282,865	13,792,111	10,372,644	12,052,169
<b>Operating Income Summary (Page 4 &amp; Part 1)</b>					
5. Premiums earned (Part 1B, Line 3)	31,178,456	17,747,681	13,433,481	10,151,426	11,629,424
6. Escrow and settlement service charges (Part 1A, Line 2)	334,011	301,993	260,499	217,092	271,632
7. Title examinations (Part 1C, Line 1)					
8. Searches and abstracts (Part 1C, Line 2)	1,277,235	1,034,761	919,654	683,100	862,635
9. Surveys (Part 1C, Line 3)					
10. Aggregate write-ins for service charges (Part 1C, Line 4)	334,168	273,250	216,240	184,017	259,700
11. Aggregate write-ins for other operating income (Page 4, Line 2)	2,404,381	1,649,746	1,447,159	334,957	694,026
12. Total operating income (Page 4, Line 3)	35,528,251	21,007,431	16,277,033	11,570,592	13,717,417
<b>Statement of Income (Page 4)</b>					
13. Net operating gain or (loss) (Line 8)	2,303,966	476,341	585,358	(764,900)	386,724
14. Net investment gain or (loss) (Line 11)	430,350	349,926	335,740	303,776	295,082
15. Total other income (Line 12)					
16. Federal income taxes incurred (Line 14)	1,154,873	281,477	198,317	(168,329)	269,951
17. Net income (Line 15)	1,579,443	544,790	722,781	(292,795)	411,855
<b>Balance Sheet Items (Pages 2 and 3)</b>					
18. Title insurance premiums and fees receivable (Page 2, Line 12, Col. 3)	185,581	148,254	208,562	372,882	320,932
19. Total admitted assets excluding segregated accounts (Page 2, Line 24, Col. 3)	14,392,021	12,100,969	10,875,795	9,313,537	9,222,394
20. Known claims reserve (Page 3, Line 1)	1,243,135	786,364	687,944	648,179	448,704
21. Statutory premium reserve (Page 3, Line 2)	4,929,005	3,817,336	3,379,889	3,131,087	3,031,432
22. Total liabilities (Page 3, Line 21)	6,884,532	5,116,240	4,445,669	3,993,110	3,766,335
23. Capital paid up (Page 3, Lines 23 + 24)	1,001,123	1,001,123	1,001,123	1,001,123	1,001,123
24. Surplus as regards policyholders (Page 3, Line 30)	7,507,489	6,984,729	6,430,126	5,320,427	5,456,059
<b>Percentage Distribution of Cash and Invested Assets (Page 2, Col. 3)</b>					
(Item divided by Page 2, Line 10, Col. 3) x 100.0					
25. Bonds (Line 1)	74.4	77.4	66.3	46.6	36.2
26. Stocks (Lines 2.1 & 2.2)	2.2	0.5	0.2	1.3	1.3
27. Mortgage loans on real estate (Line 3.1 and 3.2)					
28. Real estate (Lines 4.1, 4.2 & 4.3)	2.3	3.4	3.8	4.5	4.5
29. Cash and short-term investments (Line 5)	21.1	18.7	29.6	46.8	58.0
30. Contract loans (Line 6)		XXX	XXX	XXX	XXX
31. Other invested assets (Line 7)					
32. Receivable for securities (Line 8)			0.1	0.8	
33. Aggregate write-ins for invested assets (Line 9)		XXX	XXX	XXX	XXX
34. Subtotals cash and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
35. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)					
36. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
37. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 2)					
38. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 11)					
39. Affiliated mortgage loans on real estate					
40. All other affiliated					
41. Total of above Lines 35 to 40					
42. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 41 above divided by Page 3, Line 30, Col. 1 x 100.0)					

## FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2003	2 2002	3 2001	4 2000	5 1999
<b>Capital and Surplus Accounts</b> (Page 4)					
43. Net unrealized capital gains or (losses) (Line 18)	7,398	(70,221)	144,272	(1,289,921)	(32,979)
44. Change in nonadmitted assets (Line 21)	(601,428)	(318,264)	311,849	1,447,084	(57,237)
45. Dividends to stockholders (Line 28)	(133,093)				(229,249)
46. Change in surplus as regards policyholders for the year (Line 31)	522,760	560,216	1,104,086	(135,632)	842,390
<b>Losses Paid and Incurred</b> (Part 2A)					
47. Net payments (Line 5, Col. 4)	462,609	767,645	727,758	427,603	268,841
48. Losses and allocated LAE incurred (Line 8, Col. 4)	919,380	866,065	767,523	627,078	376,323
49. Unallocated LAE incurred (Line 9, Col. 4)					
50. Losses and loss adjustment expenses incurred (Line 10, Col. 4)	919,380	866,065	767,523	627,078	376,323
<b>Operating Expenses to Total Operating Income</b> (Part 3)(%) (Line item divided by Page 4, Line 3 x 100.0)					
51. Personnel costs (Part 3, Line 1.5, Col. 4)	13.1	15.2	15.2	17.5	17.7
52. Amount paid to or retained by title agents (Part 3, Line 2, Col. 4)	64.8	60.3	58.0	59.4	56.4
53. All other operating expenses (Part 3, Lines 24 minus 1.5 minus 2, Col. 4)	8.1	10.4	10.1	12.6	10.9
54. Total (Lines 51 to 53)	86.0	85.9	83.3	89.5	85.0
<b>Operating Percentages</b> (Page 4) (Line item divided by Page 4, Line 3 x 100.0)					
55. Losses and loss adjustment expenses incurred (Line 4)	2.6	4.1	4.7	5.4	2.7
56. Operating expenses incurred (Line 5)	90.9	93.6	91.7	101.2	94.4
57. Aggregate write-ins for other operating deductions (Line 6)					
58. Total operating deductions (Line 7)	93.5	97.7	96.4	106.6	97.2
59. Net operating gain or (loss) (Line 8)	6.5	2.3	3.6	(6.6)	2.8
<b>Other Percentages</b> (Line item divided by Part 1B, Line 1.4)					
60. Losses and loss expenses incurred to net premiums written (Page 4, Line 4)	2.8	4.8	5.6	6.1	3.2
61. Operating expenses incurred to net premiums written (Page 4, Line 5)	100.0	108.1	109.1	114.2	109.4