

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

COMMONWEALTH OF VIRGINIA *ex rel.*
STATE CORPORATION COMMISSION,

Applicant,

v.

SOUTHERN TITLE INSURANCE
CORPORATION

Respondent.

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Case No. INS-2011-00239

**APPLICATION FOR ORDERS SETTING CONTINGENT HEARING, APPROVING
NOTICE PROCEDURES, ESTABLISHING RESPONSE DATE, AND APPROVING
PROPOSED ASSUMPTION AGREEMENT**

TO THE HONORABLE JUDGES OF THE COMMISSION:

Jacqueline K. Cunningham, Commissioner of Insurance, Bureau of Insurance, State Corporation Commission of the Commonwealth of Virginia (the “Commission”), in her capacity as Deputy Receiver (the “Deputy Receiver”) of Southern Title Insurance Corporation (“Southern Title” or the “Company”), in receivership for liquidation, respectfully submits this her Application for Orders Setting Contingent Hearing, Approving Notice Procedures, Establishing Response Date, and Approving Proposed Assumption Agreement (the “Application”). With this Application the Deputy Receiver seeks an order from the Commission: (1) setting a contingent hearing on the proposed assumption agreement (the “Assumption Hearing”), (2) establishing response dates for those persons wishing to oppose the Application, and (3) approving notice procedures for the Assumption Hearing. Following the Assumption Hearing or after consideration of an unopposed Application, the Deputy Receiver seeks a second order approving the proposed assumption agreement (the “Assumption Agreement”) and addressing all related

matters as described herein. In support of the Application, the Deputy Receiver would show the Commission the following:

BACKGROUND

1. On December 20, 2011, in the case styled Commonwealth of Virginia ex rel. State Corporation Commission v. Southern Title Insurance Corporation and Manju S. Ganeriwala, Treasurer of Virginia, Case No. CL11-5660-RDT, the Circuit Court of the City of Richmond, Virginia (the “Court”) found Southern Title to be in a condition where any further transaction of business would be hazardous to the insureds, policyholders, creditors, and the public. Therefore, pursuant to section 38.2-1501 *et seq.*, the Court issued its Final Order Appointing Receiver for Rehabilitation or Liquidation (the “Receivership Order”), appointing the Commission as Receiver of Southern Title. On the same date, the Commission entered its Order Appointing Deputy Receiver for Conservation and Rehabilitation, pursuant to Va. Code Ann. § 38.2-1501 *et seq.*,¹ and appointed Commissioner Cunningham as Deputy Receiver of Southern Title.

2. Pursuant to authority granted in the Receivership Order, the Deputy Receiver’s First Directive appointed Donald C. Beatty, Senior Counsel in the Commission’s Office of General Counsel, as Special Deputy Receiver of Southern Title. Pursuant to the Deputy Receiver’s Fourth Directive, John O. Cox, Associate General Counsel for the Commission, replaced Mr. Beatty as Special Deputy Receiver of Southern Title, effective December 1, 2015.

3. In its Receivership Order the Court found Southern Title to be in a hazardous financial condition and therefore authorized and directed the Deputy Receiver and Special Deputy Receiver to administer the business and affairs of Southern Title, and to do all acts necessary or appropriate for the rehabilitation or liquidation of Southern Title. Pursuant to the

¹ All references herein are to the Virginia Code unless specified otherwise.

Receivership Order, the Deputy Receiver and Special Deputy Receiver are vested, *inter alia*, with all the powers and authority expressed or implied under the provisions of section 38.2-1501 *et seq.*

4. On July 28, 2014, after a hearing on the Deputy Receiver's Application for Order of Liquidation, the Commission found that Southern Title was insolvent and that further efforts to rehabilitate the Company would be futile, and therefore, entered its order directing the Deputy Receiver to proceed with the liquidation of Southern Title (the "Liquidation Order"). The Liquidation Order set a claims filing deadline of January 28, 2015 ("Claims Filing Deadline"), and further ordered that all claims must be rendered certain, liquidated, and non-contingent within a reasonable time following initial presentment, and no later than January 28, 2016. Notice of the Liquidation Order and Claims Filing Deadline was provided by the Deputy Receiver to interested parties as directed by the Commission.

5. The Liquidation Order authorizes the Deputy Receiver to contract with third parties for the assumption of any of the remaining obligations and contingencies of Southern Title in exchange for reasonable consideration, and to take all steps necessary and appropriate to liquidate and dissolve Southern Title as soon as reasonably practicable. In this regard, the Deputy Receiver has agreed to enter into an assumption agreement for the transfer of Southern Title's remaining obligations on its business in the state of Texas. With this Application, the Deputy Receiver seeks the Commission's approval of the proposed Assumption Agreement as it provides continued title insurance coverage to Texas policyholders for claims first arising after the "Date of Assumption" as specified in the Assumption Agreement.

THE PARTIES TO THE ASSUMPTION AGREEMENT

6. In addition to Southern Title, the parties to the Assumption Agreement are the Texas Title Insurance Guaranty Association (“TTIGA”) and First National Title Insurance Company (“FNTI”).

7. TTIGA is a non-profit unincorporated association of all Texas-licensed title insurance companies created by the Texas Legislature. Pursuant to Tex. Ins. Code § 2602.001 *et seq.*, TTIGA exists to provide protection for Texas policyholders and claimants of failed title insurers or agencies. On August 30, 2012, the Texas Commissioner of Insurance issued an order in which she found Southern Title to be impaired and thus triggered certain statutory rights and duties of TTIGA, including the obligation to process and pay covered claims arising under policies issued in Texas by Southern Title, and the right to contract with a third party to assume TTIGA’s liabilities for covered claims against Southern Title policies. TTIGA is one of only two state guaranty associations providing protection for Southern Title policyholders and claimants. The other is the Maryland Property and Casualty Insurance Guaranty Corporation.

8. FNTI is a Texas-domiciled title insurer formed in 2012, with principal offices located at 2400 Dallas Parkway, Suite 580, Plano, Texas 75093. FNTI is authorized to do business in the states of Arizona, Florida, New Mexico, and Texas. The opportunity to assume STIC’s Texas policies was offered to all members of TTIGA in a Request for Proposal (“RFP”) and FNTI submitted the bid that was selected from the RFP process.

SUMMARY OF MATERIAL TERMS OF THE ASSUMPTION AGREEMENT

9. A copy of the proposed Assumption Agreement is attached hereto as Exhibit 1. The principal and material terms and conditions of the Assumption Agreement contemplate that:

a. Subject to the limitations and conditions contained in the Assumption Agreement, FNTI assumes as of May 1, 2016, or as later set in accordance with this agreement (the “Assumption Date”), all liabilities of TTIGA for all policies of title insurance issued by Southern Title covering property located within the state of Texas (“Assumed Policies”). Additionally, FNTI assumes the claims filed after the Claims Filing Deadline (“Late-Filed Claims”) listed on Exhibit B to the Assumption Agreement and such exhibit will be amended to include all Late-Filed Claims submitted on or before the date the Assumption Agreement is executed after its approval by the Commission as Receiver for Southern Title.

b. Excepting the Late-Filed Claims listed in Exhibit B to the Assumption Agreement, FNTI does not assume liability for any claims for which Southern Title and TTIGA were placed on notice prior to the Assumption Date. Such claims remain the liability of Southern Title and TTIGA.

c. FNTI does not assume liability for any claims known by the insured prior to the Assumption Date for which notification was provided to FNTI after the Assumption Date.

d. FNTI’s liability under the Assumption Agreement is limited to the lesser of \$250,000 per claimant, or \$250,000 per policy, after deduction of amounts paid by either Southern Title or TTIGA, including amounts paid as damages, losses, attorney fees, expenses, and costs to or for the benefit of the insured. This provision caps FNTI liability to the same extent that TTIGA liability is capped pursuant to Texas Insurance Code § 2602.256.

e. In consideration of the assumption of liabilities by FNTI under the Assumption Agreement, TTIGA shall pay to FNTI the sum of FOUR MILLION NINE HUNDRED SEVENTY FOUR THOUSAND AND NO/100 DOLLARS (\$4,974,000.00) for the

statutory reserves, and a similar sum for the Late-Filed Claims recorded prior to the final approval and execution of the Assumption Agreement.

f. TTIGA shall have no claim against Southern Title and its receivership estate for reimbursement of any amounts paid to FNTI as consideration for FNTI's assumption of liabilities under the Assumption Agreement.

g. Southern Title grants to FNTI as of the Assumption Date, all of Southern Title's rights, title, and interest in and to the policy files for the Assumed Policies. Within six (6) months of the Commission's approval of the Assumption Agreement becoming final and non-appealable ("Commission's Final Approval"), FNTI shall, at its own expense, take possession of such policy files and FNTI agrees that Southern Title, the Receiver, the Deputy Receiver, TTIGA, and their agents and successors shall have reasonable access to such documents for a period of three (3) years after the Commission's Final Approval.

h. FNTI shall have reasonable access to any Southern Title files and records necessary to investigate and process claims under any Assumed Policies. Upon the closing of the estate, the Commission may allow FNTI to take possession of any such records in lieu of their destruction, or may limit the time period during which FNTI will have access to such records.

i. FNTI at its own expense shall place advertisements in newspapers of general circulation in the following Texas counties: Harris, Dallas, Tarrant, Travis, Hidalgo, Lubbock, Potter, Randall, Galveston, Bexar, Midland, Cameron, Smith, El Paso, and such other counties, if any, as FNTI deems appropriate. Such advertisements shall be substantially as indicated in the attached Exhibit A to the proposed Assumption Agreement, and shall run one

day per week for four consecutive weeks commencing within thirty (30) days of the Commission's Final Approval.

APPROVAL OF PROPOSED ASSUMPTION AGREEMENT

10. The Deputy Receiver has largely completed the marshaling of assets for the Southern Title receivership estate and is in the process of planning for the eventual wind down of the receivership proceedings. In furtherance of the liquidation and as directed by the Commission in its Liquidation Order, all claims against Southern Title must have been filed with the Company on or before expiration of the Claims Filing Deadline, January 28, 2015. All Late-Filed Claims (claims filed after the Claims Filing Deadline) are subordinated in payment to timely-filed claims. As asserted by the Deputy Receiver in her Application for Order of Liquidation, the financial assets of the Company are insufficient to pay any amount on claims of a priority lower than that of policyholder claims arising out of insurance contracts. As such, payments on Late-Filed Claims are unlikely.

11. The Assumption Agreement provides claimants under Texas policies with insurance coverage for claims arising after the Assumption Date. But for the Assumption Agreement, such claimants would hold a Late-Filed Claim against the receivership estate and therefore face the expectancy that such claims would not be paid. Moreover, the Assumption Agreement provides for coverage post-Assumption Date through the life of the title insurance policy. But for the Assumption Agreement, the term of the Assumed Policies would extend effectively only through the date of final distribution of assets and consequent closure of the receivership estate.

12. Approval of the proposed Assumption Agreement is further supported by the fact that one-hundred percent (100%) of the consideration to be paid to FNTI for its assumption of

the Assumed Policies and associated liabilities is being borne by TTIGA and its member companies. Therefore, implementation of the Assumption Agreement will have no impact on the assets of the receivership estate.

PROPOSED CONTINGENT HEARING, NOTICE, AND RESPONSE DATE

13. In the interests of judicial economy, the convenience of all interested persons, and reduction of expense to Southern Title, the Deputy Receiver requests that the Commission enter a scheduling order (the “Scheduling Order”) providing for a hearing for the consideration of this Application, such hearing to be held only in the event that written objection is timely filed pursuant to the procedures and schedule proposed below (the “Contingent Hearing”). The Deputy Receiver requests that in the event it is necessary for the Contingent Hearing to be held, no other issues other than the relief requested herein be considered at that time.

14. The Deputy Receiver requests that any party who objects to any relief requested by this Application present such objection at the Contingent Hearing and file with the Commission, and serve upon the Deputy Receiver and all other parties of record no later than thirty (30) days before the scheduled date of the Contingent Hearing, a Notice of Objection, which shall contain: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific relief sought, to the extent then known; (iii) the factual and legal basis for the objection; and (iv) the prepared testimony and exhibits of each witness expecting to present direct testimony in opposition to any relief sought herein by the Deputy Receiver.

15. The Deputy Receiver requests that, in the event that no person timely files a Notice of Objection, the Commission approve the Application without a Contingent Hearing being held.

16. The Deputy Receiver is causing a copy of this Application to be sent to all parties of record in all open Southern Title cases active or pending before the Commission, as well as all parties who have registered with the Deputy Receiver for receipt of receivership communications as ordered by the Commission in its October 18, 2013, Scheduling Order for this cause.

17. The Deputy Receiver requests that service of all Notices of Objection and other documents upon her be required to be directed to John O. Cox, Associate General Counsel, Office of General Counsel, State Corporation Commission, 1300 E. Main Street, Richmond, Virginia 23219, and to the Deputy Receiver's counsel, Patrick H. Cantilo, Cantilo & Bennett, L.L.P., 11401 Century Oaks Terrace, Suite 300, Austin, Texas 78758, and also be required to be provided to said counsel on the day of filing by electronic mail to service@cb-firm.com.

WHEREFORE, PREMISES CONSIDERED, the Deputy Receiver respectfully requests that the Commission enter:

1. A Scheduling Order:
 - a. Setting the Contingent Hearing on the Application's request for approval of the Assumption Agreement, the holding of such hearing being contingent on opposition to this Application being filed with the Commission in accordance with the procedures and schedule provided herein;
 - b. Approving the Deputy Receiver's service of the Application upon all parties of record in all open Southern Title cases active or pending before the Commission, as well as all parties who have registered with the Deputy Receiver for receipt of receivership communications;
 - c. Directing all persons who expect to appear at the Contingent Hearing for the purpose of opposing the relief requested by this Application to file with the


Commission, and serve upon the Deputy Receiver and all other parties of record, no later than thirty (30) days before the scheduled date of the Contingent Hearing, a Notice of Participation containing: (i) a precise statement of the interest of the respondent, (ii) a statement of the specific relief sought, (iii) the factual and legal basis for such relief, and (iv) the prepared testimony and exhibits of each witness expecting to present direct testimony in opposition to any relief sought herein by the Deputy Receiver.

2. Following the Contingent Hearing, or after the deadline for filing Notices of Objection if no such notices are filed, a final order approving the Assumption Agreement, as requested herein and granting such other and further relief as the Commission may deem proper under the circumstances.

Respectfully submitted,

Jacqueline K. Cunningham, Commissioner of Insurance,
State Corporation Commission, Bureau of Insurance, as
Deputy Receiver of Southern Title Insurance Corporation

By:


Michael P. Marcin

Patrick H. Cantilo (Texas Bar No. 09531750)
Michael P. Marcin (Texas Bar No. 00792664)
Joseph N. West (Texas Bar No. 00788826)
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mpmarcin@cb-firm.com
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CERTIFICATE OF SERVICE

I hereby certify that on October 4, 2016, the foregoing document was filed electronically with the Clerk of the Commission:

Mr. Joel Peck
Clerk of the Commission
STATE CORPORATION COMMISSION
Tyler Building
1300 E. Main Street
Richmond, Virginia 23219

and one copy was sent via overnight delivery to the following:

John O. Cox, Associate General Counsel
STATE CORPORATION COMMISSION
Office of General Counsel
1300 E. Main Street
P.O. Box 1197
Richmond, Virginia 23218-1197

and one copy was sent via United States mail, postage prepaid, to the following:

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John S. Barr, Esq.
McGuireWoods LLP
Gateway Plaza
800 East Canal Street
Richmond, Virginia 23219-4030



Michael P. Marcin

ASSUMPTION AGREEMENT

This Assumption Agreement is entered into between **FIRST NATIONAL TITLE INSURANCE COMPANY**, a Texas title insurance company (“FNTI”); **SOUTHERN TITLE INSURANCE CORPORATION**, a Virginia title insurance company in receivership (“Southern Title”); and the **TEXAS TITLE INSURANCE GUARANTY ASSOCIATION** (“TTIGA” or “Guaranty Association”).

1. RECITALS AND PURPOSE OF AGREEMENT

1.1 Southern Title is a title insurance company that is in liquidation in the Commonwealth of Virginia. On September 19, 2011, the State Corporation Commission for the Commonwealth of Virginia (the “Commission”) issued a consent order suspending Southern Title’s license. On November 4, 2011, the Commission issued an impairment order because Southern Title no longer met the Commonwealth’s minimum capital and reserve requirements.

1.2 On December 20, 2011, the Circuit Court of the City of Richmond, Virginia found that Southern Title was in a condition where any further transaction of business would be hazardous to Southern Title’s policyholders, creditors, subscribers, and the public. Therefore, the Court issued its Final Order Appointing Receiver for Rehabilitation or Liquidation (the “Receivership Order”), appointing the Commission as Receiver of Southern Title. On the same date, Jacqueline K. Cunningham, Commissioner of Insurance for the Commonwealth of Virginia, was appointed by the Commission to serve as Deputy Receiver for Southern Title. On July 28, 2014, the Commission found and declared Southern Title to be insolvent, as defined by Section 38.2-1501 of the Code of Virginia, and ordered that the company be liquidated.

1.3 The Commission established the deadline for filing claims against the Southern Title estate as January 28, 2015 (the “Claims Filing Deadline”). Furthermore, the duly appointed Special Deputy Receiver (“SDR”) of Southern Title was authorized to “cause a third party or contractor of the company to assume remaining obligations and contingencies of Southern Title in exchange for reasonable consideration, and to take all steps necessary and appropriate to liquidate and dissolve Southern Title as soon as reasonably practicable.”

1.4 Southern Title sold title insurance policies in Texas. Pursuant to a consent order it entered into with the Texas Department of Insurance (“TDI”), Southern Title discontinued writing title insurance policies in Texas in December of 2008.

1.5 On August 30, 2012, the Texas Commissioner of Insurance issued an order in which she found Southern Title to be impaired. This order triggered certain statutory rights and duties of the Guaranty Association, including the obligation to process and pay covered claims arising under policies issued in Texas by Southern Title and the right to contract with a third party to assume the Guaranty Association’s liabilities for covered claims against Southern Title policies.

1.6 Southern Title and the Guaranty Association now wish to secure a third party to assume certain obligations for claims that may be raised in the future under policies issued by



Southern Title or its predecessors insuring title to properties located within the State of Texas. FNTI is willing to assume such obligations as specified herein. The purpose of this document is to reduce to writing all agreements between the parties regarding the assumption of Southern Title's title insurance policies.

2. ASSUMPTION

2.1 Business Assumed. Subject to the limitations and conditions contained herein, FNTI assumes as of May 1, 2016, or a date as later set in accordance with Section 5.1 herein ("Assumption Date"), all liabilities of TTIGA for all policies of title insurance covering property located within the state of Texas issued by Southern Title and any predecessors in interest (the "Assumed Policies"). However, claims for which Southern Title and TTIGA were placed on notice prior to the Assumption Date shall be the responsibility of, and liability thereunder shall remain with, Southern Title and TTIGA, with the exception of those specific, known claims listed on Exhibit B to this Assumption Agreement which were filed after the Claims Filing Deadline and any future claims that may be filed thereafter but prior to the execution of this agreement ("Late-Filed Claims"), for which FNTI shall assume all liability, subject to the limitations and conditions contained in this Assumption Agreement.

However, FNTI shall not assume any liability for claims known by the insured prior to the Assumption Date for which notification of said claim was provided to FNTI after the Assumption Date or any unknown claims filed after the Claims Filing Deadline and before the Assumption Date.

Additionally, FNTI shall not assume any liability for any guaranty product or insurance coverage not specifically provided for in a Texas promulgated form.

2.2 Limits on Liabilities Assumed.

- A. FNTI's liability shall be limited to the lesser of \$250,000.00 per claimant or \$250,000.00 per policy after deduction of amounts paid by either Southern Title or the Guaranty Association, including amounts paid as damages, losses, attorney fees, expenses, and costs to or for the benefit of the insured.
- B. FNTI shall not assume any liability for any amount due any insurer, insurance pool, or underwriting association by reason of subrogation, indemnification, reinsurance, co-insurance, or otherwise.
- C. FNTI shall not assume any liability for extra-contractual damages, bad faith, exemplary or punitive damages, or supplementary payment obligations of any kind, including but not limited to consequential damages, interest, adjustment fees and expenses, attorney fees and expenses, court costs, or enhanced damages arising under Chapter 541 of the Texas Insurance Code or under the Deceptive Trade Practices-Consumer Protection Act (section 17.41, *et. seq.* of the Texas Business

& Commerce Act) whether such liability is asserted against FNTI, Southern Title, Southern Title's predecessors, an insured, or otherwise.

- D. FNTI shall not assume any liability for funds deposited in trust, in escrow, or otherwise, with Southern Title, its officers, agents, employees, subcontractors, or fee attorneys, nor for the improper application of such funds.
- E. FNTI shall not assume any liability on or for any insured closing letter issued by Southern Title or its predecessors.
- F. FNTI shall not assume any liability arising by reason of any variation from, addition to, or alteration of standard policy forms as promulgated by TDI that contain coverages not authorized by TDI.
- G. FNTI shall not assume any liability for amendments to the survey exception.
- H. FNTI shall not assume any liability for easements, servitudes, covenants, conditions, or restrictions, of record, not raised as exceptions to coverage, unless resulting in physical destruction of the property or otherwise preventing the use or occupancy of the property as improved, regardless of what was intended by the insured, on the effective date of the policy.
- I. FNTI shall not assume any liability for mineral rights, including, but not limited to, gas and oil, except where loss to the insured arises out of destruction to the surface.
- J. FNTI shall not assume any liability for claims arising by reason of claimed Indian Lands.
- K. FNTI shall not assume any liability for policy claims rejected, denied, or compromised and settled by the Receiver, or the Guaranty Association, or otherwise barred by orders of court or operation of law.
- L. FNTI shall not assume any liability for or obligation to issue or reissue letters of indemnity under Procedural Rule p-11, or otherwise.
- M. FNTI shall not assume any liability or obligation on any unissued original policy or any lost, destroyed, or stolen policy the issuance and contents of which cannot be reasonably determined from the available files and records of Southern Title or its agents.
- N. In no event shall the liability assumed by FNTI exceed the liability, if any, of the Guaranty Association.

3. CONSIDERATION

3.1 Consideration. In consideration of the assumption of liabilities hereunder by FNTI, the Guaranty Association shall pay to FNTI the sum of FOUR MILLION NINE HUNDRED SEVENTY-FOUR THOUSAND AND NO/100 DOLLARS (\$4,974,000.00).

3.2 TTIGA shall have no claim against Southern Title and its receivership estate for reimbursement of any amounts paid to FNTI as consideration for FNTI's assumption of liabilities under this Assumption Agreement.

3.3 Reserves. FNTI agrees to establish a statutory unearned premium reserve of FOUR MILLION NINE HUNDRED SEVENTY-FOUR THOUSAND AND NO/100 DOLLARS (\$4,974,000.00), with said unearned premium reserve to be additionally increased by the agreed-upon Reserves for Late-Filed Claims set forth in Section 3.4 herein, and a claims reserve in the amount of ZERO AND NO/100 DOLLARS (\$0.00) or such greater amount as may be required by the TDI or other regulatory authority. Such reserve may be reduced from time to time as authorized by law.

3.4 Reserves for Late-Filed Claims. Notwithstanding any provision in the Assumption Agreement to the contrary and in addition to the Consideration recited in Section 3.1 herein, and in further consideration of the assumption of liability for Late-Filed Claims, as set forth and defined in Section 2, the Guaranty Association shall pay to FNTI a determinable sum ("Reserve for Late-Filed Claims") to be agreed upon by FNTI and the Guaranty Association prior to the execution of this Assumption Agreement, said sum representing the anticipated liability related to the assumption of Late-Filed Claims. Furthermore, on the execution date of this Assumption Agreement the parties shall simultaneously execute an addendum, a sample of which is included herein as Exhibit C, setting forth the amount of Reserves for Late-Filed Claims to be paid by the Guaranty Association. In the event said addendum is not executed simultaneous with this Assumption Agreement, this entire Assumption Agreement shall be considered null and void.

3.5 Reserves Increase. FNTI shall increase the statutory unearned premium reserve set forth in Section 3.3 by the additional amount paid by the Guaranty Association for Reserves for Late-Filed Claims.

4. FILES AND RECORDS

4.1 Southern Title Files. Southern Title hereby grants to FNTI as of the Assumption Date all of Southern Title's right, title, and interest in and to the policy files for the Assumed Policies. Within six (6) months of the Commission's approval of this Assumption Agreement becoming final and non-appealable ("Commission's Final Approval"), FNTI shall, at its expense, take possession of the files. FNTI agrees that Southern Title, the Receiver, the Deputy Receiver, the Guaranty Association, and their agents and successors, shall have reasonable access to such documents for a period of three (3) years after the Commission's Final Approval or if later, until closure of the Southern Title receivership estate.

4.2 Access to Receivership Files. FNTI shall have reasonable access to any Southern Title files and records necessary to investigate and process claims under any Assumed Policies.

4.3 Estate Closing. Upon the closing of the estate, the Commission may allow FNTI to take possession of any such records in lieu of their destruction, or the Commission may limit the time period during which FNTI will have access to such records.

5. ASSUMPTION DATE

Assumption Date. The Assumption Date, which is also the effective date of this contract, shall be the later of (i) May 1, 2016, (ii) the date of approval of this Assumption Agreement by the Guaranty Association, or (iii) the date of the Commission's Final Approval of this Assumption Agreement. If the Commission fails to approve this Assumption Agreement, it shall be void.

6. NOTICE TO CLAIMANTS

6.1 Advertisement. At its expense, FNTI shall place advertisements in newspapers of general circulation in the following counties of Texas: Harris, Dallas, Tarrant, Travis, Hidalgo, Lubbock, Potter, Randall, Galveston, Bexar, Midland, Cameron, Smith, El Paso, and such other counties, if any, as FNTI deems appropriate. Such advertisements shall be substantially as indicated in the attached Exhibit A, and shall run one day per week for four consecutive weeks commencing within thirty (30) days of the Commission's Final Approval.

6.2 Web Site. FNTI agrees to establish or assume a web site in the name of Southern Title Insurance Corporation that will provide the information set out in Exhibit A. FNTI further agrees that it will maintain such web site for a period of at least ten (10) years from the effective date of this Assumption Agreement. Thereafter, FNTI will make the information set out in Exhibit A available on its own web site.

7. MISCELLANEOUS PROVISIONS

7.1 Further Assurances. Each party agrees to perform any further acts, and execute and deliver any further documents which may reasonably be necessary to carry out the provisions of this Assumption Agreement.

7.2 Captions. The captions used in connection with paragraphs of this Assumption Agreement are for convenience only and shall not be deemed to enlarge, limit, or otherwise modify the meaning of the language of this Assumption Agreement.

7.3 Entire Agreement. This document contains the entire understanding between the parties concerning the subject matter contained herein. There are no representations, agreements, arrangements, or understandings, oral or written, between the parties hereto relating to the subject matter of this Assumption Agreement which are not fully expressed herein.

7.4 Law and Venue. This Assumption Agreement is governed by and shall be construed under the laws of the state of Texas. Venue of any action to enforce or construe this Assumption Agreement shall lie exclusively in the state district courts of Travis County, Texas. However, prior to the closure of the receivership of Southern Title, the Commission shall have exclusive jurisdiction and venue to determine any disputes regarding this Assumption Agreement.

IN WITNESS WHEREOF, the parties have executed this Assumption Agreement on this the ____ day of _____ 2016, to become effective on the Assumption Date.

FIRST NATIONAL TITLE INSURANCE COMPANY

By: _____
Christopher Phillips
President

SOUTHERN TITLE INSURANCE CORPORATION,
IN RECEIVERSHIP

By: _____
John O. Cox
Special Deputy Receiver

TEXAS TITLE INSURANCE
GUARANTY ASSOCIATION

By: _____

Chairman

EXHIBIT A

**NOTICE TO ALL PERSONS INSURED BY
SOUTHERN TITLE INSURANCE CORPORATION**

Effective _____, 2016, First National Title Insurance Company has agreed to assume certain liabilities of Southern Title Insurance Corporation and predecessors in interest on policies insuring Texas properties only. Any claims which were previously filed with, or paid or rejected by the Receiver of Southern Title Insurance Corporation or the Texas Title Insurance Guaranty Association are not included. Persons who believe they have any claims may contact First National Title Insurance Company at the following address or telephone number:

First National Title Insurance Company
2400 Dallas Parkway, Suite 580
Plano, Texas 75093
(972) 588-1280
1-(888) 944-3684

EXHIBIT B

TEXAS LATE-FILED CLAIMS

CLAIM NUMBER	ADDRESS
2015-1004	8002 Colonial Lane, Houston, Texas 77051
2015-1006	2607 Ashington Drive, Houston, Texas 77067
2015-1015	11019 Sandstone Street, Houston, Texas 77072
2015-1047	1116 Noblewood Drive, Glenn Heights, Texas 75154
2015-1072	Anderson County Road 452, Palestine, Texas 75751
2015-1120	3817 Triumph, Fort Worth, Texas 76119
2015-1123	Lots 17 and 18, in Block 12 of Southland Addition
2015-1130	3502 North Winfree Street, Dayton, Texas 77535
2015-1143	3314 Magnolia Tr., Houston, Texas 77084
2015-1150	9435 Gillcross Way, San Antonio, Texas 78251
2015-1155	1050 Bayou Island Drive, Houston, Texas 77063
2015-1196	12919 Fawnway Drive, Houston, Texas 77048
2015-1222	6508 Cereus Court, Laredo, Texas 78043
2015-1226	3715 8th Avenue, Port Arthur, Texas 77642
2015-1233	3802 Glenn Ricki Drive, Houston, Texas 77045
2015-1258	5104 Avery Lane, McKinney, Texas 75070
2016-1005	Lots 4, 5, 6; Hitchcock, Texas 77563
2016-1011	2819 Blue Sky Street, Houston, Texas 77088
2016-1019	3002 Edgefield Court, Laredo, Texas 78045
2016-1029	3350 McCue Road, Apt. 1704, Houston, Texas 77056
2016-1069	1007 S. Loop 1604 West, San Antonio, Texas 78264
2016-1070	1818 Chacon Street, Laredo, Texas 78043
2016-1076	1100 Yale Circle, Plano, Texas 75075
2016-1081	19503 Blinka Road, Waller, Texas 77848
2016-1086	9430 Wolf Point, San Antonio, Texas 78251