

REPORT OF EXAMINATION  
OF THE  
ATLAS NATIONAL TITLE INSURANCE COMPANY  
AS OF  
DECEMBER 31, 2022

*Insurance Commissioner*

A handwritten signature in blue ink, appearing to read "Debra", is positioned to the right of the text "Insurance Commissioner".

Filed on August 28 , 2023

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Los Angeles, California  
August 25, 2023

Honorable Ricardo Lara  
Insurance Commissioner  
California Department of Insurance  
Sacramento, California

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

ATLAS NATIONAL TITLE INSURANCE COMPANY

(hereinafter also referred to as the Company). The Company's home office is located at 1 Corporate Park, Suite 200, Irvine, California 92606.

SCOPE OF EXAMINATION

We have performed our single-state examination of the Company. The previous qualifying examination of the Company was as of April 30, 2020. This examination covered the period from May 1, 2020 through December 31, 2022.

The examination was conducted in accordance with the National Association of Insurance Commissioners *Financial Condition Examiners Handbook (Handbook)*. The Handbook requires the planning and performance of the examination to evaluate the Company's financial condition, assess corporate governance, identify current and prospective risks, and evaluate system controls and procedures used to mitigate those risks. The examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial

statements included herein. If, during the course of the examination, an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes findings of fact and general information about the Company and its financial condition. There might be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), were not included within the examination report but separately communicated to other regulators and/or the Company.

### COMPANY HISTORY

The Company was licensed on July 23, 2020 and commenced writing business in the fourth quarter of 2020. The Company is wholly-owned by Central Legacy Holdings, Inc. (formerly Central Legacy Holdings, LLC), which is wholly-owned by FOM, LLC, which is owned 86.11% by GKAT, LLC and 13.89% by Massiebangsmassie, LLC. GKAT, LLC is owned 40% by The Alexandria Brianne Fairrington Living Trust, 40% by The Trevor Buzz Fairrington Living Trust, and 20% by The Gregory Fairrington and Kathryn Oates-Fairrington Living Trust.

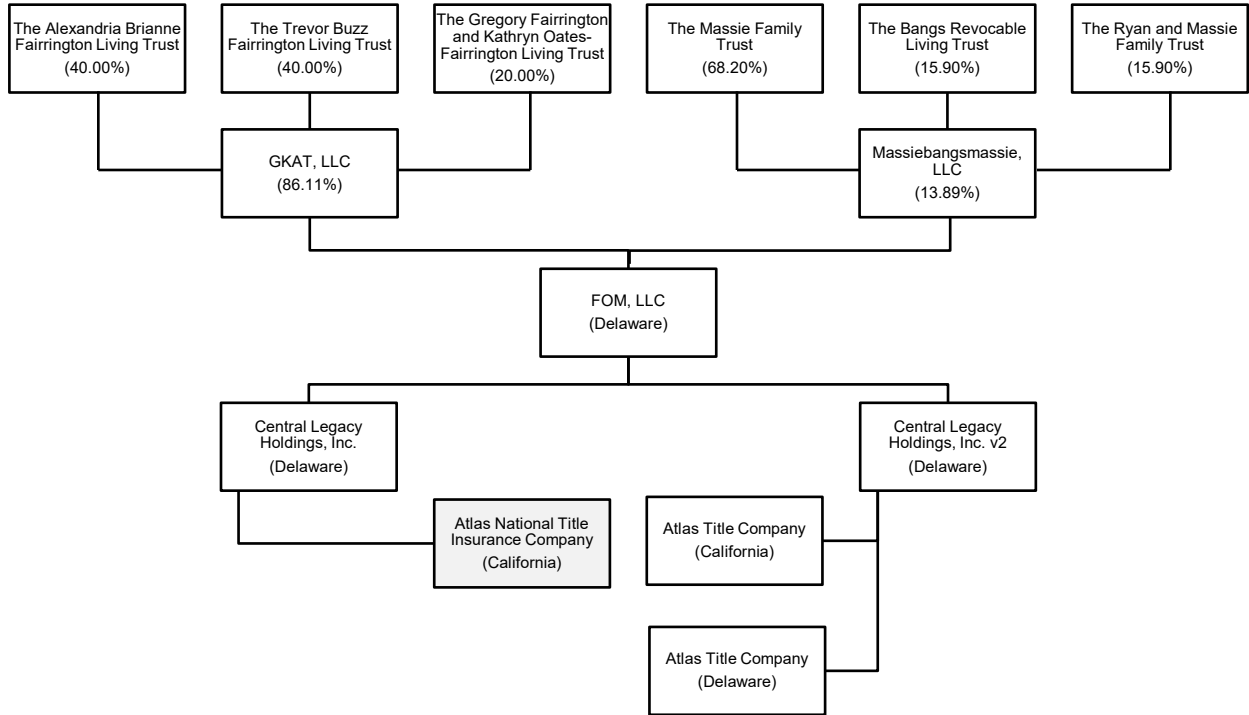
#### Capitalization

The Company has issued 80,000 shares with a par value of \$7, to Central Legacy Holdings, Inc. (CLH), at a purchase price of \$50 per share for a total consideration of \$4,000,000. The transaction resulted in recording of \$560,000 common capital stock and \$3,440,000 gross paid-in and contributed surplus. An additional capital contribution by CLH was made in the amount of \$100,000 on November 23, 2020.

### MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company system of which Alexandria B. Fairrington, Trevor B. Fairrington, Gregory Fairrington, and Kathryn Oates-Fairrington

are the ultimate controlling persons. Following is the organizational chart of the entities within the holding company system at December 31, 2022 (all ownership is 100% unless otherwise indicated):



The four members of the board of directors, who are to be elected annually per the bylaws, manage the business and affairs of the Company. Following are members of the board and principal officers of the Company serving at December 31, 2022:

Directors

Name and Location

Principal Business Affiliation

Greg S. Fairrington  
Loomis, California

Managing Member  
Central Legacy Holdings, Inc.

Trevor B. Fairrington  
Loomis, California

Member Shareholder  
GKAT, LLC

Ricky W. Massie  
College Grove, Tennessee

Member Shareholder  
Massiebangsmassie, LLC

Name and Location

Principal Business Affiliation

Ronald L. Frazier  
Corona Del Mar, California

President  
Atlas Title Insurance Company

Principal Officers

Name

Title

Ronald L. Frazier  
Robert P. Deli  
Jeffrey A. Sanderson

President and Chief Executive Officer  
Chief Financial Officer and Treasurer  
Secretary

Management Agreements

Intercompany Affiliated Service Agreement: The Company entered into an Intercompany Affiliated Service Agreement (Agreement) with its affiliate, Atlas Title Company of California (ATC), on July 29, 2020. Under the terms of the Agreement, the Company provides underwriting services, claim administrative services, and investment services to ATC. The Company and ATC share the facilities, accounting, tax and auditing services, and functional support services. The compensation shall be based on actual cost without a profit factor built into the cost. The indirect and shared expenses shall be allocated in accordance with a method of cost allocation in conformity with Statement of Statutory Accounting Principle No. 70. Any balance payable shall be settled within thirty (30) days after receiving the quarterly statement of the charges due for the services. The California Department of Insurance (CDI) approved the Agreement on August 18, 2020, pursuant to California Insurance Code (CIC) Section 1215.5(b)(4). The amounts paid by the Company for 2020, 2021, and 2022 were \$0, \$67,238, and \$92,346, respectively.

Issuing Agency Contract: The Company entered into an Issuing Agency Contract (Contract) with ATC on July 23, 2020. The purpose of the Contract is for ATC to issue reports, title insurance commitments, guarantees policies, endorsements, and any other products or services approved by the Company in all 58 counties in the state of California. Under the terms of the Contract, ATC retains 87% of the gross premiums on all title assurances issued as compensation and remits 13% of the gross premiums to the

Company. ATC shall report and remit premiums to the Company on a monthly basis. The CDI approved the Contract on August 20, 2020, pursuant to CIC Section 1215.5(b)(4).

### TERRITORY AND PLAN OF OPERATION

As of December 31, 2022, the Company was licensed to transact title business in California. Direct premiums written during 2022 totaled \$2,621,932, of which all was produced by its affiliated agency, Atlas Title Company of California. The Company offers title insurance products, primarily sale and refinance transactions in all 58 counties in California. In addition, the Company offers escrow settlement services.

### REINSURANCE

#### Assumed

The Company had no reinsurance assumed during the examination period.

#### Ceded

Effective December 4, 2020, the Company entered into an Excess of Loss Reinsurance Agreement with Westcor Land Title Insurance Company whereby it cedes a portion of certain policy and endorsements liabilities with face amounts greater than \$1,500,000, up to \$20,000,000. The Company retains 100% of premium on policies issued with face amounts up to \$1,500,000. The Company has had no ceding losses during the examination period.

### ACCOUNTS AND RECORDS

California Insurance Code (CIC) Sections 1200 and 1201 state that excess fund investments shall not be made unless authorized or approved by the Company's board of directors. Such authorization or approval shall be entered upon the records or minutes

of the Company, and a detail report shall be submitted to the board of directors at their next meeting.

The review of the board minutes for the examination period did not show authorization or approval made by the board for the investments of the Company. The Company acknowledged oversight of such process and will begin making it a part of their board of director meetings. It is recommended that the board of directors authorize or approve, and obtain a detailed report of the Company's investments during the meetings of the board of directors per CIC Sections 1200 and 1201.

### FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the California Department of Insurance and present the financial condition of the Company for the period ending December 31, 2022. The accompanying comments to the amounts reported in the annual statements should be considered an integral part of the financial statements. There were no adjustments made to the financial statements as a result of the examination.

Statement of Financial Condition as of December 31, 2022

Underwriting and Investment Exhibit for the Year Ended December 31, 2022

Reconciliation of Surplus as Regards Policyholders from April 30, 2020  
through December 31, 2022



Statement of Financial Condition  
as of December 31, 2022

<u>Assets</u>	<u>Ledger and Nonledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 1,004,049	\$	\$ 1,004,049	
Cash, cash equivalents, and short-term investments	3,748,533		3,748,533	
Uncollected premiums and agents' balances in the course of collection	2,870		2,870	
Net deferred tax asset	12,949		12,949	
Furniture and equipment	13,000	13,000	0	
Aggregate write-ins for other than invested assets	<u>6,207</u>	<u>6,207</u>	<u>0</u>	
 Total assets	 <u>\$ 4,787,608</u>	 <u>\$ 19,207</u>	 <u>\$ 4,768,401</u>	
 <u>Liabilities, Surplus and Other Funds</u>				
Statutory premium reserve			\$ 298,777	(1)
Supplemental reserve			228,223	(2)
Other expenses (excluding taxes, licenses, and fees)			34,000	
Taxes, licenses and fees (excluding federal and foreign income taxes)			8,021	
Net deferred tax liability			850	
Payable to parent, subsidiaries and affiliates			<u>36,560</u>	
 Total liabilities			 606,431	
Common capital stock	\$ 560,000			
Gross paid-in and contributed surplus		3,540,000		
Unassigned funds (surplus)		<u>61,970</u>		
Surplus as regards policyholders			<u>4,161,970</u>	
 Total liabilities, surplus and other funds			 <u>\$ 4,768,401</u>	

Operations and Investment Exhibit  
for the Year Ended December 31, 2022

Statement of Income

Operating Income and Expenses

Title insurance premiums earned	\$ 2,525,659
Expenses:	
Operating expenses incurred	<u>2,492,829</u>
Total operating expenses	<u>2,492,829</u>
Net operating gain	32,830

Investment Income

Net investment income earned	\$ 1,660
Net realized capital gains	<u>4,243</u>
Net investment gain	<u>5,903</u>

Other Income

Net income, after capital gains tax and before all other federal income taxes	38,733
Federal and foreign income taxes incurred	<u>(12,060)</u>
Net income	<u>\$ 50,793</u>

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2021	\$ 4,202,740
Net income	\$ 50,793
Change in net unrealized capital gains	1,062
Change in nonadmitted assets	3,537
Change in supplemental reserves	<u>(96,162)</u>
Change in surplus as regards policyholders for the year	<u>(40,770)</u>
Surplus as regards policyholders, December 31, 2022	<u>\$ 4,161,970</u>

Reconciliation of Surplus as Regards Policyholders  
from April 30, 2020 through December 31, 2022

Surplus as regards policyholders, April 30, 2020				\$ 4,000,000
	<u>Gain in Surplus</u>	<u>Loss in Surplus</u>		
Net income	\$ 308,522	\$		
Change in net unrealized capital gains or (losses)	878			
Change in nonadmitted assets		19,207		
Change in supplemental reserves		228,223		
Capital Changes: Paid-in	<u>100,000</u>			
Total gains and losses	<u>\$ 409,400</u>	<u>\$ 247,430</u>		
Net increase in surplus as regards policyholders				<u>161,970</u>
Surplus as regards policyholders, December 31, 2022				<u>\$ 4,161,970</u>

## COMMENTS ON FINANCIAL STATEMENT ITEMS

### (1) Statutory Premium Reserve

Pursuant to California Insurance Code (CIC) Section 12382.2, a title insurer must add to and set aside in its Statutory Premium Reserve (SPR) an amount equal to 4.5% of the sum of the following items: direct premiums written and other income as set forth in Schedule T, less premiums for reinsurance ceded during the year. The reserve is then amortized, or released from the reserve, the succeeding year, starting on July 1, at a rate of 10.0% for the first 5 years, 9.0% for the next 5 years, and 0.5% for the last 10 years, per CIC Section 12382.5(c).

A review of the Company's SPR calculation as of December 31, 2022 was performed. It was noted that the Company is amortizing, or releasing its SPR in the same year that it is being added. The amortization calculation did not comply with the CIC Section 12382.5(c) and resulted in an understatement of \$35,904. However, the amount of the understatement is not considered material and there is no significant financial impact to the Company. Furthermore, the Company acknowledged the miscalculation and made the correction in the subsequent filed quarterly reporting. It is recommended that the Company evaluate the process and procedures for calculating the SPR to ensure future compliance with CIC Section 12382.5(c).

### (2) Supplemental Reserve

Statements of Statutory Accounting Principles No. 57, Paragraph 10, states that if the actuarially determined liability exceeds the sum of the known claims reserve (KCR) and SPR, a supplemental reserve shall be established equal to the difference between these sums. The Company did not report any incurred losses during the period under examination; hence, there was no KCR established. The actuarially determined liability was reported as the supplemental reserve and accepted for the purpose of the examination.

## SUBSEQUENT EVENTS

In August 2023, the California Department of Insurance (CDI) gave written consent to the transfer of 13.89% of FOM, LLC's shares to GKAT, LLC. This transaction involves GKAT, LLC, purchasing the remaining 13.89% shares of FOM, LLC, from the current owner Massiebangsmassie, LLC, for \$2,500,000. The purchase of 13.89% of FOM, LLC's shares will be paid in cash, with no debt or liabilities incurred by the acquiring persons or affiliates. This transfer met the requirements for a Form A exemption by the CDI as it resulted in the ultimate controlling persons remaining the same within the holding company system.

## SUMMARY OF COMMENTS AND RECOMMENDATIONS

### Current Report of Examination

Accounts and Records (Page 5): It is recommended that the Board of Directors authorize or approve, and obtain a detailed report of the Company's investments during the meetings of the Board of Directors per California Insurance Code (CIC) Sections 1200 and 1201.

Comments on Financial Statement Items – Statutory Premium Reserve (Page 10): It is recommended that the Company evaluate the process and procedures for calculating the SPR to ensure future compliance with CIC Section 12382.5(c).

### Previous Report of Examination

None.

## ACKNOWLEDGMENT

Acknowledgment is made of the cooperation and assistance extended by the Company's officers and employees during the course of this examination.

Respectfully submitted,

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Eric Coria  
Examiner-In-Charge  
Associate Insurance Examiner  
Department of Insurance  
State of California

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Vivien Fan, CFE, CFE  
Bureau Chief  
Department of Insurance  
State of California