

REPORT OF EXAMINATION  
OF THE  
CALIFORNIA MEMBERS TITLE  
INSURANCE COMPANY  
AS OF  
DECEMBER 31, 2024

*Commissioners Signature*

A handwritten signature in blue ink, appearing to be 'D. DeLoe', written over a horizontal line.

Filed on June 8, 2026

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Los Angeles, California  
April 24, 2026

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

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

**CALIFORNIA MEMBERS TITLE INSURANCE COMPANY**

(hereinafter also referred to as the Company). Its home office is located at 701 North Brand Boulevard, Glendale, California, 91203.

**SCOPE OF EXAMINATION**

We have performed our single-state examination of the Company. The previous examination of the Company covered the period of January 1, 2016 through December 31, 2019. This examination covers the period from January 1, 2020 through December 31, 2024.

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. An 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 incorporated on February 26, 2014, under the laws of the State of California. The Company received its Certificate of Authority from the California Department of Insurance on July 22, 2015, to transact title insurance business and began operations in October 2015.

#### Capitalization

The Company is authorized to issue 100,000 shares of \$100 par value common stock. As of December 31, 2024, there are 10,000 shares issued and outstanding.

#### Capital Contributions

The Company made cash capital contributions of \$800,000 and \$1,400,000 to its wholly-owned subsidiary, California Members Title Company (CMTC), on September 30, 2022, and March 31, 2023, respectively.

On January 31, 2024, the Company received a cash capital contribution in the amount of \$481,810 from its parent, California Credit Union. The Company made a corresponding cash capital contribution of \$900,000 to CMTC.

## MANAGEMENT AND CONTROL

The Company's sole shareholder is California Members Holding Company, which is wholly-owned by California Credit Union (CCU), a California non-profit corporation. CCU is a member-owned credit union licensed by the State of California, and no individual holds 10% or more of its voting securities.

The following organizational chart depicts the Company's relationship within the holding company system as of December 31, 2024 (all ownership is 100%):

California Credit Union  
California Members Holding Company  
**California Members Title Insurance Company (California)**  
California Members Title Company

The six members of the board of directors, who were elected annually by the shareholders until 2021, oversee the business and affairs of the Company. As discussed in further details in the ACCOUNTS AND RECORDS section in the report below, after 2021, the Company suspended the annual election of the board by the shareholder. Following are members of the board and principal officers of the Company serving as of December 31, 2024.

### Directors

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
John D. Bretthauer Santa Clarita, California	Executive Vice President and Chief Administration Officer California Credit Union
Richard Hubeny El Cajon, California	Executive Vice President, Chief Lending Officer California Credit Union
Hudson L. Lee Carlsbad, California	Executive Vice President and Chief Risk Officer California Credit Union

Directors (Continued)

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
Mark L. Lovewell Glendale, California	Executive Vice President, Chief Financial Officer, and President of CUSO Operations California Credit Union
Robert C. O'Grady Del Mar, California	Executive Vice President and Chief Operating Officer California Credit Union

Principal Officers

<u>Name</u>	<u>Title</u>
Frank J. Berriz	President and Chief Executive Officer
John D. Bretthauer	Secretary
Mark L. Lovewell	Treasurer

Management Agreements

Administrative Services Agreement and Cost Sharing Agreement: Effective July 30, 2015, an Administrative Services and Cost Sharing Agreement (Cost Sharing Agreement) was entered between the Company and California Credit Union (CCU). Under the terms of the agreement, CCU provides the Company with the following services: financial statement preparation, budget and cost accounting, human resources, payroll, office services, computer services, tax compliance, treasury services, legal and accounting, investment management services, and other services. The agreement was approved by the California Department of Insurance (CDI) on July 22, 2015, as required under California Insurance Code (CIC) Section 1215.5(b)(4). Fees paid by the Company for these services at cost for the years 2020, 2021, 2022, 2023, and 2024 were \$29,800, \$31,004, \$31,104, \$23,159, and \$31,702 respectively.

Article 3 of the agreement provides that expenses should be allocated on a cost basis. Directly identifiable cost (e.g. filing fees, postage, software Information Technology, accounting and hardware) are charged to the entity that incurred them. When costs

cannot be directly assigned (e.g. salaries and related employee benefits) they are allocated based on human resources utilization. This allocation study must be updated at least semi-annually. During the period under examination, the Company did not conduct the required allocation studies. It is recommended that the Company either fully comply with the agreement or amend it to reflect current operational needs.

Assignment and Assumption Agreement: Effective February 20, 2019, the Company, CCU, and California Members Title Company (CMTC), entered into an Assignment and Assumption Agreement. Under the terms of the agreement, the Company assigned to CMTC all of the Company's rights and obligations under the Cost Sharing Agreement, and CMTC assumed and agreed to pay to CCU all of the Company's obligations under that Cost Sharing Agreement. The Company did not submit the agreement to the CDI for prior approval pursuant to CIC Section 1215.5(b)(4). However, the agreement was subsequently amended by the First Amended Addendum to the Assignment and Assumption Agreement (Addendum), effective May 4, 2022. The Addendum was approved by the CDI on April 4, 2022, pursuant to CIC Section 1215.5(b)(4). This Addendum reflected each company's respective functions and obligations more accurately than the original agreement by, among other things, (i) amending the scope of the assignment language to exclude assigning title insurer functions (e.g., certain underwriting functions, claims, and insurance reporting) to CMTC, (ii) affirming the separate Cost Sharing Agreements CCU has with the Company and CMTC, and (iii) confirming that the proper tenant under the lease is CMTC. On April 1, 2025, CMTC was sold to ITC Holdings, an unaffiliated entity, and the agreement was terminated.

Non-Exclusive Title Insurance Issuing Agency Agreement: Effective October 1, 2016, the Company and CMTC entered into a Non-Exclusive Title Insurance Issuing Agency Agreement. Under the terms of the agreement, CMTC will issue, on behalf of the Company, title insurance policies to its customers as a non-exclusive agent in 58 counties in the State of California. Under the terms of the agreement, CMTC keeps 88% of the premium. CMTC will remit to the Company 12% of the total premiums generated from title insurance products. On April 1, 2025, CMTC was sold to ITC Holdings, an unaffiliated entity, and the agreement was terminated.

## TERRITORY AND PLAN OF OPERATION

The Company is only licensed to transact title insurance business in the State of California. Since receiving its Certificate of Authority from the California Department of Insurance in July 2015, the Company's written premium volume steadily increased each year until 2022, when the volume began to decrease. The decrease in volume is the result of the Company's decision to cease operations. The direct written premiums for the examination period are shown below:

<u>Year</u>	<u>Direct Premium Written</u>
2020	\$ 3,641,000
2021	\$ 4,139,000
2022	\$ 1,999,000
2023	\$ 727,000
2024	\$ 25,000

## REINSURANCE

### Assumed and Ceded

The Company did not assume or cede reinsurance during the period covered by this examination.

## ACCOUNTS AND RECORDS

### Annual Statement Instructions

California Insurance Code (CIC) Section 923, requires, in part, that every insurer doing business in California file its annual and quarterly statements in accordance with the National Association of Insurance Commissioner (NAIC) Annual Statement Instructions. The NAIC 2024 Annual Statement Instruction for the Jurat Page states that officers, directors, trustees, and any other positions in primary policy-making or managerial roles be identified. The Company failed to properly identify all of its directors on its Annual Statement Jurat Page under the "Directors or Trustees" section. It is recommended that the Company take steps to ensure future compliance with CIC Section 923 and follow the NAIC Annual Statement Instructions.

### Timely Filing of Annual Statements

CIC Section 900(a) requires, in part, that every insurer doing business in California files its annual financial statements with the Insurance Commissioner on or before March 1 each year. The Company failed to meet the filing deadline for the submission of its 2025 annual financial statements to the Insurance Commissioner. It is recommended that the Company implement procedures to ensure the timely filing of its annual financial statements with the Insurance Commissioner to ensure compliance with CIC Section 900(a).

### Annual Information Statement

CIC Section 700(c) requires that, after receiving a certificate of authority, an insurer must continue to comply with all applicable California laws governing its business. To establish the Company's continuing qualification to hold a California Certificate of Authority, the insurer must file an Annual Information Statement (AIS) by April 1st of the present calendar year covering the period from the prior calendar year. The Company failed to file the required AIS for all years under examination. It is recommended that the Company implement procedures to ensure future timely filing of its AIS with the California Department of Insurance (CDI), in accordance with the requirements of CIC Section 700(c).

### Annual Registration Statement (Form B) Filing

CIC Section 1215.4(b) requires, in part, that every insurer subject to registration file an annual registration statement with the commissioner on a form and in a format prescribed by the NAIC. The annual registration statement (Form B), Item 5 – Transactions and Agreements, provides that the description of the agreements in force shall include, among other things, the nature and amounts of payments between related parties. Based on a review of the Company's Form B filed with the CDI, the Company did not report the amount of payments between related parties as required by CIC Section 1215.4(b). It is recommended that the Company comply with CIC Section 1215.4(b) in future Annual Registration Statement filings and report the amount of payments between related

parties.

#### Timely Compliance with Examination Requests

CIC Section 734 states that every company or person from whom information is sought, and its officers, directors, employees, and agents, shall provide to the examiners appointed pursuant to this article, timely, convenient, and free access at all reasonable hours at its offices to all books, records, accounts, papers, documents, and any or all computer or other recordings relating to the property, assets, business, and affairs of the company being examined. During the course of this examination, the Company failed to provide the requested examination information and documents in a timely manner. It is recommended that the Company implement procedures to comply with CIC Section 734.

#### Bylaws – Shareholders and Board of Directors Annual Meetings

The Company's Bylaws – Article II. Shareholders, Section 2. Annual Meeting, requires that the board of directors set the annual shareholders' and the board of directors' meeting between March 1<sup>st</sup> and June 1<sup>st</sup>. The election of directors and officers takes place at these meetings. Based on the review of the meeting minutes, it was observed that the Company suspended holding board meetings after September 2024. It was also observed that the shareholders did not hold the required annual meeting in 2022, 2023, 2024, and 2025. It is recommended that the Company comply with its Bylaws by reinstating its annual shareholders' and board of directors' meetings, electing its directors and officers annually, and maintaining complete minutes of such meetings.

## FINANCIAL STATEMENTS

The following 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, 2024. The accompanying comments reflect any examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements.

Statement of Financial Condition as of December 31, 2024

Operation and Investment Exhibit for the Year Ended December 31, 2024

Reconciliation of Surplus as Regards Policyholders from December 31, 2019  
through December 31, 2024

Analysis of Changes to Surplus as of December 31, 2024

Statement of Financial Condition  
as of December 31, 2024

<u>Assets</u>	<u>Ledger and Nonledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 607,943	\$	\$ 607,943	
Common stocks	366,132		366,132	
Cash	647,559		647,559	(1)
Investment income due and accrued	1,094		1,094	
Net deferred tax asset	342,083	342,083	0	
Receivables from parent, subsidiaries and affiliates	29,625		29,625	
Aggregate write-ins for other-than-invested assets	<u>9,172</u>	<u>9,172</u>	<u>0</u>	
Total assets	<u>\$ 2,003,607</u>	<u>\$ 351,255</u>	<u>\$ 1,652,353</u>	
 <u>Liabilities, Surplus, and Other Funds</u>				
Known claims reserve			0	(2)
Statutory premium reserve			431,455	(2)
Supplemental reserve			241,470	(2)
Payable to parent, subsidiaries, and affiliates			<u>40,924</u>	
Total liabilities			713,849	
Common capital stock			1,000,000	
Gross paid-in and contributed surplus			7,491,810	
Unassigned funds (surplus)			<u>(7,563,306)</u>	
Surplus as regards policyholders			<u>938,505</u>	(3)
Total liabilities, Surplus, and other funds			<u>\$ 1,642,353</u>	

Operations and Investment Exhibit for  
the Year Ended December 31, 2024

Statement of Income

Operating Income

Title insurance premiums earned	\$ 95,392	
Escrow and settlement services	<u>4,810</u>	
Total operating Income		\$ <u>100,202</u>

Expenses

Operating expenses incurred	\$ <u>272,942</u>	
Total operating expenses		\$ <u>272,942</u>
Net operating loss		<u>(172,740)</u>

Investment Income

Net investment income earned	\$ <u>11,915</u>	
Net investment gain		11,915
Net loss after dividends to policyholders, after capital gains tax and before federal and foreign income taxes		<u>(160,825)</u>
Net loss		<u>\$ (160,825)</u>

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2023		\$ 1,149,696
Net loss	\$ (160,825)	
Change in net unrealized capital losses	(533,868)	
Change in net deferred income tax	(44,303)	
Change in nonadmitted assets	45,994	
Surplus adjustments – Paid-in	<u>481,810</u>	
Change in surplus as regards policyholders for the year		<u>(211,192)</u>
Surplus as regards policyholders, December 31, 2024		<u>\$ 938,505</u>

Reconciliation of Surplus as Regards Policyholders from  
December 31, 2019 through December 31, 2024

Surplus as regards policyholders, December 31, 2019					\$ 4,697,498
	<u>Gain in Surplus</u>	<u>Loss in Surplus</u>			
Net income	\$ 284,798	\$			
Change in net unrealized capital losses			4,409,411		
Change in net deferred income tax	342,083				
Change in nonadmitted assets			342,667		
Change in supplemental reserves			115,608		
Surplus adjustments: Paid-in	<u>481,810</u>				
Total gains and losses	<u>\$ 1,108,691</u>	<u>\$</u>	<u>4,867,686</u>		
Net decrease in surplus as regards policyholders					<u>(3,758,995)</u>
Surplus as regards policyholders, December 31, 2024					<u>\$ 938,505</u>

## COMMENTS ON FINANCIAL STATEMENT ITEMS

### (1) Cash, Cash Equivalents and Short-Term Investments

Statement of Statutory Accounting Principles (SSAP) No. 4 defines an admitted asset as a present right to an economic benefit, with the reporting entity controlling the right and its availability to meet financial requirements. The Company reported a \$10,000 cash account that was held in the name of California Members Holding Company, its parent. This cash account does not meet the definition of admitted assets per SSAP No. 4. Given the immateriality of the amount, no adjustment to the 2024 financial statements was made. It is recommended that the Company comply with SSAP No. 4.

### (2) Known Claims Reserve, Statutory Premium Reserve, and Supplemental Reserve

The Company qualified for an exemption from filing a 2024 Statement of Actuarial Opinion under the National Association of Insurance Commissioners' 2024 Title Annual Statement Instructions. The exemption applies to companies with less than \$1,000,000 in total direct plus assumed written premiums during a calendar year and less than \$1,000,000 in total direct plus assumed loss and loss adjustment expense reserves at year-end. Since inception, the Company has not experienced any loss activity. In 2023, the Company initiated a winding down of operation and discontinued the issuance of policies. The Company maintains a stable reserve balance and there has been no indication of material adverse development. The Company's known claims reserve, statutory premium reserve, and supplemental reserve as of December 31, 2024, were found to be reasonably stated and have been accepted for purposes of this examination.

### (3) Surplus as Regards Policyholders

Pursuant to California Insurance Code (CIC) Sections 700.02 and 12359, a domestic title insurer must maintain a minimum of \$500,000 in paid in capital and an additional \$500,000 in surplus, for a total minimum financial requirement of \$1,000,000. Based on the Company's December 31, 2024, financial statements, the Company reported policyholders surplus of \$938,505 and did not meet the minimum capital requirement. In April 2025, the Company received \$900,000 cash from the sale of its subsidiary,

California Members Title Company, which restored compliance with the minimum capital requirement. It is recommended that the Company implement procedures to maintain its compliance with CIC Sections 700.02 and 12359.

### SUBSEQUENT EVENTS

On April 1, 2025, California Members Title Company, a wholly-owned subsidiary, was sold to ITC Holdings, Inc., a non-affiliated entity for \$2,100,000. Of this amount, \$900,000 was paid at closing, and the remaining \$1,200,000 was deferred to be paid every 3 months over 18 months. As of the date of this report, the Company has received \$800,000 of the \$1,200,000 that was deferred.

### SUMMARY OF COMMENTS AND RECOMMENDATIONS

#### Current Report of Examination

Management Agreements – Administrative Services Agreement and Cost Sharing Agreement (Page 5): It is recommended that the Company either fully comply with the agreement or amend it to reflect current operational needs.

Accounts and Records – Annual Statement Instructions (Page 6): It is recommended that the Company take steps to ensure future compliance with California Insurance Code (CIC) Section 923 and follow the National Association of Insurance Commissioners (NAIC) Annual Statement Instructions.

Accounts and Records – Timely Filing of Annual Statements (Page 7): It is recommended that the Company implement procedures to ensure the timely filing of its annual financial statements with the Insurance Commissioner to ensure compliance with CIC Section 900(a).

Accounts and Records – Annual Information Statement (Page 7): It is recommended that the Company implement procedures to ensure future timely filing of its Annual Information Statement with the California Department of Insurance (CDI) in accordance with the requirements of CIC Section 700(c).

Accounts and Records – Annual Registration Statement (Page 7): It is recommended that the Company comply with CIC Section 1215.4(b) in future Annual Registration Statement filings and report the amount of payments between related parties.

Accounts and Records – Timely Compliance with Examination Requests (Page 8): It is recommended that the Company implement procedures to comply with CIC Section 734.

Accounts and Records – Bylaws (Page 8): It is recommended that the Company comply with its Bylaws by reinstating its annual shareholders' and board of directors' meetings, electing its directors and officers annually, and maintaining complete minutes of such meetings.

Comments to Financial Statement – Cash, Cash Equivalents and Short-Term Investments (Page 13): It is recommended that the Company comply with SSAP No. 4.

#### Previous Report of Examination

Management Agreements (Page 4) – It was recommended that the Company file the Assignment and Assumption Agreement with the CDI pursuant to CIC Section 1215.5(b)(4). The Company amended this agreement with its First Amended Addendum to the Assignment and Assumption Agreement, effective May 4, 2022, and approved by the CDI on April 4, 2022.

Accounts and Records – (Page 6): It was recommended that the Company adhere to all Annual Statement instructions pursuant to the NAIC Annual Statement Instructions. The Company complied with the specific recommended NAIC Annual Statement instructions; however, during the current examination, a separate instance of noncompliance was observed.

ACKNOWLEDGMENT

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

Respectfully submitted,

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Cuauhtémoc Beltran, CFE  
Examiner-In-Charge  
Senior Insurance Examiner, Supervisor  
Department of Insurance  
State of California

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Sayaka Dillon, CFE  
Bureau Chief  
Department of Insurance  
State of California