

REPORT OF LIMITED SCOPE EXAMINATION  
OF THE  
REAL ADVANTAGE TITLE INSURANCE COMPANY  
AS OF  
DECEMBER 31, 2023

*Insurance Commissioner*

A handwritten signature in blue ink, appearing to be "P. Dela", is written over a faint rectangular stamp.

Filed on November 15, 2022

## TABLE OF CONTENTS

|                                                                                                                | <u>PAGE</u> |
|----------------------------------------------------------------------------------------------------------------|-------------|
| SCOPE OF EXAMINATION .....                                                                                     | 1           |
| COMPANY HISTORY: .....                                                                                         | 2           |
| Capitalization .....                                                                                           | 2           |
| MANAGEMENT AND CONTROL:.....                                                                                   | 3           |
| Management Agreements.....                                                                                     | 4           |
| Related-Party Transaction .....                                                                                | 6           |
| TERRITORY AND PLAN OF OPERATION.....                                                                           | 6           |
| REINSURANCE: .....                                                                                             | 7           |
| Assumed.....                                                                                                   | 7           |
| Ceded .....                                                                                                    | 7           |
| ACCOUNTS AND RECORDS.....                                                                                      | 7           |
| FINANCIAL STATEMENTS: .....                                                                                    | 8           |
| Statement of Financial Condition as of December 31, 2023 .....                                                 | 9           |
| Underwriting and Investment Exhibit for the Year Ended December 31, 2023 .....                                 | 10          |
| Reconciliation of Surplus as Regards to Policyholders from December 31, 2021<br>through December 31, 2023..... | 11          |
| COMMENTS ON FINANCIAL STATEMENT ITEMS:.....                                                                    | 12          |
| Bonds.....                                                                                                     | 12          |
| Common Stocks.....                                                                                             | 12          |
| Cash and Short-Term Investments .....                                                                          | 12          |
| Known Claims Reserve.....                                                                                      | 12          |
| Statutory Premium Reserve .....                                                                                | 12          |
| Supplemental Reserve.....                                                                                      | 12          |
| SUMMARY OF COMMENTS AND RECOMMENDATIONS: .....                                                                 | 13          |
| Current Report of Examination .....                                                                            | 13          |
| Previous Report of Examination .....                                                                           | 13          |
| SUBSEQUENT EVENTS .....                                                                                        | 17          |
| ACKNOWLEDGMENT .....                                                                                           | 18          |

Los Angeles, California  
October 18, 2024

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

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

REAL ADVANTAGE TITLE INSURANCE COMPANY

(hereinafter also referred to as the Company). The Company's statutory home office and primary location of its books and records is located at 1551 North Tustin Avenue, Suite 300, Santa Ana, California 92705.

SCOPE OF EXAMINATION

We have performed our multi-state limited-scope examination of the Company. This limited-scope examination covers the period from January 1, 2022 through December 31, 2023. The previous full-scope examination was conducted by the California Department of Insurance as of December 31, 2021.

The limited-scope examination was conducted in accordance with the National Association of Insurance Commissioner's (NAIC) *Financial Condition Examiners Handbook (Handbook)*. This scope of the examination is limited to verification of the previous examination findings and compliance with NAIC Annual Statement Instructions, Statement of Statutory Accounting Principles, and the California Insurance Code.

## COMPANY HISTORY

The Company was incorporated in Ohio on January 24, 1985, as Olympic Title Insurance Company. On June 22, 2011, Orange Coast Title Company, a California domiciled underwritten title company, purchased the Company's immediate parent, Olympic Holding Company, LLC, a Delaware limited liability company. Subsequently, on August 25, 2011, the Company's name was changed to Real Advantage Title Insurance Company. On February 19, 2014, the Company re-domesticated from Ohio to California.

During the first quarter of 2022, an internal reorganization occurred within the Orange Coast Holding System. The membership interests of Real Advantage Holding, LLC (RAH), the immediate parent of the Company, were transferred from Orange Coast Title Company (OCTC) to The Orange Coast Company, LLC (TOCC). As a result, RAH became a direct wholly-owned subsidiary of TOCC. The ultimate controlling parties of TOCC remained unchanged, consisting of First American Title Insurance Company, John L. Marconi, and a group of management individuals. This internal reorganization was approved by the California Department of Insurance in a letter dated February 2, 2022.

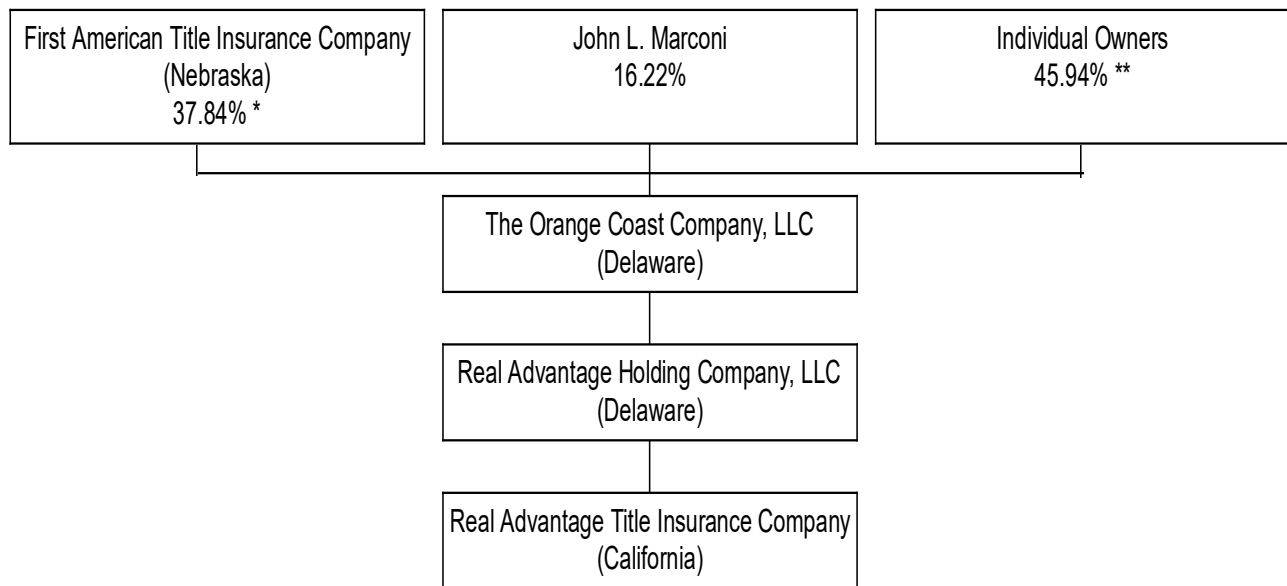
Following the internal reorganization, TOCC sold its ownership interests in OCTC, except for RAH, to Tempo Title, LLC, a Michigan limited liability company doing business as Acrisure Real Estate Services. As a result of this sale, the affiliated relationship between the Company and OCTC was dissolved.

### Capitalization

The Company is authorized to issue 300,000 shares of common stock with a par value of \$100 per share. As of December 31, 2023, there were 22,000 shares issued and outstanding.

## MANAGEMENT AND CONTROL

The Company is owned by Real Advantage Holding Company, LLC (RAH), a California limited liability company. Mr. John L. Marconi is the ultimate controlling person. The following organizational chart shows the Company's relationship within the holding company system as of December 31, 2023. All ownership is 100% unless otherwise stated.



\*A disclaimer of affiliation was filed with the California Department of Insurance for First American title Insurance Company on May 31, 2023.

\*\*Within the individual owners' group, only two individuals hold a 10% or greater interest in The Orange Coast Company, LLC: Richard D. Macaluso (21.62%) and Michael J. Marconi (10.81%) as of December 31, 2023.

The five members of the board of directors, who are elected annually, manage the business and affairs of the Company. Following are members of the board and principal officers of the Company serving on December 31, 2023:

### Directors

| <u>Name and Location</u>                         | <u>Principal Business Affiliation</u>                                                                          |
|--------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| William D. Burding, Jr.<br>Santa Ana, California | Executive Vice President and<br>General Counsel<br>Real Advantage Title Insurance Company                      |
| Valsa Jacob<br>Santa Ana, California             | Executive Vice President,<br>Chief Financial Officer, and Controller<br>Real Advantage Title Insurance Company |
| Richard D. Macaluso<br>Santa Ana, California     | Co-Chief Executive Officer<br>Real Advantage Title Insurance Company                                           |
| John L. Marconi<br>Santa Ana, California         | Co-Chief Executive Officer and<br>Chairman of the Board<br>Real Advantage Title Insurance Company              |
| Michael J. Marconi<br>Santa Ana, California      | President and Chief Operating Officer<br>Real Advantage Title Insurance Company                                |

### Principal Officers

| <u>Name</u>             | <u>Title</u>                                                        |
|-------------------------|---------------------------------------------------------------------|
| Richard D. Macaluso     | Co-Chief Executive Officer                                          |
| John L. Marconi         | Co-Chief Executive Officer                                          |
| Michael J. Marconi      | President and Chief Operating Officer                               |
| William D. Burding, Jr. | Executive Vice President and General<br>Counsel                     |
| Valsa Jacob             | Executive Vice President, Chief Financial<br>Officer and Controller |

### Management Agreements

Amended and Restated Administrative Services Agreement: Effective January 9, 2014, the Company entered into an Amended and Restated Administrative Services Agreement

(Agreement) with its then parent, Orange Coast Title Company (OCTC). Under the terms of this Agreement, OCTC provides the use of equipment, facilities, and services, including accounting, auditing, underwriting, claims management, regulatory, financial, litigation management, fraud investigation, communications, management reporting, administering payroll and benefits, data processing, actuarial, and information technology. For compensation, the actual cost of these services is charged to the Company and settled monthly. The California Department of Insurance (CDI) approved this Agreement on February 19, 2014, in connection with the Company's application for license and re-domestication.

Following the dissolution of the affiliated relationship between the Company and OCTC in 2022, the Company has continued to engage OCTC for non-affiliated services. As a result of the change in affiliated status, the Company is working on a new agreement to clarify the terms of responsibility and compensation. The total fees paid for the non-affiliated services under the 2014 agreement in 2022 and 2023 were \$1,613,585 and \$605,236, respectively.

**Tax Sharing Agreement:** Effective April 3, 2014, the Company entered into a Tax Sharing Agreement (TSA) with OCTC and other affiliates. Under the terms of the TSA, participants in the group file a consolidated federal income tax return. OCTC was responsible for filing and making federal income tax payments on behalf of the participants. Allocation of taxes was based on separate return calculations with tax balance payable or receivable being settled in amounts as if separate returns were filed. Tax payments or refunds were settled no later than 30 days after the filing date of the consolidated federal income tax return. The CDI approved this agreement on April 3, 2014.

Following the dissolution of the affiliated relationship between the Company and OCTC in 2022, the Company began filing its taxes separately. The federal tax payments for 2022 and 2023 were \$349,000 and \$153,720, respectively.

### Related-Party Transaction

Amended Issuing Agency Agreement: Effective December 14, 2016, the Company entered into an Amended Issuing Agency Agreement (Agency Agreement) with OCTC. Under the terms of this Agency Agreement, OCTC is appointed as an issuing agent to issue title insurance policies on behalf of the Company. For compensation, the Company pays a fee of 88% of the title insurance premium for businesses of centralized lenders and preferred client refinance and 85% of the title insurance premium of others to OCTC. The CDI approved this amended Agency Agreement in a letter dated December 14, 2016. For the years 2022 and 2023, the total fees paid under the Agency Agreement were \$70,465,269 and \$52,130,699, respectively.

### TERRITORY AND PLAN OF OPERATION

The Company is currently licensed in the following thirty states as of December 31, 2023:

|            |           |             |                |                |               |
|------------|-----------|-------------|----------------|----------------|---------------|
| Alabama    | Indiana   | Minnesota   | Nevada         | Oklahoma       | Utah          |
| Arizona    | Kansas    | Mississippi | New Jersey     | South Carolina | Virginia      |
| California | Louisiana | Missouri    | North Carolina | South Dakota   | Washington    |
| Colorado   | Maryland  | Montana     | North Dakota   | Tennessee      | West Virginia |
| Georgia    | Michigan  | Nebraska    | Ohio           | Texas          | Wisconsin     |

The Company writes only title insurance business. The majority of its business is written by formally affiliated underwritten title agencies. In 2021, the Company created an Outside Agency Division (OAD) to develop a team of outside agencies to market its title business. There were no premiums written utilizing OAD since its establishment.

Direct premiums written for 2023 were \$60,244,748. Of this amount, 59.2%, or \$35,656,353, was written in California, 17.9%, or \$10,811,023, was written in Nevada, and 9.3%, or \$5,599,382, was written in Utah. These three states represent 86.4% of the total direct premiums written nationwide.

## REINSURANCE

### Assumed

The Company does not assume reinsurance.

### Ceded

The Company is a party to a Reinstatement Premium Protection Excess of Loss Reinsurance Agreement with various Lloyd's syndicates as of December 31, 2023. The Company's retention is \$2,000,000 with a loss limit of \$20,000,000.

## ACCOUNTS AND RECORDS

The Company's financial reporting in the 2023 Annual Statement has significantly improved and is now considered reliable. The Company followed the guidelines provided by the California Department of Insurance (CDI). While minor discrepancies and differing interpretations of Statements of Statutory Accounting Principles were identified during the examination, the Company promptly corrected them. It is again recommended that the Company continue to implement controls and procedures to ensure full compliance with the National Association of Insurance Commissioner (NAIC) Annual Statement Instructions, Accounting Practices and Procedures (AP&P) Manual and implement procedures to ensure that accurate and adequate information is provided in all future filings to comply with regulatory requirements.

## FINANCIAL STATEMENTS

The following financial statements represent the statutory financial statements filed by the Company with the California Department of Insurance and the financial condition of the Company for the period ending December 31, 2023.

Statement of Financial Condition as of December 31, 2023

Underwriting and Investment Exhibit for the Year Ended December 31, 2023

Reconciliation of Surplus as Regards Policyholders from December 31, 2021  
through December 31, 2023

Statement of Financial Condition  
as of December 31, 2023

| <u>Assets</u>                                                | <u>Ledger and<br/>Nonledger Assets</u> | <u>Assets Not<br/>Admitted</u> | <u>Net Admitted<br/>Assets</u> | <u>Notes</u> |
|--------------------------------------------------------------|----------------------------------------|--------------------------------|--------------------------------|--------------|
| Bonds                                                        | \$ 18,373,961                          | \$                             | \$ 18,373,961                  | (1)          |
| Common stocks                                                | 3,999,184                              |                                | 3,999,184                      | (1)          |
| Real Estate: properties held for the production of<br>income | 1,928,428                              |                                | 1,928,428                      |              |
| Cash and short-term investments                              | 7,599,792                              |                                | 7,599,792                      | (1)          |
| Other invested assets                                        | 50,000                                 | 50,000                         | 0                              |              |
| Investment income due and accrued                            | 138,024                                | 5,764                          | 132,260                        |              |
| Premiums and agents' balances in course of<br>collection     | 206,148                                | 106,421                        | 99,727                         |              |
| Net deferred tax asset                                       | 856,508                                | 251,220                        | 605,288                        |              |
| Furniture and equipment                                      | 38,628                                 | 38,628                         | 0                              |              |
| Aggregate write-ins for other than invested assets           | 2,210,841                              | 2,125,775                      | 85,066                         |              |
| Total assets                                                 | <u>\$ 35,401,514</u>                   | <u>\$ 2,577,808</u>            | <u>\$ 32,823,706</u>           |              |
| <br><u>Liabilities, Surplus, and Other Funds</u>             |                                        |                                |                                |              |
| Known claims reserve                                         |                                        |                                | \$ 1,943,405                   | (2)          |
| Statutory premium reserve                                    |                                        |                                | 16,881,178                     | (2)          |
| Supplemental reserve                                         |                                        |                                | 5,575,417                      | (2)          |
| Taxes, Licenses, and Fees                                    |                                        |                                | 447,230                        |              |
| Current federal and foreign income taxes                     |                                        |                                | 47,980                         |              |
| Unearned interest and real estate income received in advance |                                        |                                | 5,000                          |              |
| Aggregate write-ins for liabilities                          |                                        |                                | <u>1,465,992</u>               |              |
| Total liabilities                                            |                                        |                                | 26,366,202                     |              |
| Common capital stock                                         |                                        | \$ 2,200,000                   |                                |              |
| Gross paid-in and contributed surplus                        |                                        | 3,431,260                      |                                |              |
| Unassigned funds (surplus)                                   |                                        | <u>826,244</u>                 |                                |              |
| Surplus as regards policyholders                             |                                        |                                | <u>6,457,504</u>               |              |
| Total liabilities, surplus, and other funds                  |                                        |                                | <u>\$ 32,823,706</u>           |              |

Underwriting and Investment Exhibit  
for the Year Ended December 31, 2023

Statement of Income

Underwriting Income

Notes

|                                              |                   |                   |
|----------------------------------------------|-------------------|-------------------|
| Operating income:                            |                   |                   |
| Title insurance premiums earned              | \$ 58,345,614     |                   |
| Escrow and settlement services               | 118,592           |                   |
| Other title fees and service charges         | <u>160,740</u>    |                   |
| Total operating income                       |                   | <u>58,624,946</u> |
| Expenses:                                    |                   |                   |
| Losses and loss adjustment expenses incurred | \$ 5,622,013      |                   |
| Other operating expenses incurred            | <u>55,722,084</u> |                   |
| Total operating expenses                     |                   | <u>61,344,097</u> |
| Net operating loss                           |                   | (2,719,151)       |

Investment Income

|                                                  |  |                       |
|--------------------------------------------------|--|-----------------------|
| Investment income earned                         |  | 1,059,845             |
| Net realized capital gains (losses)              |  | <u>60,143</u>         |
| Net investment gain or (loss)                    |  | 1,119,988             |
| Net income before all other federal income taxes |  | (1,599,163)           |
| Federal income taxes incurred                    |  | <u>(405,077)</u>      |
| Net income                                       |  | <u>\$ (1,194,086)</u> |

Capital and Surplus Account

|                                                         |                  |                      |
|---------------------------------------------------------|------------------|----------------------|
| Surplus as regards policyholders, December 31, 2022     |                  | <u>\$ 12,555,917</u> |
| Net income                                              | \$ (1,194,086)   |                      |
| Change in net unrealized capital gains                  | 77,358           |                      |
| Change in nonadmitted assets                            | (1,458,085)      |                      |
| Change in supplemental reserves                         | (2,767,417)      |                      |
| Change in deferred tax assets                           | <u>(756,183)</u> |                      |
| Change in surplus as regards policyholders for the year |                  | <u>(6,098,413)</u>   |
| Surplus as regards policyholders, December 31, 2023     |                  | <u>\$ 6,457,504</u>  |

Reconciliation of Surplus as Regards to Policyholders  
from December 31, 2021, through December 31, 2023

|                                                        |                    |                    |                     |
|--------------------------------------------------------|--------------------|--------------------|---------------------|
| Surplus as regards policyholders,<br>December 31, 2021 |                    |                    | \$ 11,792,163       |
|                                                        | Gain in<br>Surplus | Loss in<br>Surplus |                     |
| Net losses                                             | \$                 | \$ 654,818         |                     |
| Change in net unrealized capital losses                |                    | 257,285            |                     |
| Change in net deferred income tax                      |                    | 725,451            |                     |
| Change in non-admitted assets                          |                    | 1,468,461          |                     |
| Change in supplemental reserves                        |                    | 2,228,644          |                     |
| Total gains and losses                                 | \$ 0               | \$ 5,334,659       |                     |
| Net decrease in surplus as regards policyholders       |                    |                    | (5,334,659)         |
| Surplus as regards policyholders,<br>December 31, 2023 |                    |                    | <u>\$ 6,457,504</u> |

## COMMENTS ON FINANCIAL STATEMENT ITEMS

- (1) Bonds
- (1) Common Stocks
- (1) Cash and Short-Term Investments

Pursuant to California Insurance Code (CIC) Section 1104.9(c) and 1104.9(d), all invested securities, excluding statutory deposits, must be held by a qualified custodian, qualified depository, or qualified sub-custodian, under an agreement approved by the California Department of Insurance (CDI) between the insurer and the qualified custodian. The prior examination noted that the Company's invested assets, including bonds, common stocks, and short-term investments, were held with and maintained by a brokerage firm without an approved custodian agreement in place. Pursuant to CIC Section 1104.9(a)(1), a brokerage firm does not qualify as a custodian. As such, during the previous examination, the Company was found to be non-compliance with CIC Section 1104.9(c) and 1104.9(d).

As of December 31, 2023, the Company has established a custodian agreement with a qualified custodian, Principle Bank. This new custodian agreement, effective January 2, 2024, was submitted to and approved by the CDI on December 27, 2023. As a result, all invested securities have been transferred to the qualified custodian, and the Company is now in compliance with CIC Section 1104.9.

- (2) Known Claims Reserve
- (2) Statutory Premium Reserve
- (2) Supplemental Reserve

The Company's appointed actuarial firm, Milliman, Inc. (Milliman), conducted an evaluation of the year-end 2023 reserves, which included Known Claims Reserves (KCR), Statutory Premium Reserves (SPR), and Supplemental Reserves (SR).

For the title business, the overall reserve estimation includes provisions for future developments of KRC, as well as any incidents that have occurred but have not yet been reported as of the accounting date. Additionally, it includes provisions for SPR and SR.

Based on Milliman's evaluation as of year-end 2023, the estimated range for the Company's overall reserves was between \$22.1 million and \$29.2 million, gross of ceded reinsurance.

Historically, the Company has followed the practice of booking reserves at the lower-end of the appointed actuary's estimated range. However, as recommended by the CDI and the external auditor, the Company adopted a more conservative approach by booking reserves closer to the midpoint of the actuarial estimates in an effort to strengthen its reserves.

The Company's booked reserves of \$24.4 million are slightly below the midpoint of Milliman's range.

## SUMMARY OF COMMENTS AND RECOMMENDATIONS

### Current Report of Examination

Accounts and Records (Page 7): It is recommended that the Company continue to implement controls and procedures to ensure compliance with the National Association of Insurance Commissioner (NAIC) Annual Statement Instructions, Accounting Practices and Procedures (AP&P) Manual and implement procedures to ensure that accurate and adequate information is provided in all future filings to comply with regulatory requirements.

### Previous Report of Examination

Management and Control – Disclaimer of Affiliation (Page 5): It was recommended that the Company and its shareholder, First American Title Insurance Company (FATIC), should file the disclaimer of affiliation with the California Department of Insurance if FATIC is not considered as the ultimate controlling entity and the Company should not be included under the Annual Registration Statement filing of FATIC. The Company has

complied with the recommendation.

Accounts and Records (Page 8): It was recommended that the Company maintain adequate documentation to support all information reported in its financial statements. The documentation should be prepared in sufficient detail as to allow for a full and complete audit trail from the Company's financial statements to individual records. The Company was also reminded that all of its books and records must be made available for examination pursuant to California Insurance Code (CIC) Section 734. The Company has complied with the recommendation.

Accounts and Records – Corporate Records (Page 9): It was recommended that the Company implement procedures in its board meeting to ensure adherence to the CIC Section 735. The Company has complied with the recommendation.

Accounts and Records – Annual Statement Filing (Page 9): It was recommended that the Company carefully review the NAIC Annual Statement Instructions and AP&P Manual, and implement procedures to ensure that accurate and adequate information is provided in all future filings, to comply with the CIC Section 923, NAIC Annual Statement Instructions, and AP&P Manual. The Company has complied with the recommendation.

Accounts and Records – Certified Public Accountant Annual Audited Report (Page 10): It was recommended that the Company take necessary steps to ensure the annual audit performed by the appointed Certified Public Accountant or the Audited Report meets regulatory requirements. The Company has complied with the recommendation.

Accounts and Records – Premium Tax Returns (Page 10): It was recommended that the Company take necessary steps to ensure the accuracy and consistency of the reporting on its premium tax return filings and Annual Statement. The Company has complied with the recommendation.

Comments on Financial Statement Items – Bonds and Common Stocks (Page 15): It was recommended that the Company immediately transfer all of its securities currently held with its brokerage firm to a qualified custodian. It was also recommended that the

Company enter into a custodial agreement with the qualified custodian that meets the CIC Section 1104.9(c) and 1104.9(d) requirements and submit the agreement to the California Department of Insurance (CDI) for approval. The Company has complied with the recommendation.

Comments on Financial Statement Items – Receivables for Securities, Investment Income Due and Accrued (Page 15): It was recommended that the Company carefully review the NAIC Annual Statement Instructions and the AP&P Manual, and implement procedures to ensure that accurate and adequate information is provided in all future filings, to comply with the CIC Section 923, NAIC Annual Statement Instructions, and the AP&P Manual. The Company has complied with the recommendation.

Comments on Financial Statement Items – Net Deferred Tax Assets (Page 14): It was recommended that the Company carefully review the NAIC Annual Statement Instructions and AP&P Manual, and implement procedures to ensure that accurate and adequate information is provided in all future filings, to comply with the CIC Section 923, NAIC Annual Statement Instructions, and AP&P Manual. The Company has complied with the recommendation.

Comments on Financial Statement Items – Aggregate Write-ins for Other Than Invested Assets (Page 16): It was recommended that the Companies carefully review the NAIC Annual Statement Instructions and AP&P Manual, and implement procedures to ensure that accurate and adequate information is provided in all future filing, to comply with the CIC Section 923, NAIC Annual Statement Instructions, and AP&P Manual. The Company has complied with the recommendation.

Comments on Financial Statement Items – Statutory Premium Reserves (Page 17): It was recommended that the Company recalculate its Statutory Premium Reserves and comply with CIC Section 12382.2 in all of its future financial statements. The Company has complied with the recommendation.

Comments on Financial Statement Items – Aggregate Write-ins for Liabilities, Taxes, Licenses, and Fees (Page 17): It was recommended that the Companies carefully review

the NAIC Annual Statement Instructions and AP&P Manual, and implement procedures to ensure that accurate and adequate information is provided in all future filing, to comply with the CIC Section 923, NAIC Annual Statement Instructions, and AP&P Manual. The Company has complied with the recommendation.

Comments on Financial Statement Items – Current Federal and Foreign Income Taxes (Page 18): It was recommended that the Company carefully review the NAIC Annual Statement Instructions and the AP&P Manual, and implement procedures to ensure that accurate and adequate information is provided in all future filings, to comply with the CIC Section 923, NAIC Annual Statement Instructions, and the AP&P Manual. The Company has complied with the recommendation.

Comments on Financial Statement Items – Other Title Fees and Service Charges, Title Insurance Premium Earned (Page 19): It was recommended that the Company carefully review the NAIC Annual Statement Instructions and AP&P Manual, and implement procedures to ensure that accurate and adequate information is provided in all future filing, to comply with the CIC Section 923, NAIC Annual Statement Instructions, and AP&P Manual. The Company has complied with the recommendation.

Comments on Financial Statement Items - Change in Supplemental Reserve, Aggregate Write-ins for Gains and Losses in Surplus, Surplus as Regards Policyholders (Page 19): It is recommended that the Company carefully review the NAIC Annual Statement Instructions and AP&P Manual, and implement procedures to ensure that accurate and adequate information is provided in all future filing, to comply with the CIC Section 923, NAIC Annual Statement Instructions, and AP&P Manual. The Company has complied with the recommendation.

## SUBSEQUENT EVENTS

The Company's surplus as regards policyholders as of December 31, 2023, experienced a significant decrease due to the strengthening of reserves to the mid-range of the actuarial estimates, as required by the California Department of Insurance. This adjustment is further detailed in Note 2 of the "Comments to Financial Statement Items" section.

## 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,

---

Shelly Liu, CFE  
Examiner-In-Charge  
Senior Insurance Examiner  
Department of Insurance  
State of California

---

Vivien Fan, CFE  
Bureau Chief, LA-II  
Department of Insurance  
State of California