



Mississippi Insurance Department

Report of Examination

of

US NATIONAL TITLE INSURANCE COMPANY

as of

December 31, 2020

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**EXAMINER'S AFFIDAVIT AS TO STANDARDS AND
PROCEDURES USED IN AN EXAMINATION**

State of ARKANSAS,

County of PULASKI,

Omar D. Akel, being duly sworn, states as follows:

1. I have authority to represent the Mississippi Insurance Department in the examination of US National Title Insurance Company as of December 31, 2020.
2. Mississippi Insurance Department is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of US National Title Insurance Company was performed in a manner consistent with the standards and procedures required by the National Association of Insurance Commissioners and the Mississippi Insurance Department.

The affiant says nothing further.

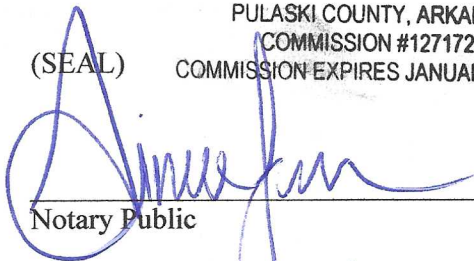


Examiner's Signature

Subscribed and sworn before me by Omar D. AKEL on this 23rd day of May, 2022.

AIMEE JONES
NOTARY PUBLIC
PULASKI COUNTY, ARKANSAS
COMMISSION #12717230
COMMISSION EXPIRES JANUARY 07, 2032

(SEAL)



Notary Public

My commission expires 1-7-32 [date].



MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MARK HAIRE
Deputy Commissioner of

MISSISSIPPI INSURANCE DEPARTMENT

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April 15, 2022

Honorable Mike Chaney
Commissioner of Insurance
Mississippi Insurance Department
1001 Woolfolk Building
501 North West Street
Jackson, Mississippi 39201

Dear Commissioner Chaney:

Pursuant to your instructions and authorization and in compliance with statutory provisions, an examination has been conducted, as of December 31, 2020, of the affairs and financial condition of:

US NATIONAL TITLE INSURANCE COMPANY

232 Market Street, Suite 232
Flowood, MS 39232

License #	NAIC Group #	NAIC #	FEETS#
9600020	N/A	50030	50030-MS-2020-8

This examination was commenced in accordance with Miss. Code Ann. § 83-5-201 *et seq.* and was performed in New Orleans, Louisiana, at the main administrative home office of the Company. The report of examination is herewith submitted.

SCOPE OF EXAMINATION

We have performed a full scope, risk-focused financial examination of US National Title Insurance Company (“Company”). The last examination covered the period of January 1, 2011, through December 31, 2015. This examination covers the period January 1, 2016, through December 31, 2020.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook*. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company 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 significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

COMMENTS AND RECOMMENDATIONS OF PREVIOUS EXAMINATION

There were no comments and/or recommendations deemed necessary for purposes of the previous examination report.

HISTORY OF THE COMPANY

On July 2, 1996, the Company was formed under the laws of the State of Mississippi as Mississippi Guaranty Title Insurance Company (“MGTIC”) for the purposes of writing title insurance. On November 9, 2015, CivicSource Holdings, L.L.C. (“CSH”) filed a Form A Filing with the Mississippi Insurance Department (“MID” or “Department”) to acquire the Company. On December 21, 2015, the MID approved the Form A Filing. Effective December 31, 2015, CSH

acquired all of the outstanding stock of MGTIC and became the controlling entity in the insurance holding company system.

Effective March 31, 2016, the Company amended and restated its Articles of Association and changed its name to US National Title Insurance Company (“USNTIC” or “Company”). Effective May 26, 2017, the Company amended and restated its Articles of Association changing the par value from \$30.00 per share to \$99.00 per share; along with adding clarifying language that the Company shall not issue insurance policies in other states until the Company is properly licensed by that state’s insurance regulatory office.

Per the Articles of Association, the aggregate number of shares of stock which the Company shall be authorized to issue is 1,000,000, all of which shall be the same class and shall be designated as Class A Common Stock. The par value of the Class A Common Stock is \$99.00 per share. As of December 31, 2020, the Company had 8,106 shares issued and outstanding. All outstanding shares have been issued to CSH.

CORPORATE RECORDS

The minutes of the meetings of Stockholders and Board of Directors (“Board”), regarding the Company’s business affairs as recorded during the period covered by the examination, were reviewed and appeared to be complete and in order with regard to recording action on matters brought up at the meetings for deliberation.

MANAGEMENT AND CONTROL

Stockholders

The Company was a Mississippi domestic stock insurance company whose common stock at December 31, 2020 was 100% owned by CivicSource Holdings, LLC.

Board of Directors

The Articles of Association and Bylaws vest the management and control of the Company’s business affairs with the Board of Directors (“Board”). The members of the duly elected Board, along with their place of residence, and principal occupation, at December 31, 2020, were as follows:

Name and Residence	Principal Occupation
Bryan P. Barrios Thibodaux, Louisiana	Chief Executive Officer Archon Information Systems, LLC
Michael A. Kirschman New Orleans, Louisiana	President* Archon Information Systems, LLC
Brian J. Danos Metairie, Louisiana	Chief Operating Officer* Archon Information Systems, LLC
William D. Sossamon New Orleans, Louisiana	Chief Technology Officer* Archon Information Systems, LLC

* Refer to Subsequent Events section for changes in principal occupation that occurred for these three directors.

Committees

There were no active committees of the Board of Directors during the examination period.

Officers

The following individuals were serving as officers of the Company at December 31, 2020:

Name	Title
Bryan P. Barrios	Chief Executive Officer/Secretary
Michael A. Kirschman	President
Brian J. Danos	Treasurer/Chief Operating Officer
William D. Sossamon	Chief Technology Officer

Conflict of Interest

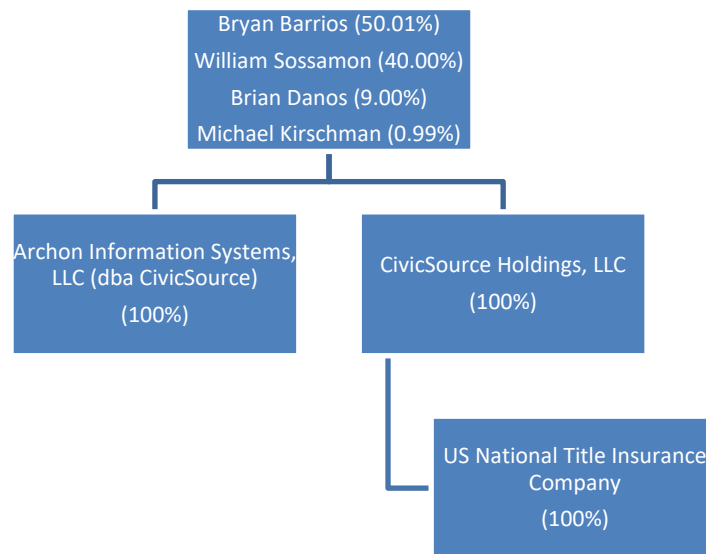
The company has a Code of Conduct that contains a Conflict of Interest disclosure. Members are required to sign the Code of Conduct forms annually and disclose any conflicts of interest. The forms were reviewed and no conflicts of interest were noted.

HOLDING COMPANY STRUCTURE

The Company is a member of an insurance holding company system as defined in Miss. Code Ann. § 83-6-1. Holding Company Registration Statements were filed during the examination period with the MID in accordance with Miss. Code Ann. § 83-6-5 and § 83-6-9.

Organizational Chart

As of December 31, 2020, the following organizational chart depicted the insurance holding company structure:



Parent and Affiliated Companies

The following is information concerning the Company’s parent and affiliate:

CivicSource Holdings, LLC (“CSH”): CSH is a Delaware limited liability company that was formed on September 24, 2015 to serve as a holding company to own all of the outstanding capital stock of USNTIC. As of December 31, 2020, CSH was owned by individuals Bryan Barrios (50.01%), William Sossamon (40%), Brian Danos (9%), and Michael Kirschman (0.99%). Throughout the examination period, the owners of CSH comprised 100% of USNTIC’s Board of Directors and Officers. CSH has no operations except for providing management services to USNTIC.

Archon Information Systems, LLC (“Archon”): Archon is owned by the same four individuals as CSH in the identical ownership percentages as CSH. Archon is a Delaware limited liability company was formed on January 1, 2008. Archon operates under the d/b/a CivicSource. Archon

is an IT services and IT consulting firm that also operates as a licensed insurance agency. Archon provides technical support to USNTIC and markets/sells titled insurance as a licensed producer on behalf of the Company.

Affiliated and Related Party Transactions

Management Services Agreement

Effective January 18, 2018, the Company entered into an management services agreement with CSH. Pursuant to the management agreement, CSH will provide USNTIC with various management and other oversight services, to include but not limited to, overseeing and supervising all day-to-day operations, customer service, legal assistance with policy development and claims resolution, oversee outside legal counsel, interaction with outside consultants (external CPA and actuaries), and negotiate reinsurance. In exchange for these services USNTIC will pay CSH a management fee of \$10,000 per month. Effective October 1, 2018, the management fee was increased to \$20,000 per month. For 2020, USNTIC paid CSH a total of \$240,000 in management fees.

Master Services Agreement

Effective March 28, 2016, the Company entered into a services agreement with Archon. Pursuant to the Service Agreement, USNTIC will pay commissions to Archon up to 20% of all title insurance premiums as long a licensed title agent is employed by Archon. In addition, USNTIC will pay an administration fee to Archon of \$10,000 per month for the use of Archon's resources, employees, proprietary software, technology oversight. Fees will be paid within 45 days of USNTIC receiving a written invoice from Archon. Archon shall submit invoices no later than the 10th day of the month of the services rendered. Per the Services Agreement, these fees are not due and owed until Archon submits a written invoice to USNTI. If no invoice is submitted, then USNTIC is not obligated to pay and, therefore, would not owe any fees under this agreement. For 2020, USNTIC paid Archon a total of \$120,000 for services and \$91,278 in commissions under this agreement.

FIDELITY BOND AND OTHER INSURANCE

The Company was a named insured on a fidelity bond issued by The Ohio Casualty Insurance Company in the amount of \$150,000. The coverage exceeded the minimum amount of fidelity bond coverage recommended by the NAIC for this company.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company did not have any direct employees, nor did it provide any benefits or welfare programs for its officers or directors.

TERRITORY AND PLAN OF OPERATION

The Company is a Mississippi domiciled title insurance company. The Company specializes in offering title insurance on tax distressed properties purchased from the government. One of the most notable forms of tax lien properties is adjudicated properties.

As of December 31, 2020, the Company was licensed to write business in seventeen jurisdictions: Alabama, Arkansas, Arizona, Delaware, Indiana, Louisiana, Maryland, Missouri, Mississippi, Montana, New Mexico, Nevada, Oklahoma, Pennsylvania, Tennessee, Utah, and Wyoming. For 2020, the Company only wrote business in two jurisdictions, Louisiana and Tennessee, with approximately 99.4% of their total direct premiums written issued in the state of Louisiana.

GROWTH OF COMPANY

The review of the growth of the Company was performed based on balances reported in the annual statements filed with the MID during the period under examination.

	2020	2019	2018	2017	2016
Total admitted assets	\$ 2,916,205	\$ 2,720,951	\$ 2,573,539	\$ 2,464,000	\$ 1,835,947
Total liabilities	1,303,533	1,024,993	861,207	459,689	129,863
Total capital and surplus	1,612,672	1,695,958	1,712,332	2,004,311	1,706,084
Change in Capital & Surplus	(83,286)	(16,374)	(291,979)	298,227	1,408,440
Direct Title Premiums Written	\$ 1,090,842	\$ 928,421	\$ 983,222	\$ 982,919	\$ 326,793
Ratio of premiums to capital and surplus	0.68 to 1	0.55 to 1	0.57 to 1	0.49 to 1	0.19 to 1
Ratio of assets to liabilities	2.24 to 1	2.65 to 1	2.99 to 1	5.36 to 1	14.14 to 1
Premiums Earned	\$ 952,087	\$ 831,079	\$ 880,770	\$ 883,826	\$ 294,035
Net Operating Gain (loss)	(56,722)	137,345	4,421	622,906	163,966
Net Income (loss)	(46,294)	156,836	114,062	627,859	164,135

REINSURANCE

Effective April 29, 2016, the Company entered into a reinsurance contract with Dual Asset Underwriting. This contract expired at December 31, 2019 and covered 80% of losses on claims of over \$100,000. On policies with coverage of \$1,000,000 or more, losses were reviewed on a case-by-case basis. The contract capped the exposure of the Company at \$280,000 for a million-dollar policy. The reinsurance premium increased based on the policy coverage amount. Effective January 1, 2020, the Company entered into a reinsurance contract with Lloyd's of London. Under the primary contract, the Company retains the first \$150,000 on any covered risk. On policies with coverage up to \$1,000,000, the reinsurance coverage attaches at \$150,000 and provides the next \$500,000 with the Company providing the next \$350,000 up to \$1,000,000. For policies exceeding \$1,000,000, the reinsurer, via the excess contract, provides the Company with coverage from \$1,000,000 to \$5,000,000. Effective January 1, 2021, the Company entered into a new reinsurance contract with Lloyd's of London. Under the primary contract, the Company retains the first \$250,000 on any covered risk. On policies with coverage up to \$1,000,000, the reinsurance coverage attaches at \$250,000 and provides the next \$500,000 with the Company providing the next \$250,000 up to \$1,000,000. For policies exceeding \$1,000,000, the reinsurer, via the excess contract, provides the Company with coverage from \$1,000,000 up to \$5,000,000.

In the event the reinsurers are unable to meet their obligations under reinsurance agreements, the Company would be responsible for the paying of the claims.

ACCOUNTS AND RECORDS

The Company was licensed as a mono-line title insurance company pursuant to Miss. Code Ann. § 83-15-5(1), which requires the Company to maintain a minimum capital of \$150,000 and surplus of \$75,000. Pursuant to Miss. Code Ann. § 83-5-55, the Company is required to file an NAIC Title Annual Statement.

STATUTORY DEPOSITS

The Company's statutory deposits with the state of Mississippi complied with Miss. Code Ann. § 83-19-31(2). The following chart displays the Company's total statutory deposits as held at December 31, 2020:

<u>Description of Security</u>	<u>State Deposited</u>	<u>Par Value</u>	<u>Fair Value</u>
Certificate of Deposit	Mississippi	\$ 30,097	\$ 30,097
Certificate of Deposit	Mississippi	20,064	20,064
Certificate of Deposit	Mississippi	75,243	75,243
Certificate of Deposit	Mississippi	103,399	103,399
Certificate of Deposit	Mississippi	103,405	103,405
Certificate of Deposit	Mississippi	103,405	103,405
Certificate of Deposit	Mississippi	103,405	103,405
Certificate of Deposit	Mississippi	103,405	103,405
Certificate of Deposit	Mississippi	103,629	103,629
Certificate of Deposit	Mississippi	103,405	103,405
Total		<u>\$ 849,547</u>	<u>\$ 849,457</u>

FINANCIAL STATEMENTS

Introduction

The financial statements consist of a Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2020, a Statement of Income for the year ended December 31, 2020, and a Reconciliation of Capital and Surplus for the examination period ended December 31, 2020.

The following financial statements are based on the statutory financial statements filed by the Company with the Mississippi Insurance Department and present the financial condition of the Company for the period ending December 31, 2020.

**STATEMENT OF ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS
DECEMBER 31, 2020**

ASSETS

Bonds	\$ 309,687
Cash	2,416,673
Investment income due and accrued	2,707
Uncollected premiums and agents balances	118,286
Receivables from parent, subsidiaries, and affiliates	18,752
Aggregate write-ins for other than invested assets	50,100
Total Assets	<u>\$2,916,205</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Known claims reserve	\$ 183,434
Statutory premium reserve	384,928
Aggregate of other reserves required by law	50,000
Supplemental reserve	577,887
Commissions, brokerage and other changes due or accrued	29,272
Other expenses	5,334
Taxes, licenses and fees	21,178
Current federal income taxes	1,500
Aggregate write-ins for other liabilities	50,000
Total Liabilities	<u>\$1,303,533</u>
Common capital stock	\$ 802,494
Gross paid in and contributed surplus	1,930,705
Unassigned funds (surplus)	<u>(1,120,527)</u>
Surplus as regards policyholders	\$1,612,672
Total liabilities and surplus	\$2,916,205

**SUMMARY OF OPERATIONS
FOR YEAR ENDED DECEMBER 31, 2020**

Title insurance and related income	\$ 952,087
Total Operating Income	<u>\$ 952,087</u>
Losses and loss adjustment expenses incurred	\$ 50,746
Operating expenses incurred	958,063
Total Operating Expenses	<u>\$1,008,809</u>
Net operating gain (loss)	\$ (56,722)
Net investment income earned	\$ 14,930
Net realized capital gains (losses)	<u>-</u>
Net investment gain	\$ 14,930
Federal and foreign income taxes incurred	<u>\$ 4,502</u>
Net Income (Loss)	\$ (46,294)

**RECONCILIATION OF CAPITAL AND SURPLUS
FOR EXAMINATION PERIOD ENDED DECEMBER 31, 2020**

	2020	2019	2018	2017	2016
Capital and Surplus, December 31, prior year	\$1,695,958	\$1,712,332	\$2,004,311	\$1,706,084	\$297,644
Net Income	(46,294)	156,836	114,062	627,859	164,135
Change in net unrealized capital gains (losses)	-	-	-	-	-
Change in net deferred income tax	-	-	-	-	-
Change in non-admitted assets	96,333	(58,712)	(68,671)	(8,082)	-
Change in supplemental reserves	(133,005)	(114,498)	(136,939)	(144,309)	(49,136)
Capital Changes – Paid in	-	-	-	-	1,326,199
Capital Changes – Transferred from Surplus	-	-	-	559,314	32,660
Surplus Adjustments – Transferred to capital	-	-	-	(559,314)	(32,660)
Dividends to stockholders	-	-	(200,431)	(160,000)	-
Aggregate write-ins for gains and losses in surplus	(320)	-	-	(17,242)	(32,758)
Capital and Surplus, December 31, current year	\$1,612,672	\$1,695,958	\$1,712,332	\$2,004,311	\$1,706,084

**RECONCILIATION OF EXAMINATION ADJUSTMENTS TO SURPLUS
DECEMBER 31, 2020**

As a result of this examination, there have been no changes affecting surplus, as regards to policyholders, made to the admitted assets, liabilities, and surplus balance reported by the Company in the December 31, 2020 annual statement as filed with the MID. The capital and surplus reported by the Company of \$1,612,672 is accepted as reasonably stated for purposes of the balance sheet per the examination.

COMMITMENTS AND CONTINGENT LIABILITIES

At December 31, 2020, the Company was not a party to any legal proceedings. Procedures performed during the course of the examination revealed no pending litigation, commitments, or other contingent liabilities to which the Company was a party as of the examination date.

SUBSEQUENT EVENTS

COVID-19 Pandemic

In March, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States. The COVID-19 pandemic has negatively impacted the global economy and created significant volatility and disruption of financial markets. The extent of the impact of the COVID-19 pandemic on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the impact on policyholders, reinsurers, employees and vendors, all of which are uncertain and cannot be predicted. The extent to which the COVID-19 pandemic may impact financial markets and the Company's financial condition or results of operations cannot be reasonably estimated at this time.

Change in Officers and Directors

On October 27, 2021, William Sossamon resigned from his positions as officer and director of USNTIC.

On December 14, 2021, Michael Kirschman resigned from his positions as an officer (President) and director of USNTIC. Mr. Kirschman's resignation was also applicable to CSH and Archon.

Effective December 14, 2021, John "Beau" Byers was appointed as Director and elected to serve as President/Secretary of USNTIC.

On December 17, 2021, Brian Danos resigned from his positions as an officer (Treasurer and Chief Operating Officer) and director of USNTIC. Mr. Danos resignation was also applicable to CSH and Archon.

Effective January 3, 2022, Brian Brantley was appointed as Director and elected to serve as Treasurer of USNTIC.

Affiliated Loans

On December 3, 2021, USNTIC made two (2) loans to their affiliate, Archon. The loan amounts for \$405,000 and \$95,000. USNTIC failed to provide MID with notification of the affiliated loans as required by Miss. Code Ann. §83-6-21(2) prior to consummating the loan transactions. Accordingly, MID ordered the companies to return the funds to USNTIC. On March 15, 2022,

Archon returned the funds (plus accrued interest) to USNTIC.

COMMENTS AND RECOMMENDATIONS

The examination did not identify any material comments and/or recommendations deemed appropriate for inclusion in the examination report.

ACKNOWLEDGMENT

The examiners representing the Mississippi Insurance Department and participating in this examination were:

Supervising Examiner: Neeraj Gupta, CFE

Examiner-in-charge: Omar Akel, CFE

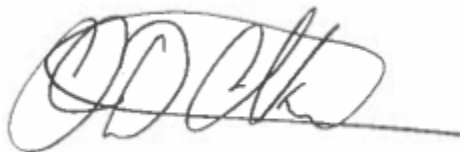
Examiner: Justin Parr, CFE-A, MCM

IT Examiner: Jenny Jeffers, AES, CISA, CFE

Department Designee: Mark Cooley, CFE

The courteous cooperation of the officers and employees responsible for assisting in the examination is hereby acknowledged and appreciated.

Respectfully submitted,



Examiner-in-charge



Department Designee