

**STATE OF ALABAMA
DEPARTMENT OF INSURANCE
MONTGOMERY, ALABAMA**

REPORT OF EXAMINATION

**GULF COAST TITLE INSURANCE COMPANY, INC.
FOLEY, ALABAMA**

AS OF

DECEMBER 31, 2019

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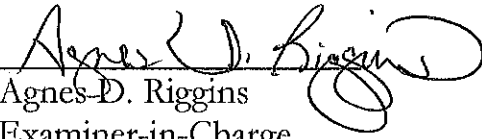
EXAMINER'S AFFIDAVIT

**STATE OF ALABAMA
COUNTY OF SHELBY**

Agnes D. Riggins being duly sworn, states as follows:

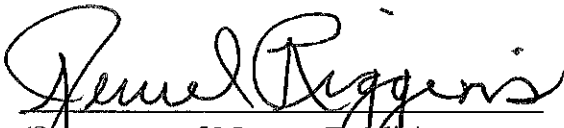
1. I have authority to represent Alabama in the examination of Gulf Coast Title Insurance Company, Inc.
2. Alabama is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination workpapers and examination report, and the examination of Gulf Coast Title Insurance Company, Inc. was performed in a manner consistent with the standards and procedures required by the State of Alabama.

The affiant says nothing further.


Agnes D. Riggins
Examiner-in-Charge

Subscribed and sworn before me by Agnes D. Riggins on this 11th day of December 2020.

(SEAL)


(Signature of Notary Public)

My commission expires 05/28/2024



KAY IVEY
GOVERNOR

JIM L. RIDLING
COMMISSIONER

STATE OF ALABAMA
DEPARTMENT OF INSURANCE
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DEPUTY COMMISSIONERS
MARK FOWLER
JIMMY DUNN
CHIEF EXAMINER
RICHARD L. FORD
STATE FIRE MARSHAL
SCOTT F. PILGREEN
GENERAL COUNSEL
REYN NORMAN

December 11, 2020

Jim L. Ridling, Commissioner
State of Alabama
Department of Insurance
201 Monroe Street, Suite 502
Montgomery, Alabama 36104

Dear Commissioner Ridling:

Pursuant to your authorization and in compliance with the statutory requirements of the State of Alabama and resolutions adopted by the National Association of Insurance Commissioners (NAIC), an examination has been made of the affairs and financial condition of

**Gulf Coast Title Insurance Company, Inc.
Foley, Alabama**

as of December 31, 2019. The examination was performed remotely at the Alabama Department of Insurance, 100 Concourse Parkway, Hoover, AL 35244. The report of examination is submitted herewith.

Where the description "Company" appears herein, without qualification, it will be understood to indicate Gulf Coast Title Insurance Company, Inc.

SCOPE OF EXAMINATION

We have performed an examination of Gulf Coast Title Insurance Company, Inc., a single state insurance company. The last examination covered the period of January 1, 2014 through December 31, 2016. The current examination covers the period of January 1, 2017 through December 31, 2019.

The examination was conducted in accordance with applicable statutory requirements of the Code of Alabama, 1975, as amended, the Alabama Insurance Department regulations, bulletins and directives, and in accordance with the procedures and guidelines promulgated by the NAIC, as deemed appropriate, and in accordance with generally accepted examination standards and practices.

The examination was conducted 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 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, as mentioned in the Code of Alabama, 1975, as amended, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

The Company's annual statements for each year under examination were compared with or reconciled to the corresponding general ledger account balances.

The Company had no information technology systems (IT). The Company is in run-off. The records of the Company consist mostly of paper documents.

A market conduct examination was performed concurrently with the financial examination. The examination included reviews of the Company's territory, plan of operation, claims handling, advertising and marketing, policy forms and underwriting, policyholders' complaints, producers' licensing requirements, and privacy standards.

The Company's annual statements for each year under examination were compared with the corresponding general ledger account balances. During the period covered by the examination, the Company received an exemption from filing audited financial statements and actuarial opinions; the exemption was allowed under Annual Title Statement Instructions and ALA. ADMIN. CODE § 482-1-142-.02 (2) (2008).

A signed letter of representation was obtained at the conclusion of the examination. In this letter, management attested to having valid title to all assets and to the nonexistence of unrecorded liabilities as of December 31, 2019.

ORGANIZATION AND HISTORY

The Company was organized in Foley, Alabama, on September 22, 1978, under the laws of the State of Alabama. The Certificate of Incorporation was filed for record in the office of the Judge of Probate, Baldwin County, Alabama, on November 16, 1978.

In accordance with ALA. CODE § 27-29-3 (1975), and other pertinent provisions of the Alabama Insurance Code, the acquisition of the Company by Agents Title was approved by the Department on June 30, 2016.

100% of the outstanding shares of the Company were owned by the parent company, Agents National Title Insurance Company, Inc. (ANTIC), an insurance company domiciled in the state of Missouri.

On February 1, 2018, the Shareholders of Agents National Title Holding Company, the parent of ANTIC, consummated a stock purchase for the conveyance of all the

issued and outstanding shares in Agents National Title Holding Company to Incenter, LLC. The transaction was approved by the Alabama Department of Insurance on January 4, 2018.

As of December 31, 2019, the Company reported common capital stock of \$200,000, gross paid in and contributed surplus of \$380,000, unassigned funds (surplus) of (\$259,495) and treasury stock at cost of \$2,424.

MANAGEMENT AND CONTROL

Stockholders

100% of the outstanding shares of the Company were owned by the parent company, Agents National Title Insurance Company, Inc. (ANTIC), an insurance company domiciled in the state of Missouri.

On February 1, 2018, the Shareholders of Agents National Title Holding Company, the parent of ANTIC, consummated a stock purchase for the conveyance of all the issued and outstanding shares in Agents National Title Holding Company to Incenter, LLC.

Board of Directors

The following directors were elected and serving as of December 31, 2019:

<u>Director</u>	<u>Principal Occupation</u>
David Allen Townsend	President/CEO, Agents National Title Insurance Company
Brent John Scheer*	Treasurer/CFO, Agents National Title Insurance Company
Kevin Timothy Russell	Executive Vice President, Baldwin Mutual Insurance Company

*Subsequent Event - Brent John Scheer resigned effective October 22, 2020

Committees

Audit Committee

The Board of Directors of the Company served as the Audit Committee for the Company.

Officers

The following officers were elected and serving as of December 31, 2019:

<u>Officer</u>	<u>Title</u>
David Allen Townsend	Chairman of the Board/President/CEO
Brent John Scheer*	Secretary
Brent John Scheer*	Treasurer

*Subsequent Event - Brent John Scheer resigned effective October 22, 2020

Conflict of Interest

Conflict of Interest Statements were reviewed for each director, officer, and key personnel. No material conflicts were noted.

CORPORATE RECORDS

The Articles of Incorporation and By-Laws as amended were inspected during the examination and appeared to provide for the Company's operation in accordance with the usual corporate practices and applicable statutes and regulations.

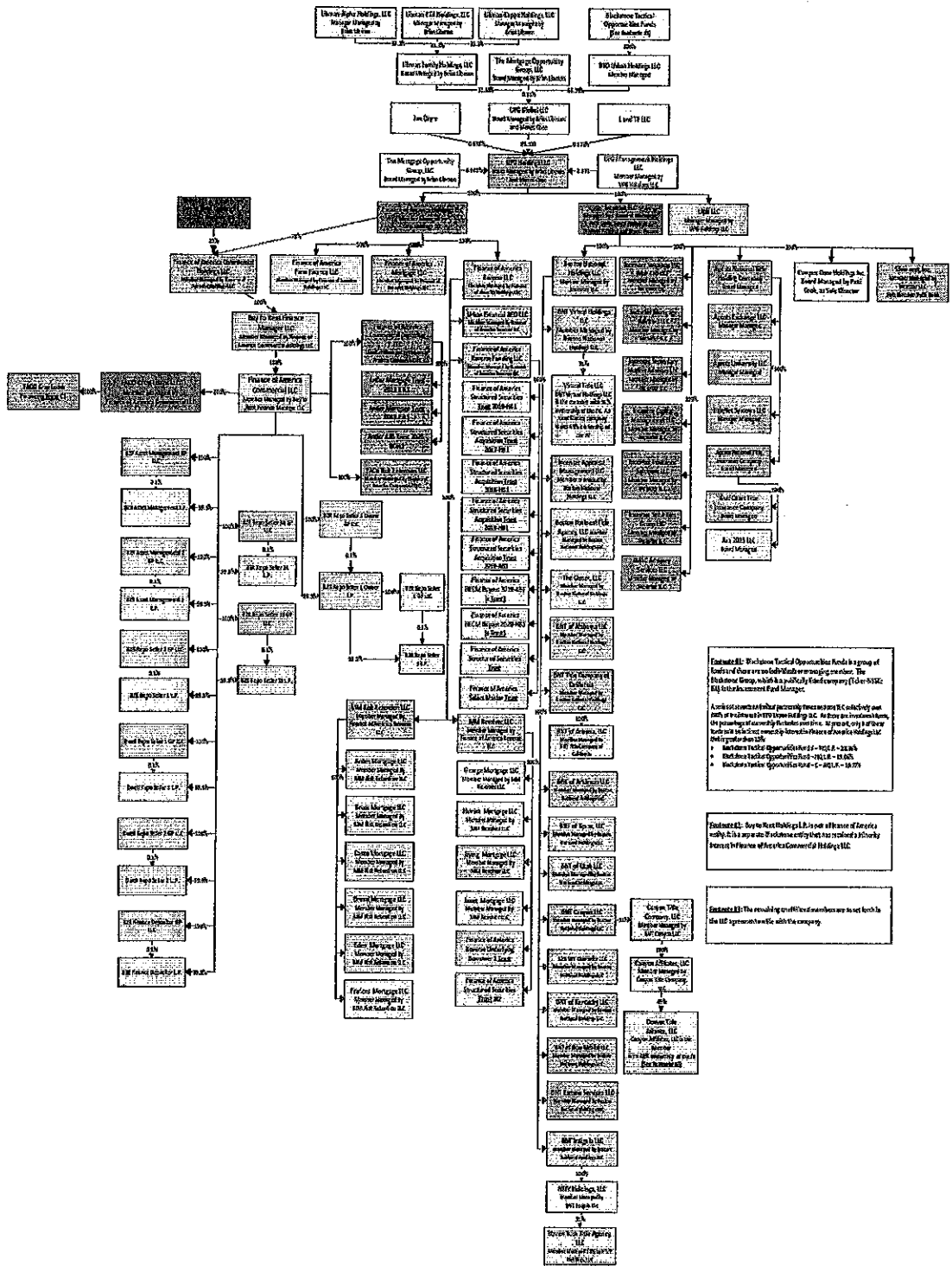
Minutes of meetings of the Shareholder and Board of Directors were reviewed for the period under examination. The minutes appeared to be complete and provided for the operation of the Company in accordance with usual corporate practices and applicable statutes and regulations.

HOLDING COMPANY AND AFFILIATE MATTERS

Holding Company Registration

The Company is subject to the *Alabama Holding Company Regulatory Act* as defined in ALA. CODE § 27-29-1 (1975), as amended. The review of the Company's filings during the examination period of January 1, 2017 through December 31, 2019, indicated that the required disclosures were included in the Company's filings.

Organizational Chart



Management and Service Agreements

The Company had no employees during the examination period. The Company operated under an Inter-Company Agreement approved by the Alabama Department of Insurance.

The Inter-Company Agreement was entered into effective February 1, 2018, by and between Incenter LLC, a Delaware limited liability company ("Incenter"), Agents National Title Holding Company, a Missouri corporation ("Parent") and Parent's current and future direct and indirect subsidiaries. As of the date of the Agreement, those direct and indirect subsidiaries were: Agents National Title Insurance Company, a Missouri corporation ("ANTIC"), Gulf Coast Title Insurance Company, an Alabama corporation, ATC Acquisitions LLC, a Missouri limited liability company, Agents Exchange, LLC, a Missouri limited liability company, TitleNet Systems, LLC, a Missouri limited liability company, and Agents University, LLC, a Missouri limited liability company (said subsidiaries collectively, the "Subsidiaries")

The Agreement provided the terms and conditions under which Incenter, Parent and Subsidiaries allocate services, facilities, personnel and expenses. The term of the Agreement is perpetual. Any party may withdraw from this Agreement upon thirty days' prior written notice to the remaining parties. The charges of all fees shall be reasonable and in conformity with statutory accounting principles consistently applied.

The Officer(s) shall maintain appropriate and accurate Books and Records, and such Books and Records shall be accessible for inspection by representatives (including the auditors and examiners) of the parties at any time during normal business hours. All Books and Records will be considered the property of the insurer-party producing the same and shall be subject to the control of such insurer-party. Services will be invoiced monthly and payment will be due within thirty days of receipt of the invoice.

The parties shall protect, indemnify and hold harmless each other party from and against all liabilities, losses, claims, damages, judgments, penalties, causes of action, costs and expenses (including, without limitation, attorney fees and expenses) imposed upon or incurred by or asserted against said party resulting from, arising out of or relating to the gross negligence or willful misconduct of said indemnifying party.

COMPLIANCE WITH 18 U.S.C. § 1033

18 U.S.C. § 1033 of the U.S. Code and ALA. ADMIN. CODE 482-1-146-.11 (2009) requires the Company to determine if prospective and current employees are in conflict with 18 U.S.C. § 1033, which prohibits persons with certain felony offenses from participating in the conducting of the business of insurance.

The Company is in run-off. The Company's accounting functions were performed by employees of its parent company, Agents National Title Insurance Company (ANTIC) under the terms of an Inter-Company Agreement. (See page 7 for the Inter-Company Agreement.) Incenter LLC and its affiliated companies, standard practice for background screenings is a pre-employment screening including a criminal background check which is performed on all potential employees. After employment, a semi-annual check is performed which includes federal and state criminal background checks on all employees.

It was determined that the Company complied with 18 U.S.C. § 1033 of the U.S. Code and ALA. ADMIN. CODE 482-1-146-.11 (2009).

SCHEDULE OF SPECIAL DEPOSITS

To comply with the statutory requirements for doing business in the state of Alabama, the Company had the following on deposit with the Alabama Department of Insurance as of December 31, 2019:

Description	Book/Adjusted Carrying Value	Fair Value
*Certificate of Deposit	\$100,000	\$100,000
Total	\$100,000	\$100,000

*For the benefit of all Policyholders

FINANCIAL CONDITION / GROWTH OF THE COMPANY

The following table sets presents significant items that reflect the growth and financial condition of the Company for the period under review:

	Admitted Assets	Liabilities	Capital and Surplus	Net Premium Income
2019	\$ 332,017	\$ 13,936	\$ 318,081	\$ 0
2018	\$ 336,733	\$ 15,735	\$ 320,998	\$ 0
2017	\$ 312,598	\$ 17,655	\$ 294,943	\$ 0

MARKET CONDUCT ACTIVITIES

Plan of Operation

The Company discontinued writing business on June 18, 2010. Company management indicated there were no plans to write new business under the current administration.

Territory

As of December 31, 2019, the Company was licensed to transact title insurance business in the state of Alabama. The Certificate of Authority was inspected for the period under examination.

Advertising and Marketing

The Company did not have a formal advertisement program during the examination period.

Claims Handling

The Company did not have any claims during the examination period.

Dividends to Stockholders

There were no dividends paid to stockholders during the examination period.

Policyholders' Complaints

No complaints were filed with the Company or the Alabama Department of Insurance during the examination period.

Producers' Licensing Requirements

The Company wrote no new business during the examination period. The Company had no producers.

Policy Forms and Underwriting

The Company is in run-off. No new business was written during the examination period.

Privacy

The Company did not collect or disclose personal private information as defined by ALA. ADMIN. CODE 482-1-122 (2001).

REINSURANCE

Reinsurance Assumed

The Company did not assume any reinsurance during the examination period.

Reinsurance Ceded

The Company did not cede any reinsurance during the examination period.

ACCOUNTS AND RECORDS

The Company's principal accounting records were maintained primarily on electronic data processing (EDP) equipment. Management and record keeping functions were performed by the personnel of Agents National Title Insurance Company under the terms of an Inter-Company Agreement.

FINANCIAL STATEMENT INDEX

The following financial statements are based on the statutory financial statements filed by the Company with the Alabama Department of Insurance and present the financial condition of the Company for the period ending December 31, 2019. The accompanying comments on the financial statement reflect any examination adjustments to the amount reported in the annual statement and should be an integral part of the financial statements.

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GULF COAST TITLE INSURANCE COMPANY
STATEMENT OF ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

ASSETS:

	<u>Assets</u>	Nonadmitted <u>Assets</u>	Net Admitted <u>Assets</u>	Prior Year Net Admitted <u>Assets</u>
Bonds	\$ 100,000	\$ 0	\$ 100,000	\$100,000
Common Stocks	0	0	0	0
Cash, cash equivalents and short-term investments	<u>230,599</u>	<u>0</u>	<u>230,599</u>	<u>236,657</u>
Subtotals, cash and invested assets	<u>330,599</u>	<u>0</u>	<u>330,599</u>	<u>336,657</u>
Investment income due and accrued	1,333	0	1,333	0
Current federal and foreign income tax recoverable and interest thereon	85	0	85	76
Aggregate write-ins for other-than-invested assets	204	204	0	0
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>332,221</u>	<u>204</u>	<u>332,017</u>	<u>336,733</u>
Total Assets	<u>\$ 332,221</u>	<u>\$ 204</u>	<u>\$ 332,017</u>	<u>\$ 336,733</u>

LIABILITIES:

	<u>Current Year</u>	<u>Prior Year</u>
Statutory premium reserve	\$ 12,456	\$ 14,255
Other expenses	<u>1,480</u>	<u>1,480</u>
Total Liabilities	<u>\$ 13,936</u>	<u>\$ 15,735</u>

CAPITAL AND SURPLUS:

Common capital stock	\$ 200,000	\$ 200,000
Gross paid in and contributed surplus	380,000	380,000
Unassigned funds (surplus)	(259,495)	(256,578)
Less treasury stock, at cost:	<u>2,424</u>	<u>2,424</u>
Surplus as regards policyholders	<u>\$ 318,081</u>	<u>\$ 320,998</u>
Total Liabilities, Capital and Surplus	<u>\$ 332,017</u>	<u>\$ 336,733</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART THEREOF.

GULF COAST TITLE INSURANCE COMPANY
SUMMARY OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

	2019	2018	2017
Operating Income			
Title insurance premiums earned	\$ <u>1,799</u>	\$ <u>1,920</u>	\$ <u>2,014</u>
Total Operating Income	<u>1,799</u>	<u>1,920</u>	<u>2,014</u>
Expenses			
Losses and loss adjustment expenses incurred	0	0	0
Operating expenses incurred	<u>6,152</u>	<u>25,943</u>	<u>7,334</u>
Total Operating Expenses	<u>6,152</u>	<u>25,943</u>	<u>7,334</u>
Net operating gain or (loss)	<u>(4,353)</u>	<u>(24,023)</u>	<u>(5,320)</u>
Investment Income			
Net investment income earned	1,375	93	668
Net realized capital gains or (losses) less capital gains tax	<u>0</u>	<u>0</u>	<u>(19,650)</u>
Net investment gain (loss)	<u>1,375</u>	<u>93</u>	<u>(18,982)</u>
Other Income			
Aggregate write-ins for miscellaneous income or (loss) or other deductions:	<u>(2)</u>	<u>1</u>	<u>1</u>
Net income, after capital gains tax and before all other federal taxes	<u>(2,980)</u>	<u>(23,929)</u>	<u>(24,301)</u>
Federal and foreign income taxes incurred	<u>0</u>	<u>0</u>	<u>0</u>
Net income	\$ <u>(2,980)</u>	\$ <u>(23,929)</u>	\$ <u>(24,301)</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART THEREOF.

**GULF COAST TITLE INSURANCE COMPANY
CAPITAL AND SURPLUS ACCOUNT
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017**

	2019	2018	2017
Surplus as regards policyholders, December 31 prior year	\$ 320,998	\$ 294,943	\$ 298,564
Net income	(2,980)	(23,929)	(24,301)
Change in net unrealized capital gains or (losses) less capital gains tax of \$ 0	0	0	19,880
Change in nonadmitted assets	63	(16)	800
Change in supplemental reserves	0	0	0
Capital Changes: Paid in	<u>0</u>	<u>0</u>	<u>0</u>
Surplus Adjustments: Paid in	<u>0</u>	<u>50,000</u>	<u>0</u>
Change in surplus as regards policyholders for the year	<u>(2,917)</u>	<u>26,055</u>	<u>(3,621)</u>
Surplus as regards policyholders, December 31 current year	<u>\$ 318,081</u>	<u>\$ 320,998</u>	<u>\$ 294,943</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART THEREOF.

NOTES TO FINANCIAL STATEMENTS

Note 1- Analysis of Changes to Surplus

There were no adjustments made to surplus.

CONTINGENT LIABILITIES AND PENDING LITIGATION

The review of contingent liabilities and pending litigation included a review of the statutory financial statement disclosures, minutes of the corporate governing bodies, examination of the accounts and unrecorded items; and obtaining a letter of representation from management. These reviews did not disclose any items that would have a material effect on the Company's financial condition.

SUBSEQUENT EVENTS

A review of events subsequent to the December 31, 2019, examination date was completed. The review of subsequent events included an inspection of the general journal entries, minutes of meetings, interim financial statements and an inquiry of accounting matters. These reviews did not disclose any items that would have a material effect on the Company's financial condition in the event of an adverse outcome.

The first quarter of 2020 noted the spread of coronavirus (COVID-19) across the United States. The Company is in run-off. It was determined the potential impact of COVID-19 on the Company is minimal.

The Company's management submitted a Form A for the potential sale of the Company pending the approval of the Department.

Brent John Scheer, Board Member/Treasurer/Secretary resigned effective October 22, 2020. Elizabeth Blake, Chief Financial Officer was appointed to fill the vacancy.

The Alabama Department of Insurance held a hearing on November 23, 2020, at 10:00 a.m. central standard time to consider the acquisition of control of the Company by AHT Title Holdings LLC in accordance with ALA. CODE § 27-29-1 (1975).

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

A review of the Company's compliance with recommendations made in the previous examination report indicated the Company had satisfactorily complied with the previous examination recommendations.

COMMENTS AND RECOMMENDATIONS

The examination did not result in any significant examination findings. There were no comments or recommendations.

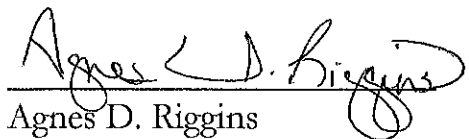
CONCLUSION

Acknowledgment is hereby made of the courtesy and cooperation extended by all persons representing Gulf Coast Title Insurance Company during the examination.

The customary insurance examination procedures, as recommended by the National Association of Insurance Commissioners, have been followed to the extent appropriate in connection with the verification and valuation of assets and determination of liabilities set forth in this report.

In addition to the undersigned, Jackson Goodwin, Insurance Examiner Trainee and Andarius Vincent, Insurance Examiner Trainee all representing the Alabama Department of Insurance, participated in certain phases of this examination.

Respectfully submitted,

A handwritten signature in cursive script that reads "Agnes D. Riggins". The signature is written in dark ink and is positioned above a horizontal line.

Agnes D. Riggins

Examiner-in-Charge

State of Alabama Department of Insurance