



## OFFICE OF INSURANCE REGULATION

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**FINANCIAL SERVICES  
COMMISSION**

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GOVERNOR

**JIMMY PATRONIS**  
CHIEF FINANCIAL OFFICER

**ASHLEY MOODY**  
ATTORNEY GENERAL

**NICOLE "NIKKI" FRIED**  
COMMISSIONER OF  
AGRICULTURE

**VIA ELECTRONIC MAIL: [jgraganella@pmains.com](mailto:jgraganella@pmains.com)**

June 18, 2020

Mr. James Graganella  
President and Chief Executive Officer  
National Consumer Title Insurance Company ("Company")  
2750 Chancellorsville Dr  
Tallahassee, FL 32312

Dear Mr. Graganella:

Enclosed is a copy of the Report of Examination ("Report") of your Company for the period ending December 31, 2018. Pursuant to the provisions of Chapter 624.319(1), Florida Statutes, your Company is entitled to a hearing prior to the filing of the Report by the Office of Insurance Regulation ("OIR"), provided such hearing is requested in writing within thirty (30) days of the receipt of this letter.

Should the Company take exception to the findings of this Report, a statement in writing pursuant to Rule 69N-121.066, Florida Administrative Code, outlining the specific objections and the mitigating circumstances must accompany the request for hearing referenced above. At the hearing, the OIR will consider the written objections and mitigating circumstances only, it being understood and agreed that all other portions of the Report are accepted as being accurate reflections of the facts appearing in the books and records of your Company.

It is further understood and agreed that the Company will comply with the recommendations and will correct the areas of criticisms set forth in this Report. Should this present difficulties, the Company should immediately respond in writing and set forth a plan for timely compliance.

• • •

DANIEL W. APPLGARTH • CHIEF FINANCIAL EXAMINER • PROPERTY & CASUALTY FINANCIAL OVERSIGHT  
200 EAST GAINES STREET • TALLAHASSEE, FLORIDA 32399-0329 • (850) 413-4272 (OFFICE) • (850) 661-7170 (CELL)  
WEBSITE: WWW.FLOIR.COM • EMAIL: DAN.APPLGARTH@FLOIR.COM

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**EXAMINATION TRANSMITTAL LETTER**  
**National Consumer Title Insurance Company**  
**June 18, 2020**  
**Page 2 of 2**

If the OIR has not received written objections to this Report which conform to the requirements of Rule 69N-121.066, Florida Administrative Code, within thirty (30) days after receipt by the Company of this Report, the OIR will consider the Company to have forfeited its right to a hearing and will file the Report as a public document.

Sincerely,



Daniel W. Applegarth, CFE, CPA, PIR  
Chief Financial Examiner  
Property & Casualty Financial Oversight  
Florida Office of Insurance Regulation

Enclosure

cc: Virginia Christy, Director, Office, [virginia.christy@flor.com](mailto:virginia.christy@flor.com)  
Jeff Rockwell, Exam Manager, Office, [Jeff.Rockwell@flor.com](mailto:Jeff.Rockwell@flor.com)  
Robert Ridenour, Chief Analyst, Office, [robert.ridenour@flor.com](mailto:robert.ridenour@flor.com)  
Ainsley Armstrong, Analyst Supervisor, [Ainsley.Armstrong@flor.com](mailto:Ainsley.Armstrong@flor.com)  
Kyle Lynch, Financial Analyst, [Kyle.Lynch@flor.com](mailto:Kyle.Lynch@flor.com)



**EXAMINATION REPORT  
OF**

**NATIONAL CONSUMER TITLE  
INSURANCE COMPANY**

**NAIC Company Code: 16169**

**Tallahassee, Florida  
as of  
December 31, 2018**

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June 5, 2020

David Altmaier  
Commissioner  
Office of Insurance Regulation  
State of Florida  
Tallahassee, Florida 32399-0326

Dear Commissioner:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, Rule 690-138.005, Florida Administrative Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2018, of the financial condition and corporate affairs of

**National Consumer Title Insurance Company  
2750 Chancellorsville Drive  
Tallahassee, Florida 32312**

hereinafter referred to as "NCTI" or "the Company." Such report of examination is herewith respectfully submitted.

## **SCOPE OF EXAMINATION**

This examination covered the period of May 1, 2017 through December 31, 2018, for National Consumer Title Insurance Company (“NCTI” or the “Company”). The fieldwork, which included planning meetings held at the Florida Office of Insurance Regulation (“the Office”) commenced on July 29, 2019, and concluded as of March 31, 2020. This is the first examination of the Company.

The examination was in accordance with the NAIC Financial Condition Examiners Handbook (“the Handbook”). The Handbook requires that the examination be planned and performed 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 the NAIC Statements of Statutory Accounting Principles.

This examination report includes information obtained from the examination of the records, accounts, files, and documents of or relative to the Company and other information as permitted by Section 624.319, Florida Statutes. There may be other items identified during the examination that, due to their nature (for example, subjective conclusions or proprietary information), are not included within the examination report but separately communicated to other regulators and/or the Company.

## **SUMMARY OF SIGNIFICANT FINDINGS**

### **Current Examination Findings**

There were no significant findings of fact or material changes in the financial statements.

## COMPANY HISTORY

### General

The Company was incorporated in Florida on May 1, 2017 and commenced business on the same day.

The Company was a party to Consent Order # 207267-17-CO filed April 27, 2017, whereby the Office approved its application to write (0285) Title insurance in the State of Florida. In addition to the Company, parties to the Consent Order included Capital Preferred Insurance Company ("CPIC"), Southern Fidelity Insurance Company ("SFIC") and Southern Fidelity Property Casualty Company ("SFPC"), each of which is an affiliate of the Company, and each of which owns one third of the common shares of the Company.

### Dividends

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

### Capital Stock and Capital Contributions

As of December 31, 2018, the Company capitalization was as follows:

Number of authorized common capital shares	30,000
Number of shares issued and outstanding	30,000
Total common capital stock	\$3,000,000
Par value per share	\$100.00

### Acquisitions, Mergers, Disposals, Dissolutions

None

## MANAGEMENT AND CONTROL

### Corporate Governance

The annual shareholder meeting for the election of Directors was held in accordance with Section 628.231, Florida Statutes. Directors serving as of December 31, 2018, are shown below:

<b>Directors</b>		
Name	City, State	Principal Occupation, Company Name
James Anthony Graganella	Tallahassee, Florida	President, CEO and Director National Consumer Title Insurance Company
Justin Hayles Edenfield	Tallahassee, Florida	CFO, Treasurer and Director National Consumer Title Insurance Company
Byron Hamelin Wells	Tallahassee, Florida	Vice President and Director National Consumer Title Insurance Company
Kristie Beavers Mock	Tallahassee, Florida	Secretary National Consumer Title Insurance Company
Charles William Whittaker	Donalsonville, GA	Certified Public Accountant Partner, Dowdy & Whittaker CPA's

In accordance with the Company's Bylaws, the Board appointed the following Senior Officers:

<b>Senior Officers</b>		
Name	City, State	Title
James Anthony Graganella	Tallahassee, Florida	President, CEO and Director National Consumer Title Insurance Company
Justin Hayles Edenfield	Tallahassee, Florida	CFO, Treasurer and Director National Consumer Title Insurance Company
Kristie Beavers Mock	Tallahassee, Florida	Secretary and Director National Consumer Title Insurance Company
Byron Hamelin Wells	Tallahassee, Florida	Vice President and Director National Consumer Title Insurance Company
Donna Gorrell <sup>1</sup>	Panama City, Florida	Vice President and COO National Consumer Title Insurance Company

<sup>1</sup>Resigned June 2019



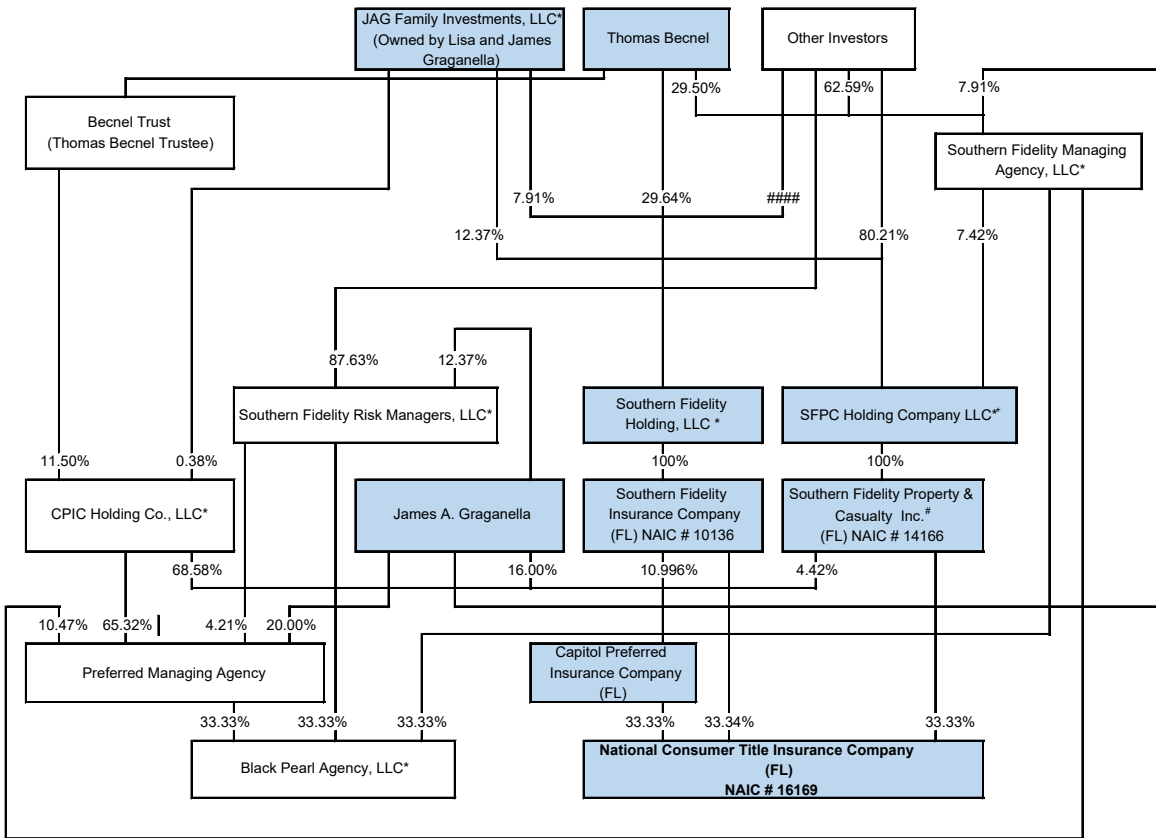
The Board of Directors elected an Audit Committee as required by Section 624.424(8)(c), Florida Statutes.

Audit Committee		
Name	City, State	Title, Company Name
Keith Edward Martin	St. Johns, Florida	Retired
Charles William Whittaker	Donalsonville, GA	Certified Public Accountant, Dowdy & Whittaker, CPAs
Henry Coleman Satterfield III	Tallahassee, FL	Manager, Satter, LLC

## HOLDING COMPANY SYSTEM

The most recent holding company registration statements Form B and Form C were filed with the State of Florida on March 27, 2019.

Schedule Y of the Company's 2018 annual statement provides a list of all related companies of the holding company group. An organizational chart as of December 31, 2018, reflecting the holding company system is shown below:



\* Mr. James A Graganella is responsible for managing these LLCs

+ SFPC Holding Company LLC became inactive on March 1, 2019

# Southern Fidelity Property & Casualty, Inc. was merged into Capitol Preferred Insurance Company on February 28, 2019

The following agreements were in effect between the Company and its affiliates:

### **Management Services Agreement**

Effective May 19, 2017, the Company entered a management services agreement with Preferred Managing Agency, LLC ("PMA"), an affiliate through common ownership, whereby PMA provides title insurance agency services, premium billing and collection and administrative services in exchange for 17% of Gross Premiums excluding reinsurance or coinsurance costs.

## **ACCOUNTS AND RECORDS**

The Company maintained its principal operational offices in Tallahassee, Florida.

The Company and non-affiliates had the following agreements:

### **Custodial Agreements**

The Company maintained custodial agreements with

- SunTrust Bank, as amended December 20, 2017
- Regions Bank, executed May 23, 2017

The agreements were in compliance with Rule 690-143.042, Florida Administrative Code.

### **Independent Auditor Agreement**

The Company requested an exemption from filing audited financial statements for the years 2017 and 2018 based upon the small amount of written premiums and policyholders in force for each year. They also provided affidavits completed by a Company officer attesting that the Company met the exception criteria. Based on these attestations, the Office issued no objection letters for the years 2017 and 2018 dated March 12, 2018, and February 11, 2019, respectively, in accordance with Section 624.424(8), Florida Statutes.

### **Corporate Records Review**

The recorded minutes of the Shareholder, Board of Directors and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approval of Company transactions and events, including the authorization of investments, as required by Section 625.304, Florida Statutes.

## **TERRITORY AND PLAN OF OPERATIONS**

The Company is authorized to transact title insurance only in the State of Florida.

## **REINSURANCE**

### **Reinsurance Assumed**

The Company assumed no reinsurance during 2018.

### **Reinsurance Ceded**

The Company ceded risk on a per-risk excess of loss basis for its title policies. Reinsurance premium rate was contracted at 2.182% of estimated annual premiums of \$5,500,000. Actual premiums written in 2018 totaled \$896,788 resulting in reinsurance premium rate of 16.3% of premiums. Reinsurance was placed with the following subscribing reinsurers:

Primary: \$650,000 per risk excess of \$350,000 retention

- Beazley Syndicate 623/2623 – 50%
- Fidelis Underwriting LTD – 50%

Excess: \$2,000,000 per risk excess of \$1,000,000

- Beazley Syndicate 623/2623 – 50%
- Fidelis Underwriting LTD – 50%

## **INFORMATION TECHNOLOGY REPORT**

Robert Panah, CISA, and Sarah Bridendall, CISA, of Assurity Resources, Inc., performed an evaluation of the information technology and computer systems of the Company. Results of the evaluation were noted in the Information Technology Report provided to the Company.

## **STATUTORY DEPOSITS**

The Company had a \$100,000 certificate of deposit with the State of Florida as required by Section 624.411, Florida Statutes.

## **FINANCIAL STATEMENTS**

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds; the statutory Statement of Operations; the statutory Statement of Cash Flow; and the statutory Analysis of Changes in Surplus for the year ended December 31, 2018. The financial statements are based on the statutory financial statements filed by the Company with the Florida Office of Insurance Regulation and present the financial condition of the Company for the period ending December 31, 2018. (Note: Failure of the columns to add to the totals reflected in this Report is due to rounding.)

**National Consumer Title Insurance Company**  
**Assets**  
**December 31, 2018**

	<u>Per Company</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>
Cash & short-term investments	\$ 4,594,445		\$ 4,594,445
Uncollected premium	3,508		3,508
Net deferred tax asset	<u>2,881</u>		<u>2,881</u>
Totals	<u>\$ 4,600,834</u>	<u>\$ -</u>	<u>\$ 4,600,834</u>

**National Consumer Title Insurance Company**  
**Liabilities, Surplus and Other Funds**  
**December 31, 2018**

	<u>Per Company</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>
Statutory premium reserves	\$ 49,331		\$ 49,331
Supplemental reserve	9,562		9,562
Commissions due	51,233		51,233
Taxes, licenses and fees	6,248		6,248
Current federal and foreign income taxes	<u>784</u>		<u>784</u>
Total Liabilities	<u>\$ 117,158</u>		<u>\$ 117,158</u>
Common capital stock	3,000,000		3,000,000
Gross paid in and contributed surplus	1,500,000		1,500,000
Unassigned funds (surplus)	<u>(16,324)</u>		<u>(16,324)</u>
Surplus as regards policyholders	<u>\$ 4,483,676</u>	<u>\$ -</u>	<u>\$ 4,483,676</u>
Totals	<u>\$ 4,600,834</u>	<u>\$ -</u>	<u>\$ 4,600,834</u>

**National Consumer Title Insurance Company, Inc.**  
**Statement of Income**  
**December 31, 2018**

**Operating Income**

Title insurance premiums earned	\$ 708,226
Other title fees and service charges	83,710
Total Operating Income	<u>791,936</u>

**Expenses**

Operating expenses incurred	819,606
Total Operating Expenses	<u>819,606</u>
Net operating gain or (loss)	<u>(27,670)</u>

**Investment Income**

Net investment income earned	30,102
Net investment gain (loss)	<u>30,102</u>

**Other Income**

Federal and foreign income taxes incurred	882
Net income	<u>\$ 1,550</u>

**Capital and Surplus Account**

Surplus as regards policyholders, December 31 prior year	\$4,501,213
Net Income	1,550
Change in net deferred tax asset	2,656
Change in nonadmitted assets	(12,787)
Change in supplemental reserves	(8,956)
Change in surplus as regards policyholders for the year	<u>\$ (17,537)</u>
Surplus as regards policyholders, December 31 current year	<u><u>\$4,483,676</u></u>



**National Consumer Title Insurance Company  
Reconciliation of Capital and Surplus  
December 31, 2018**

No adjustments were made to surplus as regards policyholders as a result of this examination.

## COMMENTS ON FINANCIAL STATEMENT ITEMS

### **Liabilities**

#### **Losses and Loss Adjustment Expenses**

By letter dated February 11, 2019, the Office notified the Company there was no objection to the Company's request for exemption from the filing of an Actuarial Opinion on the provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements as of December 31, 2018. The Company met the requirements of Section 624.424(8), Florida Statutes for an exemption.

The examination consulting actuary, Wesley R. Campbell, FCAS, FSA, MAAA, associated with Apex Actuarial Solutions, LLC, reviewed the loss and loss adjustment expense reserves of the Company. There were no adjustments as a result of this review.

#### **Capital and Surplus**

The amount of capital and surplus reported by the Company of \$4,483,676, exceeded the minimum of the greater of \$2.5 million or 10% of liabilities required by Section 624.407, Florida Statutes.

## **SUBSEQUENT EVENTS**

Effective March 1, 2019, pursuant to a transaction accounted for as a statutory merger, SFPC was merged into CPIC and CPIC became the surviving entity. The merger was approved by the Office. After the merger, CPIC owns two thirds of the Company's common shares.

Donna Gorrell, COO, resigned from the Company in June 2019.

## **SUMMARY OF RECOMMENDATIONS**

None

## CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **National Consumer Title Insurance Company** as of December 31, 2018, consistent with the insurance laws of the State of Florida.

In addition to the undersigned, Robert Panah, CFE, CISA, MCM, FLMI, President, Assurity Resources, Inc., Lewis D. Bivona, Jr., CPA, AFE, Participating Examiner, of Assurity Resources, Inc., and Wesley R. Campbell, FCAS, FSA, MAAA, of Apex Actuarial Solutions, LLC, the examination actuary, participated in the examination. Members of the Office who participated in the examination include Jeffrey Rockwell, Examination Manager, Florida Office of Insurance Regulation, and Christopher R. Brown, APIR, Florida Office of Insurance Regulation, are recognized for participation in the examination.

Respectfully submitted,



Sarah L. Bridendall, CFE, CISA, CIE, ALMI, AMCM,  
ACS, CICSR, AIRC, CCP, MHP, HCAFA, FAHM  
Examiner-in-Charge

Assurity Resources, Inc.

Representing the Florida Office of Insurance Regulation



Daniel W. Applegarth, CFE, CPA, PIR

Chief Financial Examiner

P&C Financial Oversight

Florida Office of Insurance Regulation