April 18, 2020

Tom Palotas, Esq. Email to tpalotas@jpclaw.com
Jameson Pepple Cantu PLLC
801 Second Avenue, Suite 700
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 Re: Background on WFG

Dear Mr. Palotas:

Being a relatively new insurer in the title industry, we get this question fairly often, so here’s my canned background on WFG and on our reinsurance arrangements. Like most insurers, we balance the reserve needs against single policy risk by reinsuring higher dollar risks to various syndicates at Lloyds of London and others. Let me guide you through the manner in which we elect to manage that risk for the protection of our insureds.

**Primary Retention**

For your reference I have attached a link to WFG’s [2019 “State of the Company](https://national.wfgnationaltitle.com/wp-content/uploads/2020/02/WFG-State-of-Co-Q4-2019.2.pdf)” report. To hit the highlights, Williston Financial Group was founded in January of 2010, and acquired two inactive title insurance companies. These were reactivated and merged to form WFG National Title Insurance Company. Since then the insurer has built a national presence, becoming licensed in 49 states and the District of Columbia; assembled a highly experienced underwriting team with deep commercial experience; and grown to be the 6th Largest Title insurer group by premium volume with over $150 million of assets and $43 million of surplus.[[1]](#footnote-1) WFG National Title Insurance Company is rated A’ (unsurpassed) by Demotech.

**Policy Liabilities $3-20 Million**

All policy liabilities from $3 million to $20 million are automatically reinsured with a group of syndicates through Lloyds of London. Here are the participants in our reinsurance and their A.M. Best ratings.

| **Reinsurer/Syndicate** | **A.M. Best** |
| --- | --- |
| Lloyds of London: | A XV |
| Beazley(Syndicate 623/26323) | A XV |
| AXA XL (Syndicate 2003) | A+ XV |
| Renaissance RE(Syndicate 1458) | A+ XV |
| Chaucer:(Syndicate 1084) | A XV |
| Brit Syndicate(Syndicate 2987) | A XV |
| Fidelis Underwriting, LTD | A- XIII |
| Liberty Specialty Markets Bermuda LTD | A XV |
| Sirius International Insurance Corp (Syndicate 2219) | A XV |

The syndicates backing our reinsurance have many times the available surplus and assets of the entire US title insurance industry.

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| --- | --- | --- | --- |
| **Title Insurer** | **Surplus Amount** | **Surplus/Capital Amount** | **ATRA Panel Reinsurer** |
| Fidelity | $1,382,663,887.00  | $2,032,000,000.00  | Beazley |
| First American | $1,213,876,326.00  | $62,832,790,500.00  | AXA XL |
| Old Republic  | $503,101,154.00  | $7,400,000,000.00  | RenRe |
| Stewart | $574,837,386.00  | $13,058,056,427.63  | Chaucer (Parent Company China RE) |
|   |   | $26,820,057,000.00  | Brit (Parent Company Fairfax Holdings) |
|   |   | $24,005,000,000.00  | Liberty Specialty Markets Bermuda (Parent Company Liberty Mutual) |
|   |   | $1,365,000,000.00  | Fidelis |
|   |   | $1,800,000,000.00  | Sirius International |
| **TOTALS** | **$3,674,478,753.00**  | **$139,312,903,927.63**  | **Totals** |

Copies of our “reinsurance treaties” with these reinsurers are available if you would like to review them.

**Policy Liabilities > $20 Million**

Policy liabilities above $20 million are reinsured on a facultative basis with Fidelis Underwriting LTD. All preliminary workup on this transaction has been completed and we’ve attached a copy of the assumption letter from Fidelis.

Part of your evaluation of us is, correctly, the equity and reserves available both on a primary and a reinsurance basis. As you know, equity invested in a title insurer or for that matter in any insurer, quickly becomes “locked in capital.” Any distributions can be limited at the whim of state insurance regulators.

Even though our parent company, Golden Gate Capital <http://www.goldengatecap.com/> is quite substantial and has greater equity and annual revenues than Fidelity and First American together, we’ve made the conscious decision not to over-capitalize the insurance company. Instead WFG uses offshore reinsurance capital to provide financial strength for the protection of our insureds and of our future business. The way we have structured our reinsurance, all policy liabilities above $3 million are backed both by WFG and by the Lloyds syndicates above.

The second part of your analysis should be an inquiry into the relationship of the available assets in an insurer to the liabilities incurred and their claims history. Simply put, our bigger competitors sell many more policies and have correspondingly higher liabilities under those policies than does WFG. So the second analysis we’d suggest is the claims paying coverage. You’ll find that on page 22 of our [State of the Company](https://national.wfgnationaltitle.com/wp-content/uploads/2020/02/WFG-State-of-Co-Q4-2019.2.pdf) report.

Under both of those analyses, we believe that WFG provides solid protection for our insureds – regardless of the overall policy size. More importantly, we’ve gained market acceptance.

In 2018, WFG closed over 700 high liability transactions, including these:

|  |  |
| --- | --- |
| **Insured Amount** | **Description** |
| $93,017,815.00 | Oil and Gas Terminal Facilities in GA, AL, NM |
| $32,080,900.00 | Nursing home and medical facility in New Orleans, LA |
| $36,480,215.00 | Ranch in Kerr and Kimble Counties, Texas |
| $79,500,000.00 | Houston Galleria Office Building |
| $100,000,000.00 | Sale of Leasehold Interest with financing in Miami, FL |
| $50,500,000.00 | Theatre property on Miami Beach |
| $51,000,000.00 | Apartment Complex, Lewisville, TX |
| $25,000,000.00 | Beachfront property Siesta Key, FL |
| $62,048,799.00 | Medical Facility, Lubbock, TX |
| $21,500,000.00 | Retirement, nursing and assisted care facility in Columbia, SC |
| $32,246,309.00 | Housing authority complex in Stone Mountain, GA. |

If you have questions or would like to discuss any of this in greater detail, please give me a call. I’ll look forward to seeing you in Clearwater or later this week at Cert Review.

 Kindest Regards,

 Alan B. Fields

1. 12-31-19 NAIC annual statement [↑](#footnote-ref-1)