DRAFTED AS COMING FROM THE PRIMARY CONTACT WITH THE LENDER

Re:

Dear

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ asked that I give you some 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 with 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**

WFG retains the first $5 million of liability on each policy issued. For your reference, I have attached a link to WFG’s ["State of the Company"](https://wfgtitle.com/wp-content/uploads/2022/01/WFG-State-of-the-Company-Q3-final.pdf) report. To hit the highlights, Williston Financial Group was founded in January of 2010, and acquired two inactive title insurance companies which 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 by premium volume with over $300 million of assets and $106 million of surplus.[[1]](#footnote-1) WFG National Title Insurance Company is rated A’ (unsurpassed) by Demotech and has earned a Demotech “Highly Recommended” rating for Commercial Real Estate transactions. A $5 million reinsurance attachment point is very conservative for a company of our size.

**Policy Liabilities $5-30 Million**

All policy liabilities from $5 million to $30 million are automatically reinsured with highly rated reinsurers. Here are the participants in our reinsurance and their A.M. Best ratings.

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Title Insurer** | **AM Best** | **Surplus** | **Reinsurer / Syndicate ()** | **AM Best** | **Surplus/Capital** |
| Fidelity National | Not Rated | $1,398,670,000 | Beazley (623/2623) | A Excellent | $4,410,600,000 |
| First American | A Excellent | $1,647,087,000 | AXA XL | A+ Superior | $13,139,331,000 |
| Stewart | A - Excellent | $829,135,000 | Ren Re (1458) | A+ Superior | $975,200,000 |
| Old Republic | A+ Superior | $731,085,000 | Chaucer (1084) | A Excellent | $1,687,500,000 |
|  |  |  | Brit (2987/8) | A Excellent | $2,738,200,000 |
|  |  |  | Liberty Specialty (Bda) | A Excellent | $1,777,700,000 |
|  |  |  | CATIC | B++ Good | $45,144,428 |
|  |  |  | Liberty (4472) | A Excellent | $1,753,900,000 |
|  |  |  | Greenlight Re | A- Excellent | $466,900,000 |
|  |  |  | Axis Re | A Excellent | $903,600,000 |
| Totals |  | $4,605,977,000 |  |  | $27,898,075,428 |
|  |  |  |  |  | 605.69% |

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

**Policy Liabilities > $30 Million**

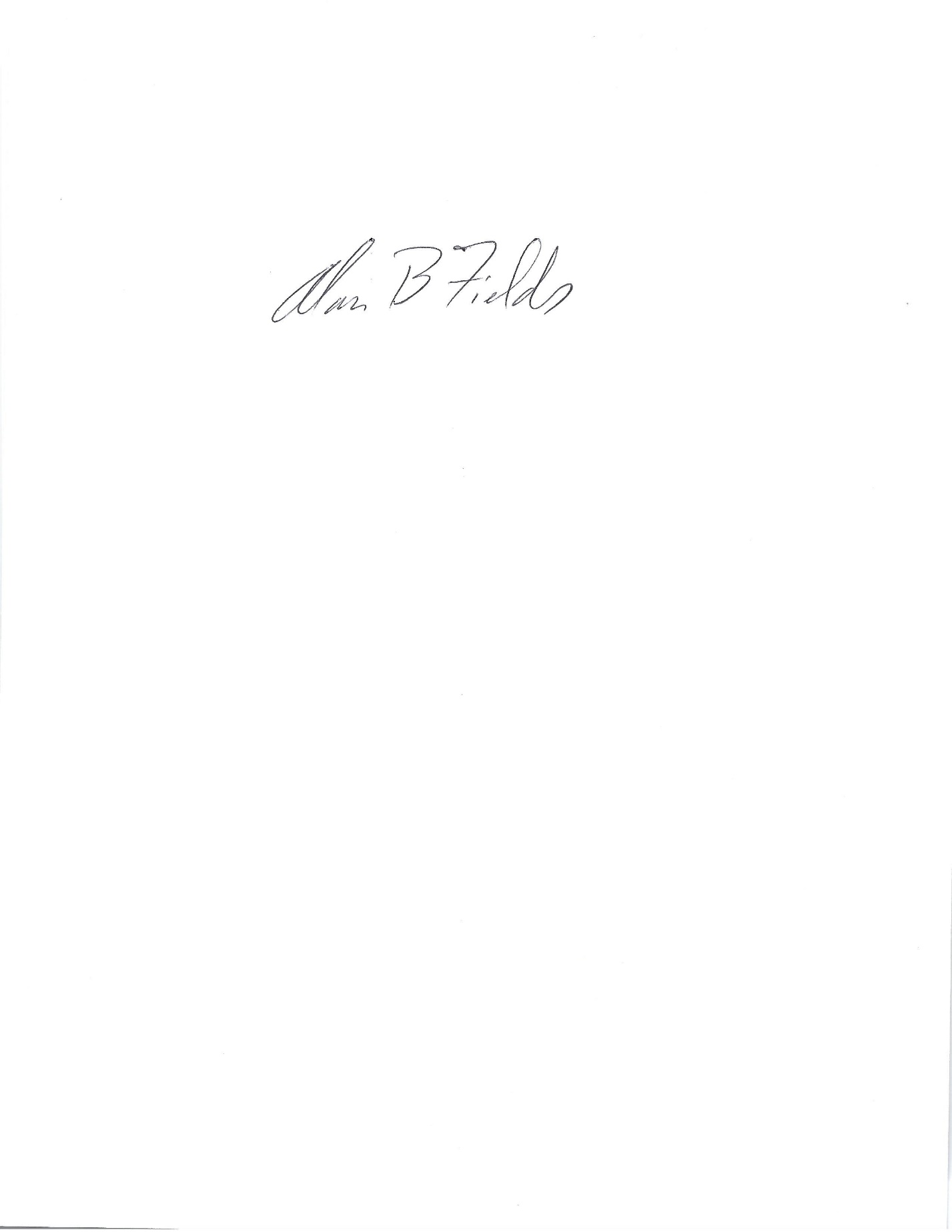
Policy liabilities above $30 million and up to $500 million are reinsured on a facultative basis with Fidelis Underwriting LTD, another A rated reinsurer.

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 international reinsurance capital to provide solid protection of our insureds and of our future business.

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 23 of WFG’s ["State of the Company"](https://wfgtitle.com/wp-content/uploads/2022/01/WFG-State-of-the-Company-Q3-final.pdf) report.

Under both of those analyses, we believe that WFG provides solid protection for our insureds – regardless of the individual policy size.

If you have any questions or would like to discuss any of this in greater detail, please feel free to give me a call, or to contact Alan Fields, our SVP – Director of Underwriting Services at [afields@wfgnationaltitle.com](mailto:afields@wfgnationaltitle.com) or 813-421-3821.

 Sincerely,

Alan B. Fields

1. 12-31-2022 NAIC annual report [↑](#footnote-ref-1)