

SOUTHERN TITLE INSURANCE CORP.
BALANCE SHEET
AS OF DECEMBER 31, 2023

ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets
ASSETS			
Cash, Cash Equivalents, and Short-Term Investments	\$ 751,308.77	\$ -	\$ 751,308.77
Cash	\$ 103,652.44		
Cash Equivalents	\$ 647,656.33		
Bonds- Long Term	184,670.52	-	184,670.52
Stocks (Bond Mutual Fund)	2,334,768.28	-	2,334,768.28
Other Receivables	90,397.82	(90,397.82)	-
Income Tax Refund	51,955.23	-	51,955.23
Accrued Investment Income Receivable	13,699.98	-	13,699.98
Prepaid Assets	-	-	-
Deferred Tax Assets	5,086,214.00	(5,086,214.00)	-
Deposits	51,704.87	(51,704.87)	-
TOTAL ASSETS	\$ 8,564,719.47	\$ (5,228,316.69)	\$ 3,336,402.78

LIABILITIES, SURPLUS, AND OTHER FUNDS

LIABILITIES

Liability for Policyholder NCD's	11,333,722.70
Accounts Payable	61,017.04
TOTAL LIABILITIES	\$ 11,394,739.74

SURPLUS AND OTHER FUNDS

Common Capital Stock	1,001,123.20
Gross Paid in and Contributed Surplus	17,222,338.35
Unrealized Gain/(Loss)	(311,301.99)
Unassigned Funds (Surplus)	(25,792,340.56)
Net Income	(178,155.96)
TOTAL SURPLUS AND OTHER FUNDS	(8,058,336.96)
TOTAL LIABILITIES, SURPLUS AND OTHER FUNDS	\$ 3,336,402.78

SOUTHERN TITLE INSURANCE CORP.
STATEMENT OF INCOME
FOR THE PERIOD ENDING DECEMBER 31, 2023

REVENUES

Investment Income	\$ 102,134.57
Net Realized Capital Gains or (Losses)	4,605.20
Recoupments	-
Settlement Income	300.00
Other Income	1,994.80
Cancellation of Debt Income	-

TOTAL REVENUES **109,034.57**

EXPENSES

Loss Expense	-
Telephone Expense	1,047.45
Accounting & Auditing Expense	67,957.50
Bad Debt Expense	-
Bank Service Fees	6,634.21
Document Handling Expense	7,514.41
Dues and Subscription Expense	2,337.00
Legal Expense	199,325.52
Licenses & Taxes	-
Miscellaneous Expense	-
Office Supplies	-
Internet/Web Service Expense	1,864.44
Postage Expense	510.00

TOTAL EXPENSES **287,190.53**

NET INCOME BEFORE FEDERAL INCOME TAXES **(178,155.96)**

Federal Income Tax -

NET INCOME **(178,155.96)**

CAPTIAL AND SURPLUS ACCOUNT

Capital and Surplus at January 1, 2023	(7,930,045.01)
Net Income	(178,155.96)
Change in Deferred Taxes	73,150.00
Change in Unrealized Gains/(Losses)	49,864.01
Change in Not Admitted Assets	(73,150.00)
Total Capital and Surplus at December 31, 2023	(8,058,336.96)

SOUTHERN TITLE INSURANCE CORP.
CASH FLOW STATEMENT
FOR THE PERIOD ENDING DECEMBER 31, 2023

Cash from Operations:

Net investment income	\$ 98,937.98	
Miscellaneous income	2,294.80	
Benefits and loss related payments	-	
Commissions, expenses and write-ins	(273,654.65)	
Federal income taxes paid	-	
	<hr/>	
Net Cash from Operations		(172,421.87)

Cash from Investments:

Proceeds from bonds sold, matured or repaid	415.15	
Proceeds from stocks (Bond Mutual Fund) sold	82,844.37	
Net gains/(losses) on cash, cash equivalents and short-term investments	4,605.20	
Cost of bonds acquired	-	
Cost of stocks (Bond Mutual Fund) acquired	(75,956.43)	
	<hr/>	
Net Cash from Investments		11,908.29

Cash from Financing and Miscellaneous Sources:

Dividends to stockholders	-	
Other cash provided (applied)	-	
	<hr/>	
Net Cash from Financing and Miscellaneous Sources		<hr/>
Net decrease (increase) in cash and short-term investments		(160,513.58)
Cash and short term investments, beginning of period		911,822.35
Cash and short term investments, end of period		<u><u>\$ 751,308.77</u></u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

Southern Title Insurance Corporation, in Receivership (the “Company” or “Southern Title”) prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the Commonwealth of Virginia. Effective January 1, 2001, the Commonwealth of Virginia required that insurance companies domiciled in the Commonwealth of Virginia prepare their statutory basis financial statements in conformity with accounting practices and procedures prescribed or permitted by the National Association of Insurance Commissioners (“NAIC”) subject to any deviations prescribed or permitted by the Commissioner of Insurance for the Commonwealth of Virginia.

A reconciliation of the Company’s net income and surplus between NAIC standard accounting practices and procedures (“SAP”) and practices prescribed or permitted by the Commonwealth of Virginia is shown below:

	State of Domicile	12/31/2023	12/31/2022
NET INCOME:			
1. Southern Title State Basis (Page 4, Line 15, Columns 1 & 3)	Virginia	(\$178,156)	(\$183,773)
2. State Prescribed Practices that Increase/Decrease NAIC SAP: e.g., Depreciation of Fixed Assets		0	0
3. State Prescribed Practices that Increase/Decrease NAIC SAP: e.g., Depreciation, Home Office Property		0	0
4. NAIC SAP (1-2-3=4)		(\$178,156)	(\$183,773)
SURPLUS:			
5. Southern Title State Basis (Page 3, Line 32, Columns 1 & 2)		(8,058,337)	(7,930,045)
6. State Prescribed Practices that Increase/Decrease NAIC SAP: e.g., Goodwill, Net e.g., Fixed Assets, Net		0	0
7. State Prescribed Practices that Increase/Decrease NAIC SAP: e.g., Home Office Property		0	0
8. NAIC SAP (5-6-7=8)		(\$8,058,337)	(\$7,930,045)

B. Receivership

On December 20, 2011, in a case styled Commonwealth of Virginia ex rel. State Corporation Commission v. Southern Title Insurance Corporation and Manju S. Ganeriwala, Treasurer of Virginia, the Circuit Court of the City of Richmond, Virginia (the “Court”) found that Southern Title was in a condition where any further transaction of business would be hazardous to the policyholders, creditors, subscribers, and the public. Therefore, pursuant to Title 38.2, Chapters 10 and 15 of the Virginia Code, the Court issued its Final Order Appointing Receiver for Rehabilitation or Liquidation (the “Receivership Order”) appointing the State Corporation Commission of the Commonwealth of Virginia (the “Commission”) as Receiver of Southern Title, and the then Commissioner of Insurance was appointed as Deputy Receiver. On January 5, 2018, pursuant to Title 38.2, Chapters 10 and 15 of the Virginia Code, the Commission entered an updated order and appointed Scott A. White, the Commissioner of Insurance for the Bureau of Insurance for the Commonwealth of Virginia (the “Bureau”), as Deputy Receiver. On December 18, 2023, the Sixth Directive of the Deputy Receiver Appointing Special Deputy Receiver was issued, which appointed Daniel R. Bumpus, Senior Counsel of the Commission’s Office of General Counsel, as Special Deputy Receiver.

As of September 15, 2011, the Company voluntarily ceased soliciting any new contracts or policies of insurance or reinsurance. On that same date, all agents of the Company received notice of termination. The Commission subsequently issued an order of suspension on September 19, 2011, and an impairment order on November 4, 2011, because the Company no longer met minimum capital and reserve requirements.

Prior to receivership, the Company was licensed to conduct business in the following states: Alabama, Arkansas, Colorado, Delaware, District of Columbia, Florida, Georgia, Louisiana, Maryland, Mississippi, Nevada, New Jersey, New Mexico, North Carolina,

Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, and West Virginia. The Company withdrew from New Mexico in 2009, Texas in 2010, and Ohio in 2011. The Company's license became inactive in Alabama and Georgia prior to receivership and inactive in Delaware, the District of Columbia, and Tennessee post-receivership. The Company's license has been revoked, suspended, or is under review for such action in its domiciliary state of Virginia and in Arkansas, Colorado, Florida, Louisiana, Maryland, Mississippi, Nevada, South Carolina, and West Virginia.

The Receivership Order directed the Receiver, Deputy Receiver, and the Special Deputy Receiver to take control and possession of the Companies' property and affairs. The Deputy Receiver takes the place of the Board of Directors for the purpose of answering the various "General Interrogatories." Also, the "General Interrogatories" have been answered to the best of the Deputy Receiver's and his authorized representatives' knowledge and may be subject to change. Information for periods prior to December 20, 2011, is presented as previously reported to the Bureau by the Company or as presented in the books and records of the Company.

On December 21, 2011, the Deputy Receiver adopted a receivership appeal procedure for appeals or challenges of any decision made by the Deputy Receiver with respect to all claims against the Company in the Second Directive Adopting Receivership Appeal Procedure.

On August 23, 2012, the Deputy Receiver issued the Third Directive of Deputy Receiver Imposing Suspension and Moratorium ("Third Directive") effective July 26, 2012, implementing an official moratorium on all claim-related payments and costs. The moratorium was entered after the draft actuarial analysis provided for higher case reserve levels. Based on the Third Directive, all direct claim payments and defense cost payments have ceased. Administrative expenses are still being paid to administer the wind down of the Company's affairs.

On July 28, 2014, the Commission issued its Order of Liquidation with Finding of Insolvency (the "liquidation order") in which it found that further efforts to rehabilitate Southern Title would be futile, and the Company should be liquidated. The liquidation order established January 28, 2015, as the claims filing deadline, the date by which all applicable claims against Southern Title must be received by the Company. Claims subject to the claims filing deadline that were not filed on or before January 28, 2015, are considered late-filed claims and will be subordinated in payment to the timely-filed claims of other creditors. Late-filed claims will not be adjudicated on the merits unless or until funds are available for distribution to claims of this priority. Claims for payment of services rendered, or goods supplied, to Southern Title at the request of the Deputy Receiver after December 20, 2011 ("Administrative Claims"), are not subject to the claims filing deadline. The liquidation order further required that all timely-filed claims must be rendered certain, liquidated, and non-contingent within a reasonable time following the initial presentment of the claim, and at the latest, on or before January 28, 2016. With the passage of the January 28, 2016, deadline date, unliquidated claims were denied or given a priority below that of timely-filed policyholder claims as appropriate.

C. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements, accompanying schedules and footnotes, and general interrogatories. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

D. Accounting Policies

The Company generally recognizes premiums when collected on policies it writes directly and when reported to the Company on policies issued by its agents. A statutory premium reserve is established for the protection of holders of title insurance policies. The statutory premium reserve is adjusted each year based on the number of policies

issued and the net retained liability under those policies and amortized annually in accordance with a formula prescribed by the Bureau.

In addition, the Company uses the following accounting policies:

- (1) Short-term investments are stated at cost or amortized cost.
- (2) Bonds are stated at amortized cost using the interest method.
- (3) Basis at which loan-backed securities are stated and the adjustment methodology used for each type of security – not applicable.
- (4) The Company owns 100% of the common stock of Southern Title Services, Inc. The stock is valued using the equity method, which was \$0 as of December 31, 2023, and December 31, 2022.
- (5) Unpaid losses and loss adjustment expenses represent estimates of the cost of defending and settling claims which have been reported to the Company. The estimates are based on all information known to the Company and include consideration of all known legal issues. The Receiver believes the amounts are reasonable and adequate in the circumstances; however, due to the nature of the Company’s business and the length of time to resolve claims, as claims are settled, the ultimate losses may vary significantly from the estimated amounts included herein. Loss estimates are continually reviewed and modified, and any adjustments are reflected in operations in the period in which they are determined.

E. Going Concern

Based on management’s review of the Company’s financials, noting a negative surplus and the receivership status of the Company, we conclude there is substantial doubt about the Company’s ability to continue as a going concern for a reasonable period of time beyond the date of the financial statement.

- 2. ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS – NOT APPLICABLE
- 3. BUSINESS COMBINATIONS AND GOODWILL – NOT APPLICABLE
- 4. DISCONTINUED OPERATIONS – NOT APPLICABLE
- 5. INVESTMENTS

A. Loan-backed Securities

- (1) Prepayment assumptions for single class and multi-class mortgage-backed securities were obtained from broker dealer survey values or internal estimates.
- (2) Not Applicable.
- (3) Not Applicable.
- (4) Not Applicable.
- (5) Not Applicable.

B. Restricted Assets

	1	2	3	4	5	6
Restricted Asset Category	Total Gross Restricted from Current Year	Total Gross Restricted from Prior Year	Increase / (Decrease) (1 minus 2)	Total Current Year Admitted Restricted	Percentage Gross Restricted to Total Assets	Percentage Admitted Restricted to Total Admitted Assets
a. Subject to contractual obligation for which liability is not shown	\$0	\$0	\$0	\$0	0%	0%
b. Collateral held under security lending agreements	\$0	\$0	\$0	\$0	0%	0%
c. Subject to	\$0	\$0	\$0	\$0	0%	0%

Southern Title Insurance Corp.
Notes to the Financial Statements for Period Ended December 31, 2023

	1	2	3	4	5	6
Restricted Asset Category	Total Gross Restricted from Current Year	Total Gross Restricted from Prior Year	Increase / (Decrease) (1 minus 2)	Total Current Year Admitted Restricted	Percentage Gross Restricted to Total Assets	Percentage Admitted Restricted to Total Admitted Assets
repurchase agreements						
d. Subject to reverse repurchase agreements	\$0	\$0	\$0	\$0	0%	0%
e. Subject to dollar repurchase agreements	\$0	\$0	\$0	\$0	0%	0%
f. Subject to dollar reverse repurchase agreements	\$0	\$0	\$0	\$0	0%	0%
g. Placed under option contracts	\$0	\$0	\$0	\$0	0%	0%
h. Letter stock or securities restricted as to sale	\$0	\$0	\$0	\$0	0%	0%
i. FHLB capital stock	\$0	\$0	\$0	\$0	0%	0%
j. On deposit with states	\$319,663	\$313,829	\$5,834	\$319,663	9.58%	9.58%
k. On deposit with other regulatory bodies	\$0	\$0	\$0	\$0	0%	0%
l. Pledged collateral FHLB (including assets backing funding agreements)	\$0	\$0	\$0	\$0	0%	0%
m. Pledged as collateral not captured in other categories	\$0	\$0	\$0	\$0	0%	0%
n. Other restricted assets	\$0	\$0	\$0	\$0	0%	0%
o. Total Restricted Assets	\$0	\$0	\$0	\$0	0%	0%

6. JOINT VENTURES, PARTNERSHIPS, AND LIMITED LIABILITY COMPANIES – NOT APPLICABLE

7. INVESTMENT INCOME

- A. All investment income due and accrued with amounts that are over ninety (90) days past due are non-admitted and excluded from surplus.
- B. The total amount excluded at December 31, 2023, and December 31, 2022, was \$0.

8. DERIVATIVE INSTRUMENTS – NOT APPLICABLE

9. INCOME TAXES

A. Deferred Tax Assets/(Liabilities)

(1) Components of Net Deferred Tax Asset/(Liability)

	2023			2022			Change		
	Ordinary	Capital	(Col 1+2) Total	Ordinary	Capital	(Col 4+5) Total	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
(a) Gross deferred taxes	\$5,090,489	\$ -	\$5,090,489	\$5,018,129	\$ -	\$5,018,129	\$72,360	\$ -	\$72,360
(b) Statutory valuation allowance adjustment	-	-	-	-	-	-	-	-	-
(c) Adjusted deferred tax assets (1a-1b)	5,090,489	-	5,090,489	5,018,129	-	5,018,129	72,360	-	72,360
(d) Deferred tax assets non-admitted	5,086,214	-	5,086,214	5,011,715	-	5,011,715	74,499	-	74,499
(e) Subtotal net admitted deferred tax asset (1c-1d)	4,275	-	4,275	6,414	-	6,414	(2,139)	-	(2,139)
(f) Deferred tax liabilities	4,275	-	4,275	6,414	-	6,414	(2,139)	-	(2,139)
(g) Net admitted deferred tax assets/(net deferred tax liability) (1e-1f)	-	-	-	-	-	-	-	-	-

(2) Admission Calculation Components

	2023			2022				Change	
	Ordinary	Capital	(Col 1+2) Total	Ordinary	Capital	(Col 4+5) Total	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
(a) Federal income taxes paid in prior years recoverable through loss carrybacks	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(b) Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after the application of the threshold limitation. (The lesser of 2(b)(1) and 2(b)(2) below):	-	-	-	-	-	-	-	-	-
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	-	-	-	-	-	-	-	-	-
2. Adjusted gross deferred tax assets allowed per limitation threshold	-	-	-	-	-	-	-	-	-
(c) Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by gross deferred tax liabilities	-	-	-	-	-	-	-	-	-
(d) Deferred tax assets admitted as the result of application of SSAP 101.									
Total (2(a)+2(b)+2(c))	-	-	-	-	-	-	-	-	-

(3) Other Admissibility Criteria

	2023	2022
a. Ratio percentage used to determine recovery period and threshold limitation amount	(63%)	(63%)
b. Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)(2) above	(\$8,058,337)	(\$7,930,045)

B. Deferred Tax Liabilities Not Recognized

There are no temporary differences for which deferred tax liabilities are not recognized.

C. Current and Deferred Income Taxes

(1) Current Income Tax

	<u>12/31/2023</u>	<u>12/31/2022</u>
1. Current year federal tax expense/(benefit)	\$0	\$0
2. Prior year adjustments	0	0
3. Other	<u>0</u>	<u>0</u>
4. Federal income taxes incurred, gross of capital gains tax expense (benefit)	0	0
5. Less: realized capital gains tax (benefit)	<u>0</u>	<u>0</u>
6. Federal income taxes incurred, net of capital gains tax expense (benefit)	<u>0</u>	<u>0</u>

Southern Title Insurance Corp.
Notes to the Financial Statements for Period Ended December 31, 2023

(2) Deferred Tax Asset

	<u>12/31/2023</u>	<u>12/31/2022</u>	<u>Change</u>
Deferred tax assets:			
1. Loss reserve discounting	\$0	\$0	\$0
2. Unearned premium reserve	0	0	0
3. Investments	0	0	0
4. Deferred compensation	0	0	0
5. Other	5,090,489	5,018,129	72,360
6. Unrealized (gains) losses	0	0	0
7. Allowance for title plant impairment	0	0	0
8. Total deferred tax assets	<u>5,090,489</u>	<u>5,018,129</u>	<u>72,360</u>
9. Non-admitted deferred tax assets	<u>5,086,214</u>	<u>5,011,715</u>	<u>74,499</u>
10. Admitted deferred tax asset	<u>4,275</u>	<u>6,414</u>	<u>(2,139)</u>

(3) Deferred Tax Liability

Deferred tax liabilities:			
1. Investments	0	0	0
2. EDP equipment	0	0	0
3. Transition Tax	4,275	6,414	(2,139)
4. Unrealized (gains) losses	0	0	0
5. Allowance for title plant impairment	0	0	0
6. Total deferred tax liabilities	<u>4,275</u>	<u>6,414</u>	<u>(2,139)</u>
7. Net admitted deferred tax asset (liability)	<u>0</u>	<u>0</u>	<u>0</u>
8. Net deferred tax assets	<u>0</u>	<u>0</u>	<u>0</u>

(4) Net Deferred Tax Assets

In accordance with SSAP 101, management considered whether any valuation allowance on the deferred tax asset was necessary as of December 31, 2022. Based on total consolidated net income levels in the prior years, it was determined that no valuation allowance is considered necessary for the deferred tax asset.

D. The Company's income tax incurred and change in deferred income tax differs from the amount obtained by applying the federal statutory rate of 21% to income before income taxes as follows:

	<u>12/31/2023</u>	<u>12/31/2022</u>
1. Federal income taxes incurred, gross of capital gains tax (benefit)	\$ 0	\$ 0
Change in deferred income tax (without tax on unrealized gains and losses)	<u>0</u>	<u>0</u>
2. Total federal income tax reported	<u>0</u>	<u>0</u>
3. Statutory income (loss) before taxes, gross of capital gains tax (benefit)	(178,156)	(183,773)
	<u>21%</u>	<u>21%</u>
Expected income tax expense (benefit) at 21% statutory rate	(37,413)	(38,952)
Increase (decrease) in actual tax reported resulting from:		
a. Goodwill amortization	0	0
b. Nondeductible expenses for meals, penalties, and lobbying	0	0
c. Deferred tax benefit/(exp) on non-admitted assets	0	0
d. Discounting on unpaid losses	0	0
e. Unearned premiums	0	0
f. Travel & entertainment	0	0
g. Other	37,413	38,952
h. Current year NOL carry-forward	<u>0</u>	<u>0</u>
i. Total income tax reported	<u>0</u>	<u>0</u>

E. Operating loss carry-forward:

- (1) As of December 31, 2022, the Company reported the following net operating loss carry-forward:

Tax Year	Loss Sustained	Loss Previously Applied	Loss Remaining
12/31/09	\$2,875,066	\$2,875,066	\$0
12/31/10	6,486,495	6,486,495	0
12/31/11	12,655,001	195,628	12,459,373
12/31/12	5,387,082		5,387,082
12/31/13	701,761		701,761
12/31/14	2,541,622		2,541,622
12/31/15	1,409,575		1,409,575
12/31/17	1,034,401		1,034,401
12/31/18	510,355		510,355
12/31/22	181,149		181,149
TOTALS			\$24,225,318

There are no tax credit carry-forwards available for tax purposes.

- (2) The amounts of federal income taxes incurred that are available for recoupment in the event of future net losses are \$0 for 2022 and 2021.

F. Consolidated federal income tax return:

The Company was named in the federal consolidated tax return of ALPS Corporation (“ALPS”) and its subsidiaries for the period ending December 31, 2013. ALPS is the parent entity of the consolidated return. In addition to ALPS and the Company, the following subsidiaries were identified in the consolidated federal income tax return:

Attorneys Liability Protection Society, Inc.
Peak Investment Management Ltd.
First Lawyers Trust
ALPS Risk and Insurance Services, Inc.
Foundation Services Corporation
Investors Southern Corporation
Southern Title Agency Corporation
Southern Title Services, Inc.
Southern Title Abstractors Corporation
Glasgow Enterprises Corporation

On December 27, 2012, ALPS, as the parent corporation of this consolidated group, issued a letter purporting to terminate the tax allocation agreement between the various entities effective January 1, 2012. Accordingly, there is currently no agreement for the allocation of income, losses, and tax liabilities for the 2012 and subsequent tax years. Consolidated returns have been filed by ALPS; however, these returns have not included Southern Title’s tax information and no compensation or adjustment was provided to Southern Title for its loss carry-forwards, including the one for 2012 that was applied by ALPS to offset its income that year. Although ALPS asserted in its December 27, 2012, letter that it was considering retroactively terminating the tax allocation agreement and filing an application to deconsolidate the group for tax years ended 2011, 2010, and 2009. No such attempt to deconsolidate retroactively has occurred. Southern Title has filed unconsolidated returns for the years 2012 through 2022 to report properly its activities and will continue to do so going forward.

G. Federal or Foreign Federal Income Tax Loss Contingencies

The Company does not have any tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES, AND AFFILIATES

- A. All outstanding shares of the Company were owned by Investors Southern Corporation (“ISC”), a holding company for the insurance operations domiciled in the Commonwealth of Virginia. All outstanding shares of ISC were owned by ALPS, a holding company domiciled in the state of Montana. ISC subsidiaries Southern Title Agency Corporation and Glasgow Enterprises Corporation were terminated on January 23, 2013. ISC’s corporate existence was terminated on February 28, 2013, and Glasgow Enterprises Corporation II was previously terminated in 2001. ALPS turned over all assets of the non-Southern Title ISC subsidiaries to the Company. Southern Title’s shares became the property of ALPS on ISC’s dissolution. The Company has a wholly owned subsidiary, Southern Title Services, Inc., which is described in Note 1.D.7. above, and carried in the statutory financial statements at \$0.
- B. The admitted balances due to or from affiliates as of December 31, 2023, and December 31, 2022, amounted to \$0 and \$0 due from affiliates, respectively. The non-admitted balances due from affiliates for these same dates are \$0 and \$0, respectively.
- C. There were no changes in the method of establishing the terms from that used in the preceding period.

11. DEBT – NOT APPLICABLE

12. RETIREMENT PLANS, DEFERRED COMPENSATION, POST EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES, AND OTHER POST RETIREMENT BENEFIT PLANS – NOT APPLICABLE

13. CAPITAL AND SURPLUS, DIVIDEND RESTRICTIONS, AND QUASI-REORGANIZATIONS

The Company has 250,000 shares authorized and 210,320 shares issued and outstanding of its common stock. The Company has no preferred stock.

The Company is subject to certain minimum levels of capital and surplus as required by statutes of the states in which it is authorized to do business. As of November 4, 2011, the Company no longer exceeded all minimum capital requirements.

The maximum amount of dividends which can be paid by insurers domiciled in the Commonwealth of Virginia to shareholders without prior approval of the Commissioner of Insurance is subject to restrictions relating to statutory surplus. Statutory surplus at December 31, 2023, and December 31, 2022, amounted to (\$8,058,337) and (\$7,930,045), respectively. No dividends were paid in 2023 or 2022.

14. CONTINGENCIES

As discussed in Note 1, the Company was placed in receivership by the Circuit Court of the City of Richmond on December 20, 2011.

The paragraphs that follow provide a summary description of litigation contingencies, litigation, or claims filed by or against the Company.

A. American National Title (“ANT”) Litigation

A total of seventeen claims with documented losses which involve at least an indication of fraud on the part of ANT and ANT-related parties were filed in the receivership. The Company paid \$1,464,212.96 on these ANT and ANT-related claims prior to the receivership and has approved post-receivership claims of \$6,293,225.72.

On September 8, 2015, an involuntary petition under Chapter 7 of the Bankruptcy Code was filed for Syed Rizwan Mohiuddin, the principal of ANT, in the United States

Bankruptcy Court, Southern District of Texas, Houston Division, Case No. 15-34752. A judgment in an adversary proceeding initiated by Southern Title was returned in Southern Title's favor on May 12, 2017.

The Trustee settled with Mr. Mohiuddin and the agreement was approved by the bankruptcy court on October 7, 2019. On September 23, 2021, the Trustee filed his final report, and on November 16, 2021, Southern Title received a distribution from the estate based on the proportion its judgment bore to the assets recovered by the Trustee less his costs and fees.

Mr. Mohiuddin's bankruptcy case was closed without granting a discharge. Accordingly, Southern Title retains a valid judgment against Mr. Mohiuddin for the remainder of the amount of the original judgment less amounts paid by the Trustee, plus interest. On April 25, 2022, the parties agreed to compromise Southern Title's judgment and claim for restitution against Mr. Mohiuddin. Mr. Mohiuddin made payments under the agreement through the end of 2022, when all payments to Southern Title ceased. The compromise agreement went into default resulting in interest on the remaining judgment accruing at the judgment rate and further collection efforts being allowed.

On July 11, 2018, the United States of America filed a five-count indictment against Syed Rizwan Mohiuddin, and asserted various asset forfeiture claims. Trial was scheduled to take place in 2023, but did not occur. One count of the indictment is related to the fraud perpetrated on Southern Title. On September 28, 2018, Southern Title delivered a victim impact statement to the United States Attorney's Office, and asserted a claim for restitution.

B. Recoupment Actions

There are twenty-eight individuals and entities against whom Southern Title currently holds valid judgments or notes. The twenty-eight parties were defendants in eighteen distinct recoupment actions. Only one case involves pending litigation. The SDR has reviewed the remaining outstanding judgments that have not been collected and is in the process of reviewing and assessing available avenues for collection, including contracting with an outside specialist. One judgment debtor contacted the SDR after being served with a writ of execution. The debtor claimed no knowledge of the basis of the judgment. The SDR provided copies of court filings, including the default judgment against said debtor. The debtor intends to hire an attorney to negotiate the matter with the SDR.

C. Proof of Claim Process and Appeals

As described in Note 1, on December 20, 2011, the Deputy Receiver established a receivership appeal procedure for the review of all decisions and claim determinations made by the Company or the Deputy Receiver. On or about January 26, 2012, the Deputy Receiver made proof of claim forms and instructions available for use by all parties that wanted to assert claims against the Company. The liquidation order set January 28, 2015, as the claim filing deadline, by which all applicable claims against Southern Title had to be received by the Company. Claims subject to the claims filing deadline that were not filed on or before January 28, 2015, are considered late-filed claims and subordinated in payment to the timely-filed claims of other creditors. Late-filed claims will not be adjudicated on the merits unless or until funds are available for distribution to claims of this priority. Claims for payment of services rendered, or goods supplied, to Southern Title at the request of the Deputy Receiver after December 20, 2011, are not subject to the claims filing deadline. The liquidation order further required that all timely-filed claims were to be rendered certain, liquidated, and non-contingent within a reasonable time following the initial presentment of the claim, or by January 28, 2016.

From the inception of the receivership through December 31, 2023, thirty-four of the claim determinations and six of the claim priority determinations were appealed. Determinations of appeal were issued in all but two of those appeals. One appeal was deemed automatically denied and the other was withdrawn prior to the issuance of a determination of appeal. No appeals were pending before the Commission on December

31, 2023. Late-filed claim determinations are being issued for new claims as they are received, and those determinations can be appealed by the policyholder. As of December 31, 2023, no person receiving a late-filed claim determination has appealed the decision. One of the late filed claimants has, however, contacted the receivership and stated his intent to pursue additional relief.

D. Litigation Against the Company

On January 2, 2012, the Deputy Receiver sent a notice of receivership to all local counsel and requested that those counsel file a notice of receivership and seek stays of pending litigation. As of December 31, 2023, all actions against the Company have been dismissed.

E. Asset Recovery Litigation

Southern Title v. Clear Title Insurance, Inc., et al.

In 2005, Southern Title and Clear Title Insurance, Inc. ("Clear Title"), entered into an Issuing Agency Contract, which made Clear Title a policy-issuing agent for Southern Title in Florida. Clear Title's principals executed personal guarantees. Clear Title issued a policy of title insurance and failed to account for a prior lien, and on April 2, 2012, Southern Title asserted various claims against Clear Title and others to recover damages related to the transaction.

On February 1, 2017, a default judgment was entered against Clear Title Insurance, Inc., summary judgment was entered against one guarantor, and partial summary judgment was entered against the other. On August 20, 2020, a suggestion of death was filed for one of Clear Title's principals.

On October 14, 2020, Southern Title filed a motion to substitute the deceased principal's estate as a defendant in his stead. Research into the assets of the defendants has shown a general lack of assets and dismissal of the case is being considered.

- 15. **LEASES – NOT APPLICABLE**
- 16. **INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK – NOT APPLICABLE**
- 17. **SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS, AND EXTINGUISHMENTS OF LIABILITIES – NOT APPLICABLE**
- 18. **GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS – NOT APPLICABLE**
- 19. **DIRECT PREMIUMS WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD-PARTY ADMINISTRATORS – NOT APPLICABLE**
- 20. **FAIR VALUE MEASUREMENTS**

A. Inputs used for Assets and Liabilities Measured and Reported at Fair Value

- (1) The Company has categorized its assets and liabilities that are reported on the balance sheet at fair value into the three-level fair value hierarchy as reflected in the table below. The three-level hierarchy is based on the degree of subjectivity inherent in the valuation method by which fair value was determined. The three levels are defined as follows:

Level 1 – Quoted Prices in Active Markets for Identical Assets and Liabilities: The Company has no assets or liabilities measured at fair value in this category.

Level 2 – Significant Other Observable Inputs: This category, for items measured at fair value on a recurring basis, includes real estate and other invested assets which are not exchange traded. The estimated fair values of some of these items were determined by an independent appraiser using observable inputs and subsequent sales prices.

Level 3 – Significant Unobservable Inputs: The Company has no assets or liabilities measured at fair value in this category.

Description	Level 1	Level 2	Level 3	Net Asset Value (NAV)	Total
Assets on balance sheet at fair value					
Bonds	\$191,335	\$2,029	-	-	\$193,364
Stocks	-	2,334,768			2,334,768
Cash and Cash Equivalents	751,309	-	-	-	751,309
Total assets on balance sheet at fair value	<u>\$942,644</u>	<u>\$2,336,797</u>	-	-	<u>\$3,279,441</u>

At the end of each reporting period, the Company evaluates whether or not any event has occurred, or circumstances have changed, that would cause an instrument to be transferred between levels. At this time, there have been no transfers between levels.

- (2) Rollforward of Level 3 Items – Not Applicable
- (3) Policy on Transfers Into and Out of Level 3
At the end of each reporting period, the Company evaluates whether or not any event has occurred, or circumstances have changed, that would cause an instrument to be transferred into or out of Level 3. During the current year, no transfers into or out of Level 3 were required.

- B. Other Fair Value Disclosures – Not Applicable
- C. Fair Values for all Financial Instruments by Levels 1, 2, and 3
The table below reflects the fair values and admitted values of all admitted assets and liabilities that are financial instruments. The fair values are also categorized into the three-level hierarchy as described above in Note 20.A.

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Net Asset Value (NAV)	Not Practicable (Carrying Value)
Financial Instruments							
Assets							
Bonds	\$193,364	\$184,671	\$182,636	\$2,035			
Stocks	2,334,768	2,334,768	-	2,334,768	-	-	-
Cash and Cash Equivalents	751,309	751,309	751,309	-	-	-	-
Total Assets	<u>\$3,279,441</u>	<u>\$3,270,748</u>	<u>\$933,945</u>	<u>\$2,336,803</u>	-	-	-

- D. Not Practicable to Estimate Fair Values – Not Applicable

21. OTHER ITEMS

The following amounts were not represented in the financial statements as of December 31, 2023, as they represent segregated funds held for others:

Cash deposits of \$126,395, were not reported in the financial statements as of December 31, 2023, as these deposits represented funds held in an escrow account.

The liquidation order allowed the Deputy Receiver to use assets equal to the value of the unearned premium reserves ("UPR"), as measured on the receivership date, to consummate contracts of reinsurance to pay all policyholder claims; however, if no such contracts of reinsurance are effectuated, then such assets are to be distributed according to the order of preference in Section 38.2-4613C of the Virginia Insurance Code ("Code"). It was determined that the UPR equaled \$9,974,279 on the receivership date.

As funds are used for the designated purposes, the liquidation order authorized that the financial statements of the Company should report the declining UPR balance as the initial amount less a designated percentage of the amount of any distribution or payment made in accordance with Section 38.2-4613 of the Code. Non-UPR assets of the Company may be used in accordance with Section 38.2-1509 of the Code, and since both Code provisions allow for payment of the costs and expenses of administration, as well as the payment of policyholder claims, such costs and expenses will be allocated between UPR and non-UPR assets in the proportion that those assets bear to the value of all estate assets.

At December 31, 2011, total admitted assets were \$15,605,758, of which 63.91% are UPR assets and 36.09% are non-UPR assets. The costs of administration have been allocated each year in accordance with these percentages. The UPR write down was tracked separately, and not included in prior financial statements. Beginning with the December 31, 2021, financial statement, the financials now reflect that the costs of receivership administration were allocated against the UPR in accordance with these percentages.

22. EVENTS SUBSEQUENT

A. 14/A. Contingencies/American National Title ("ANT") Litigation

On January 17, 2024, a judgment was entered against Mr. Mohiuddin pursuant to a plea agreement related to the federal criminal fraud charges that were pending against him. Mr. Mohiuddin agreed to a prison term followed by probation. In exchange, all but one of the charges were dropped against Mr. Mohiuddin, including Count 5 which related to the fraud perpetrated against Southern Title. Although a restitution judgment was entered, it was in favor of the victim in Count 1, the count he plead guilty to. The remainder of the judgment against Mr. Mohiuddin remains collectable, but he is unlikely to have any additional discoverable assets or income while incarcerated.

B. 14/C. On February 23, 2024, a letter appealing a late-filed claim determination was received by the Commission. An appeal to the Commission is premature if the appellant failed to appeal to the Receiver before filing with the Commission. The letter will be treated as an appeal to the Receiver.

23. REINSURANCE – NOT APPLICABLE

24. CHANGE IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES – NOT APPLICABLE

25. SUPPLEMENTAL RESERVE – NOT APPLICABLE