

REPORT ON EXAMINATION

OF THE

MONROE TITLE INSURANCE CORPORATION

AS OF

DECEMBER 31, 2006

DATE OF REPORT

MAY 30, 2008

EXAMINER

LEON TAMBUE

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STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

May 30, 2008

Honorable Eric Dinallo
Superintendent of Insurance
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 22681 dated September 13, 2007 attached hereto, I have made an examination into the condition and affairs of Monroe Title Insurance Corporation as of December 31, 2006, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate Monroe Title Insurance Corporation.

Wherever the term "Department" appears herein without qualification, it should be understood to mean the New York Insurance Department.

The examination was conducted at the Company's home offices located at 47 West Main Street, Rochester, New York 14614.

1. SCOPE OF EXAMINATION

The previous examination was conducted as of December 31, 2001. The current examination covers the five-year period from January 2002 through December 31, 2006. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination comprised a complete verification of assets and liabilities as of December 31, 2006. The examination included a review of income, disbursements and company records deemed necessary to accomplish such analysis or verification and utilized, to the extent considered appropriate, work performed by the Company's independent certified public accountants ("CPA"). A review or audit of the following items was conducted as called for in the Examiners Handbook of the National Association of Insurance Commissioners ("NAIC"):

- History of Company
- Management and control
- Corporate records
- Fidelity bond and other insurance
- Territory and plan of operation
- Growth of Company
- Business in force by states
- Loss experience
- Reinsurance
- Accounts and records
- Financial statements

A review was made to ascertain what action was taken by the Company with regard to comments and recommendations contained in the prior report on examination. It was noted that the prior report on examination contained no comments or recommendations.

This report on examination is confined to financial statements and comments on those matters, which involve departures from laws, regulations or rules, or which are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

The Company was incorporated under the laws of the State of New York in 1922 as Central New York Title Guaranty Company and commenced business on April 1, 1923. The corporate name changed to Monroe Abstract and Title Corporation on August 31, 1939 and again to Monroe Title Insurance Corporation effective January 1, 1993.

On February 2, 2006, the Department approved a merger between the Company and SM Stewart Title Insurance Company (“Stewart”) pursuant to Section 7105 of New York Insurance Law, thus becoming part of the Stewart Title holding company system at that time.

At December 31, 2006, capital paid in was \$1.25 consisting of 1 share of \$1.25 par value per share common stock issued and outstanding. The Company has 3,000,000 authorized shares of common stock. The Company also had 250,000 shares of preferred stock, none of which was issued and outstanding.

It is noted that as of September 30, 2006, the Company reported capital paid in of \$1,500,000 consisting of 1,200,000 shares of common stock issued and 1,150,842 shares outstanding. The remaining 49,158 issued shares were reported as treasury stock in the amount of \$639,861. During the 4th quarter of 2006, the Company reorganized its capital and reduced the number of issued shares to 1; the treasury stock was reduced to \$0 and the remaining \$860,138 was reported as gross paid in and contributed surplus. Subsequently, the Department notified the Company that the reorganization resulted in the Company being in violation of Section 6402 of the New York Insurance Law, which requires the Company to maintain a minimum capital of \$250,000. During the 3rd quarter of 2007, the Company increased its capital paid in to \$250,000, consisting of 200,000 shares of \$1.25 par value per share common stock. Therefore, the Company is currently in compliance with Section 6402 of the New York Insurance Law.

As of December 31, 2006, gross paid in and contributed surplus is \$860,138. Common stock, Treasury stock and Gross paid in and contributed surplus changed during the examination period, and through the subsequent December 31, as follows:

		<u>Common Stock</u>	<u>Treasury Stock</u>	<u>Gross paid in and contributed surplus</u>
January 1, 2002	Beginning balance	\$1,500,000	\$ (417,521)	\$ 0
2002/2003	Treasury stock purchase		(79,431)	
2004	Treasury stock purchase		(26,691)	
2005	Treasury stock purchase		(116,218)	
2006	Capital reorganization	<u>(1,499,999)</u>	<u>639,861</u>	<u>860,138</u>
December 31, 2006	Ending balance	\$ 1	\$ 0	\$ 860,138
2007	Capital stock issue	<u>249,999</u>	<u>0</u>	<u>(249,999)</u>
December 31, 2007	Ending balance	<u>\$ 250,000</u>	<u>0</u>	<u>\$ 610,139</u>

A. Management

Pursuant to the Company's charter and by-laws, management of the Company is vested in a board of directors consisting of not less than seven members. The board met at least four times during each calendar year. At December 31, 2006, the board of directors was comprised of the following seven members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Barry C. Balonek Rochester, NY	Vice President, Monroe Title Insurance Corp.
John F. Welling Rye, NY	President and Chairman of the Board, Stewart Title Insurance Company
Julie A. Curlen Rye, NY	Executive Vice President / CFO, Stewart Title Insurance Company
Kevin Reilly Rockville, NY	Assistant Vice President / Account Manager, Stewart Title Insurance Company
Malcolm S. Morris Houston, TX	President / CEO, Stewart Title Guaranty Company
Michael B. Skalka Katy, TX	Executive Vice President / Esquire, Stewart Title Guaranty Company
Thomas A. Podsiadlo Penn Yan, NY	President / CEO Monroe Title Insurance Corp.

A review of the minutes of the board of directors' meetings held during the examination period indicated that the meetings were generally well attended and each board member had an acceptable record of attendance.

As of December 31, 2006, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Thomas A. Podsiadlo	President
Barry Balonek	Vice President Underwriting / Secretary
Christine F. Russell	Treasurer

B. Territory and Plan of Operation

As of December 31, 2006, the Company was licensed to write business in New York State only. As of the examination date, the Company was licensed to transact the business of title insurance, as defined in paragraph 18 of Section 1113(a) of the New York Insurance Law.

The Company is organized pursuant to Article 64 of the New York Insurance Law. Based upon the line of business for which the Company is licensed, its current capital structure, and pursuant to the requirements of Article 64 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$250,000.

The Company is primarily engaged in the business of issuing title insurance policies and secondarily in performing other title-related services such as escrow, collection and trust activities in connection with real estate transactions. These services are provided through the Company's subsidiaries and affiliated agencies, Monroe - Gorman Title Agency ("MGT") and Monroe - Tompkins Watkins Title Agency ("MTW") and through independent agents who issue policies on behalf of the Company.

C. Reinsurance

During the period covered by this examination, the Company's assumed reinsurance business has decreased significantly since the last examination.

The Company cedes portions of risks written directly by it to authorized title insurers on a facultative basis. It uses the standard American Land Title Association (“ALTA”) facultative reinsurance agreement. The maximum amount assumed or retained is \$5,000,000.

The ALTA contracts were reviewed and were found to contain the required standard clauses, including an insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

The Schedule F data contained in the Company’s annual statements for the years within the examination period was found to accurately reflect its reinsurance transactions with authorized reinsurance company.

For 2006, all of the Company’s reinsurance was ceded to Stewart Title Insurance Company, an affiliated authorized reinsurance company. The total for reinsurance premium ceded to affiliated reinsurance company accounts for only one percent (1%) of net title premium written as of December 31, 2006.

Subsequent to the examination date, the Company entered into an excess of loss reinsurance treaty with its affiliate, Stewart Title Insurance Company. This reinsurance treaty applies to all policies issued by the Company on land in the treaty state in excess of \$5,000,000 retained loss risk. The reinsurance agreement was reviewed for compliance with Article 15 of the New York Insurance Law and was non-disapproved by the Department, effective July 11, 2007.

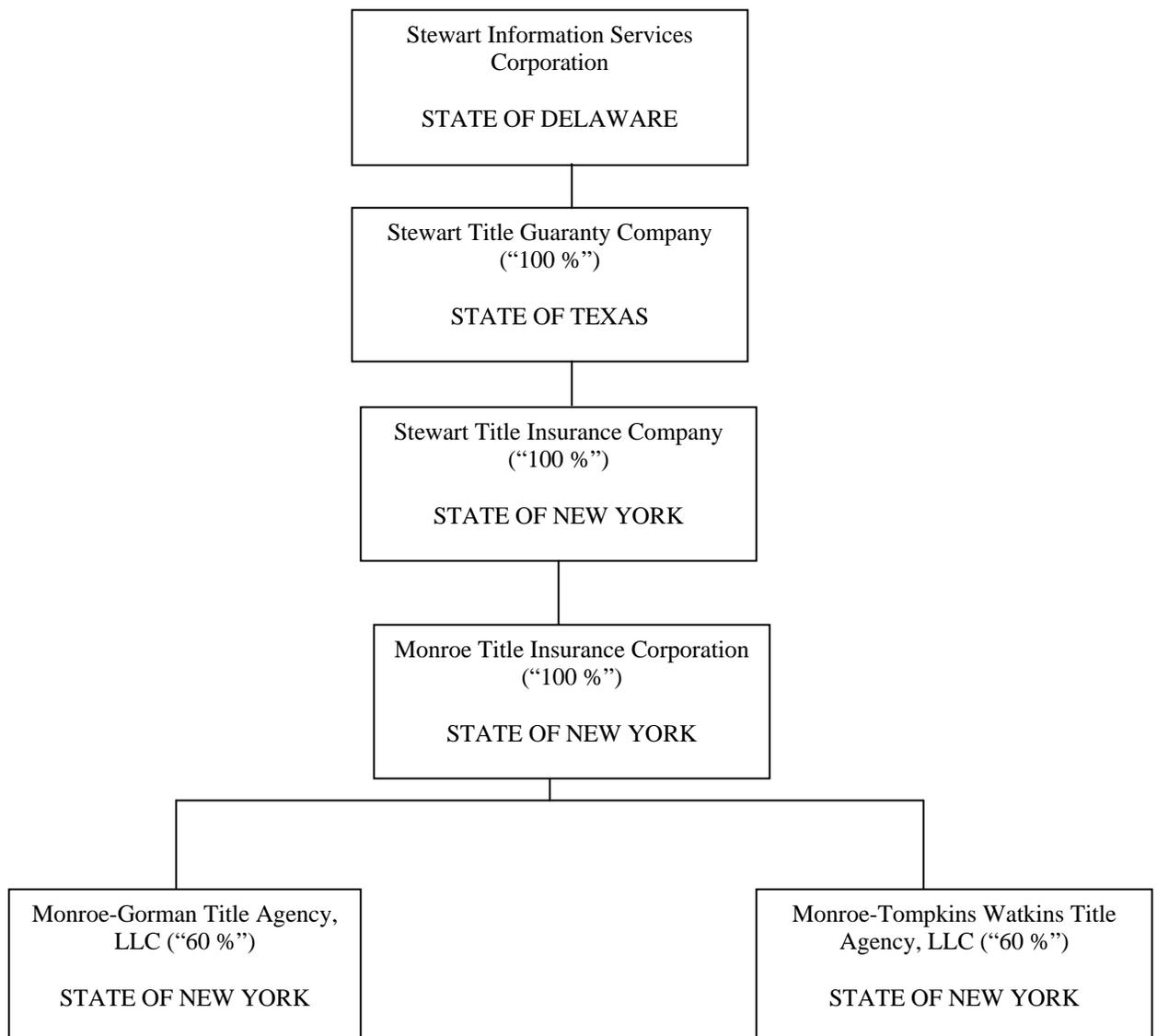
The Company ceded business to its parent, Stewart Title Insurance Company, through various facultative agreements. It was noted that the Company did not file the facultative agreements with the Department pursuant to Section 1505(d)(2) of the New York Insurance Law. It is recommended that the Company file with the Department all facultative agreements with its parent, Stewart Title Insurance Company, pursuant to the provisions of Section 1505(d)(2) of the New York Insurance Law.

D. Holding Company System

Monroe Title Insurance Corporation is a member of the “Stewart Group.” The Company is one hundred percent owned by Stewart Title Insurance Company (“STIC”), a New York title insurer, which is ultimately controlled by Stewart Information Services Corporation (“SISCO”).

The Company has sixty percent ownership in Monroe-Tompkins-Watkins Title Agency, LLC (“MWT”) (formed in January 1997) and has also sixty percent ownership in Monroe-Gorman Title Agency, LLC (“MGT”) (formed on September 1, 2000), pursuant to Section 6406(b)(6) of the New York Insurance Law, with a contributed capital in the amounts of \$18,000 and \$13,150, respectively.

The following is an abbreviated chart of the holding company system at December 31, 2006:



At December 31, 2006, the Company was party to the following agreements with other members of its holding company system:

Tax Settlement Agreement

On August 17, 2006, the Company entered into a tax settlement agreement with its parent, Stewart Title Insurance Company (“STIC”). Under the terms of this agreement, the contracting parties agree to file a consolidated federal tax return for year 2006 and all subsequent years thereafter. Each party agrees to pay its pro-rata part of the tax shown to be due on such consolidated federal tax return and to participate in settlement of tax accounts in manner set forth under the terms of the agreement. Paragraph V(B) of the agreement provides for all settlement between the corporate parties to be made within thirty (30) days in accordance with the guidelines set forth in the Department Circular Letter No. 33 (1979).

The examiner noted that the tax allocation agreement was not submitted to the Company's board of directors for approval in accordance with the provisions of Department Circular Letter No. 33 (1979).

It is recommended that the Company submit the tax allocation agreement to its board of directors for approval in accordance with the provisions of Department Circular Letter No. 33 (1979).

The Company could not provide the examiner with evidence of tax settlement between the affiliates as required pursuant to the Department Circular letter 33 (1979), which requires timely (30 days) tax settlement between affiliated companies filing consolidated returns.

It is recommended that the Company settle its intercompany tax accounts within 30 days of filing as required by Department Circular Letter No 33 (1979).

Pursuant to Section 6406(b)(6) of the New York Insurance Law, the Company controlled the following subsidiaries at December 31, 2006:

Monroe-Allegany Title Agency, Inc. (“MAT”) was incorporated as a for-profit corporation under the Business Corporation Law of New York State in 1996. The Company contributed \$40,000 in capital and has a 51% ownership in this corporation. MAT operates as the exclusive agent of the Company in Allegany and Cattaraugus counties.

Monroe-Tompkins-Watson Title Agency, LLC (“MTW”) was formed by the Company in January 1997. The Company contributed \$18,000 in capital and has a 60% ownership in this corporation. MTW operates as a non-exclusive agent of the Company in Tompkins County.

Monroe-Madison Title Agency, LLC (“MMTA”) was formed by the Company in July 1997. The Company contributed \$430,000 in capital and has a 100% ownership in this corporation. MMTA operates as a non-exclusive agent of the Company in Madison and Oneida counties.

Monroe-Genesee Country Title Agency, LLC (“MGC”) was formed by the Company in October 1997. The Company contributed \$200,000 in capital and has a 100% ownership in this corporation. MGC operates as a non-exclusive agent of the Company in Genesee and Orleans counties.

Monroe-Gorman Title Agency, LLC (“MGT”) was formed by the Company on September 1, 2000. The Company contributed \$13,150 in capital and has a 60% ownership in this Corporation. MGT operates as a non-exclusive agent of the Company.

E. Abandoned Property Law

Section 1317 of the New York State Abandoned Property Law provides that “any amount held or owing by a domestic or foreign title insurer or by an agent or representative of such insurer as a security deposit, relating to the transfer or financing of real property located in this state, made as an inducement to issue a title insurance policy shall be deemed abandoned property if unclaimed as of December thirty-first in any year for three years from the date of deposit, unless there has been written communication from the depositor or other person entitled thereto to the insurer to its agent or representative within said three-year period. Any such property deemed abandoned as of the preceding December thirty-first shall be paid and delivered to the comptroller within the first ten days of March in each year, together with a report of said property, including a listing of depositors and lien holders, in such form as the comptroller may prescribe.”

The Company’s abandoned property reports for the period of this examination were all filed on a timely basis pursuant to the provisions of Section 1317 of the New York State Abandoned Property Law.

F. Significant Operating Ratios

The underwriting ratios presented below are on an earned/incurred basis and encompass the five-year period covered by this examination:

	<u>Amounts</u>	<u>Ratios</u>
Losses and loss adjustment expenses incurred	\$ 1,790,825	1.61%
Other underwriting expenses incurred	104,975,641	94.09
Net underwriting gain (loss)	<u>4,799,137</u>	<u>4.30</u>
 Total Operating Income	 <u>\$111,565,603</u>	 <u>100.00%</u>

G. Segregated funds held for others

At December 31, 2006, the Company reported \$7,536,419, as escrow funds set aside in special accounts, and excluded from the Company's assets and liabilities. The Company maintains such funds in cash and other cash equivalents. Escrow funds are taken by the Company at title closing for minor defects in title such as unpaid real estate taxes, franchise taxes, judgments or liens against the insured property and are held until such defects are cured.

In view of the fiduciary responsibility for such funds, a review was made of the underlying escrow deposit accounts to ascertain if the Company was fulfilling its contractual obligations and to test the Company's controls over these accounts.

The Company has demonstrated that escrow funds are under constant review for settlement and disposal of objections cited in the title report. It appears that the Company is properly refunding balances after the title objections are alleviated and such refunds were released in a timely and efficient manner.

H Accounts and Records

A review of the Company's accounts and records for the period under examination revealed the following exceptions:

(a) Authorization of Investments

A review of the minutes of the board of directors and the Company's investment committee meetings for compliance with Section 1411(a) of the New York Insurance Law did not indicate any

resolutions by the board of directors or any standing investment committee authorizing investment transactions for each period under examination.

Section 1411(a) of the New York Insurance Law, states:

"No domestic insurer shall make any loan or investment, except, as provided in subsection (h) hereof, unless authorized or approved by its board of directors or a committee thereof responsible for supervising or making such investment or loan. The committee's minutes shall be recorded and a report submitted to the board of directors at its next meeting."

It is recommended that the investments be authorized by the board of directors or a committee so appointed in compliance with Section 1411(a) of the New York Insurance Law.

(b) Custodial Agreement

A review of the custodial agreement between the Company and its investment securities custodians indicated that the agreement did not contain the controls and safeguard provisions set forth in the NAIC's Financial Conditions Examiners Handbook, Part 1, Section IV, J.

It is recommended that the custodial agreement between the Company and its investment securities custodian (HSBC and Bank of America) be revised to include the safeguards and provisions stated in the NAIC Financial Conditions Examiner's Handbook, Part 1, Section IV, J.

Contract with Certified Public Accountant ("CPA")

The contractual agreements between the Company and Deloitte & Touche LLP, its independent auditor during the examination year 2002, 2003, and 2004, were not available for review.

The contractual agreements between the Company and the CPA firm of Bonadio & Co., its independent auditor during the examination year 2005 and 2006, did not contain certain provisions required by Section 89.2 of Department Regulation 118, which states in part as follows:

- a) On or before May 31st, the CPA shall provide an audited financial statement of such insurer and of any subsidiary required by Section 307 (b)(1) of the Insurance Law together with an opinion on the financial statements of such insurer and any such subsidiary for the prior calendar year and an evaluation of the insurer's and any such subsidiary's accounting procedures and internal control systems as are necessary to the furnishing of the opinion;

- b) Any determination by the CPA that the insurer has materially misstated its financial condition as reported to the superintendent or that the insurer does not meet minimum capital or surplus to policyholder requirements set forth in the 15 calendar days following such determination; and
- c) The work papers and any communications between the CPA and the insurer relating to the audit of the insurer shall be made available for review by the superintendent at the offices of the insurer, at the Insurance Department or at any other reasonable place designated by the superintendent. The CPA must retain for review such work papers and communications in accordance with the provisions of Part 243 of this Title (Regulation 152). More specifically, such work papers and communications must be retained by the CPA for the period specified in sections 243.2 (b)(7) and (c) of this Title.

It is recommended that the Company comply with the provisions of Section 307(b) of the New York Insurance Law and Part 89.2 of Department Regulation 118 with respect to its written engagement contracts with its CPA.

1. (c) Disclosures

A review of the audited statutory financial statements report issued by the Company's CPA as of December 31, 2006, and the annual statement's Notes to Financial Statement as of December 31, 2006, indicated that the Company did not make the required disclosures for electronic data processing equipment and software ("EDP") and fixed assets accounts pursuant to the NAIC Accounting Practices and Procedures Manual, Statements of Statutory Accounting Principles ("SSAP") No. 16, paragraph 5 and SSAP No.19, paragraphs 14 and 15, which stipulates as follows respectively:

The following disclosures for EDP accounts shall be made in the financial statements:

- a) Depreciation and amortization expense for the period;
- b) For EDP equipment and operating system software, balances of major classes of depreciable assets, by nature or function, at the balance sheet date;
- c) For EDP equipment and operating system software, accumulated depreciation and amortization, either by major classes of depreciable assets or in total, at the balance sheet date; and
- d) A general description of the method or methods used in computing depreciation with respect to major classes of depreciable assets.

The following disclosures for fixed assets accounts shall be made in the financial statements:

- a) Depreciation and amortization expense for the period;
- b) A general description of the method or methods used in computing depreciation and amortization with respect to major classes of depreciable assets and leasehold improvements.

It is recommended that the Company include all of the required disclosures for EDP and Fixed Assets accounts in the annual statement, in compliance with SSAP No. 16, paragraph 5 and SSAP No.19, paragraphs 14 and 15.

Electronic Data Processing Equipment

The examiner notes that the 2006 reported balance for "EDP equipment" of \$245,477 is overstated by \$72,780 consisting of "Deposits Admitted Assets", which represents assets purchased but not yet put in service. EDP equipment and software are admitted assets when they meet the following criteria stated in Section 1301(a)(18) of the New York Insurance Law:

"Electronic data processing apparatus and related equipment constituting a data processing, record keeping, or accounting system if the cost of each such system is fifty thousand dollars or more and provided that such cost shall be amortized in full over a period not to exceed ten years."

It is recommended that the Company comply with Section 1301(a)(18) of the New York Insurance Law regarding reporting of electronic data processing equipment in future annual statement filings.

3. FINANCIAL STATEMENTS

A Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as determined by this examination as of December 31, 2006 and as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 9,487,158	\$ 0	\$ 9,487,158
Common stocks	5,135,818	0	5,135,818
Properties occupied by the company	1,404,390	0	1,404,390
Cash, cash equivalents and short-term investments	5,203,186	0	5,203,186
Other invested assets	224,126	0	224,126
Title plants	841,239	0	841,239
Investment income due and accrued	106,906	0	106,906
Uncollected premiums and agents' balances in the course of collection	1,218,929	575,599	643,330
Net deferred tax asset	547,435	401,517	145,918
Electronic data processing equipment and software	253,589	8,112	245,477
Furniture and equipment	265,016	265,016	0
Receivables from parent, subsidiaries and affiliates	31,425	0	31,425
Aggregate write-ins for other than invested assets	<u>142,908</u>	<u>142,908</u>	<u>0</u>
Total assets	<u>\$24,862,125</u>	<u>\$1,393,152</u>	<u>\$23,468,973</u>

Liabilities, Surplus and Other FundsLiabilities

Known claims reserve	\$ 531,500
Statutory premium reserve	5,943,742
Other expenses (excluding taxes, licenses and fees)	774,134
Taxes, licenses and fees (excluding federal and foreign income taxes)	147,149
Current federal and foreign income taxes	59,090
Borrowed money and interest thereon	4,316
Premiums and other consideration received in advance	1,934,723
Amounts withheld or retained by company for account of others	95,650
Payable to parent, subsidiaries and affiliates	20,423
Aggregate write-ins for other liabilities	<u>525</u>
 Total liabilities	 \$ 9,511,252

Surplus and Other Funds

Common capital stock	\$ 1
Gross paid in and contributed surplus	860,138
Unassigned funds (surplus)	<u>13,097,555</u>
Surplus as regards policyholders	<u>13,957,721</u>
 Total liabilities, surplus and other funds	 <u>\$23,468,973</u>

NOTE: The Internal Revenue Service has not yet begun to audit tax returns covering tax years 2002 through 2007. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

B. Underwriting and Investment Exhibit

Surplus as regards policyholders increased \$1,305,900, during the five-year period from January 1, 2002 to December 31, 2006, detailed as follows:

Underwriting Income

Premiums and fees earned		\$111,565,603
Deductions:		
Loss and loss adjustment expenses incurred	\$ 1,790,825	
Operating expenses incurred	<u>104,975,641</u>	
Total underwriting deductions		<u>106,766,466</u>
Net underwriting gain		\$4,799,137

Investment Income

Net investment income earned	\$ 2,579,133	
Net realized capital gains	<u>263,356</u>	
Net investment gain		<u>2,842,489</u>
Net income before federal income taxes		\$7,641,626
Federal and foreign income taxes incurred		<u>1,576,384</u>
Net income		<u>\$6,065,242</u>

C. Capital and Surplus Account

Surplus as regards policyholders per report on examination as of December 31, 2001			\$10,738,218
	<u>Gains in</u>	<u>Losses in</u>	
	<u>Surplus</u>	<u>Surplus</u>	
Net income	\$6,065,242	\$	
Net unrealized capital gains or (loss)	713,122		
Change in net deferred income tax	325,435		
Change in non-admitted assets		507,012	
Transferred to surplus		639,861	
Dividends to stockholders		3,591,874	
Change in treasury stock - (gains and (losses) in surplus)	417,522		
Aggregate write-ins for gains and losses in surplus	<u>436,929</u>	<u> </u>	
Total gains and losses	<u>\$7,958,250</u>	<u>\$4,738,747</u>	
Net increase (decrease) in surplus			<u>\$3,219,503</u>
Surplus as regards policyholders per report on examination as of December 31, 2006			<u>\$13,957,721</u>

4. KNOWN CLAIM RESERVES

The examination liability for the captioned items of \$531,500 is the same as reported by the Company as of December 31, 2006. The examination analysis was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Company's internal records and in its filed annual statements.

5. STATUTORY PREMIUM RESERVE

The examination reserve of \$5,943,742 is the same as the amount reported by the Company as of December 31, 2005. The reserve was calculated based on a formula pursuant to Section 6405(a) of the New York Insurance Law, which includes a provision for the application of a dollar amount for each policy written and a percentage amount of the face amount of each policy.

The Company was in compliance with Section 6405(c) of the New York Insurance Law, with regard to the amount of admitted assets being maintained separately as a segregated reserve fund.

6. MARKET CONDUCT ACTIVITIES

In the course of this examination, a review was made of the manner in which the Company conducts its business and fulfills its contractual obligations to policyholders and claimants. The review was general in nature and is not to be construed to encompass the more precise scope of a market conduct investigation, which is the responsibility of the Market Conduct Unit of the Property Bureau of this Department.

The general review was directed at practices of the Company in the following areas:

- A. Sales and advertising
- B. Underwriting
- C. Rating
- D. Treatment of policyholders and claimants

The examiner performed cursory review of advertising material, applications and policy forms; agents audit reports, and correspondence files. In addition, the examiner performed an analysis of the approved rates charged on title policies and reviewed the Company's claim register.

The examiner reviewed the Company's system for handling complaints filed with the Department by policyholders and claimants. This review indicated that the Company did not have established procedures for handling complaints pursuant to the Department's Circular Letter 11 (1978) and in accordance with Part 216.4 of Regulation 64. The examiner advised the company to establish an internal department for handling complaint filed with the Department regardless of whether there are complaints against the Company or not. The Company agreed to comply with requirements of Circular Letter 11 (1978) and the provisions of Part 216.4 of Regulation 64.

As the Company agreed to correct immediately this violation, the examiner did not indicate an exception therefor.

The Company is a member of Title Insurance Rates Services Association ("TIRSA") effective 11, 2002. The Company utilizes the most recent schedule of title rates filed with the Department. These rates are for ordinary residential and commercial transactions for title insurance coverage provided by the standard forms of policies set forth in the rate transactions for title insurance coverage provided by the standard forms of policies set forth in the rate manual.

For rate making purposes, New York State is divided into two zones (zone 1 and zone 2). A review of a sample of title insurance policies and the supporting documentation for premium charges for title insurance coverage indicated that the Company wrote most of its business for properties located in zone 1.

The Company utilizes the industry recommended underwriting practices and forms assembled by the New York State Land Title Association for use by title insurers doing business in the State of New York. The purpose of such recommended practices is to simplify and expedite the title examination and underwriting process in a manner that will benefit the users of title insurance services in this state.

7. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained no comments or recommendations.

8. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM NO.</u>		<u>PAGE NO.</u>
A.	<u>Reinsurance</u>	
	It is recommended that the Company file the facultative agreement with Stewart in accordance with the provisions of Section 1505(d)(2) of New York Insurance Law.	6
B.	<u>Holding Company</u>	
i.	It is recommended that the Company submit the tax allocation agreement to the board of directors for approval in accordance with the provisions of Department Circular Letter No. 33 (1979).	8
ii.	It is recommended that the Company settle its intercompany tax accounts within 30 days of filing as required by Department Circular Letter No. 33 (1979).	8
C.	<u>Accounts and Records</u>	
i.	<u>Authorization of Investments</u>	
	It is recommended that the investments be authorized by the board of directors or a committee so appointed in compliance with Section 1411(a) of the New York Insurance Law.	11
ii.	<u>Custodial Agreement</u>	
	It is recommended that the Custodial Agreement between the Company and its investment securities custodian (HSBC and Bank of America) be revised so to contain the safeguards and provisions stated in the NAIC Financial Conditions Examiner's Handbook, Part 1, Section IV, J.	11
iii.	<u>Contract with Certified Public Accountant ("CPA")</u>	
	It is recommended that the Company comply with the provisions of Section 307 (b) of the New York Insurance Law and Part 89.2 of Department Regulation 118 with respect to its written engagement contracts with its CPA.	12

<u>ITEM NO.</u>		<u>PAGE NO.</u>
iv.	<u>Disclosures</u>	
	It is recommended that the Company include all of the required disclosures for EDP and fixed assets accounts in the annual statement, in compliance with SSAP No. 16, paragraph 5 and SSAP No.19, paragraphs 14 and 15.	13
v.	<u>Electronic Data Processing Equipment</u>	
	It is recommended that the Company comply with Section 1301(a)(18) of the New York Insurance Law regarding reporting of electronic data processing equipment in future annual statement filings.	13

Respectfully submitted,

_____/s/
Leon Tambue
Senior Insurance Examiner

STATE OF NEW YORK)
)SS:
)
COUNTY OF NEW YORK)

LEON TAMBUE, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

_____/s/
Leon Tambue

Subscribed and sworn to before me

this _____ day of _____, 2009.

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, Eric R. Dinallo, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

Leon Tambue

as proper person to examine into the affairs of the

MONROE TITLE INSURANCE CORPORATION

and to make a report to me in writing of the condition of the said

Corporation

with such other information as he shall deem requisite.

*In Witness Whereof, I have hereunto subscribed by the
name and affixed the official Seal of this Department, at
the City of New York,*

this 13th day of September, 2007



A handwritten signature in black ink, appearing to read "Eric Dinallo", written over a horizontal line.

ERIC R. DINALLO
Superintendent of Insurance