

REPORT ON EXAMINATION

OF THE

FIRST ATLANTIC TITLE INSURANCE CORPORATION

AS OF

DECEMBER 31, 2007

DATE OF REPORT

FEBRUARY 9, 2009

EXAMINER

MOSES EGBON

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

February 9, 2009

Honorable Eric R. 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 30272 dated November 4, 2008 attached hereto, I have made an examination into the condition and affairs of First Atlantic Title Insurance Corporation of as of December 31, 2007, and submit the following report thereon.

Wherever the designation the "Corporation" appears herein without qualification, it should be understood to indicate First Atlantic 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 office of the Corporation's President, located at 99 West Hawthorne Street, Valley Stream, New York 11580.

The Corporation currently has no business office space, and it receives mail through its former official location at 585 Stewart Avenue, Suite 302, Garden City, New York 11530, which is now the office of its Attorney. It should be noted that the statutory examination was conducted at the accounting firm office in Valley Stream, New York, which is owned by the Corporation's President.

1. SCOPE OF EXAMINATION

The Department has performed a single-state examination of First Atlantic Title Insurance Corporation. The previous examination was conducted as of December 31, 2002. This examination covered the five years period from January 1, 2003 through December 31, 2007. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

This examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook, which requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Corporation by obtaining information about the company including corporate governance, identifying and assessing inherent risks within the Corporation and evaluating system controls and procedures used to mitigate those risks. This examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Corporation were considered in accordance with the risk-focused examination process. The examiners also relied upon audit work performed by the Corporation’s independent public accountants when appropriate.

This examination report includes a summary of significant findings for the following items as called for in the Financial Condition Examiners Handbook of the NAIC:

- Significant subsequent events
- Corporation history
- Corporate records
- Management and control
- Fidelity bonds and other insurance
- Pensions, stock ownership and insurance plans
- Territory and plan of operation
- Growth of Corporation
- Loss experience
- Reinsurance
- Accounts and records
- Statutory deposits
- Financial statements
- Summary of recommendations

A review was also made to ascertain what action was taken by the Corporation with regard to comments and recommendations contained in the prior report on examination.

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 Corporation was incorporated under the laws of the State of New York on November 10, 1988, under the provisions of Article 64 of the New York Insurance Law. It became licensed on June 4, 1991 and commenced business on the same date.

At December 31, 2007, capital paid in was \$500,000 consisting of 200 shares of common stock at \$2,500 par value per share. Gross paid in and contributed surplus is \$250,000. Gross paid in and contributed surplus and capital paid in have remained the same since the previous examination period.

A. Management

Pursuant to the Corporation's charter and by-laws, management of the Corporation is vested in a board of directors consisting of not less than seven nor more than fourteen members. The board meets once during each calendar year. At December 31, 2007, the board of directors was comprised of the following seven board members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Allan Goldstein Spencertown, NY	Retired
Barbara Bailin Englewood Cliffs, NJ	Computer Technician, NATO
Cindy Lynn Gottshall White Plains, NY	Secretary/Treasurer, First Atlantic Title Insurance Corporation
Chester John Gottshall White Plains, NY	Electronic Technician, Westchester Television Service

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Irwin Haims Woodmere, NY	President, First Atlantic Title Insurance Corporation
Irving Port Woodmere, NY	Attorney and Certified Public Accountant
Sally Port Woodmere, NY	Vice President, First Atlantic Title Insurance Corporation

A review of the minutes of the board of directors' meetings held during the examination period indicated that the meetings were generally well attended with the exception of Irving Port, who attended less than 50% of the meetings for which he was eligible to attend.

Members of the board have a fiduciary responsibility and must evince an ongoing interest in the affairs of the insurer. It is essential that board members attend meetings consistently and set forth their views on relevant matters so that the board may reach appropriate decisions. Individuals who fail to attend at least one-half of the regular meetings do not fulfill such criteria. It is recommended that board members who are unable or unwilling to attend meetings consistently should resign or be replaced.

The principal officers of the Corporation as of December 31, 2007 were as follows:

<u>Name</u>	<u>Title</u>
Irwin M. Haims	President
Sally Port	Vice President
Cindy Lynn Gottshall	Secretary/Treasurer

The officers listed above and in the annual statements filed with the Department are not employees of the Corporation. The business and affairs of the Corporation are managed by Port Abstract Inc., which is owned by Peter Port, who is the son of Sally Port. Port Abstract Inc. also acts as an agent for the Corporation for which it receives a commission of 82 percent of the gross premiums written. Peter Port does not own any shares of the Corporation.

It was noted in the previous report on examination that the Corporation's method of operation changed from the "original plan of operation" filed with the Department. The original plan provided

that the Corporation's employees were to direct the affairs of the Corporation. As noted, the Corporation has no employees. It was recommended that the Corporation amend its "plan of operation" and to file such plan with the Department to reflect its current mode of operations. Included in such plan should be a proposed management agreement between the Corporation and Port Abstract Inc. The Corporation has not complied with this recommendation.

It is again recommended that the Corporation amend its "plan of operation" to reflect its current mode of operations and file such plan, which should include a proposed management agreement, with the Department.

B. Territory and Plan of Operation

As of December 31, 2007, the Corporation was licensed to write business in New York only.

As the examination date, the Corporation 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 Corporation only writes business in the state of New York.

The Corporation is organized pursuant to Article 64 of the New York Insurance Law. Based upon the line of business for which the Corporation is licensed, its current capital structure, and pursuant to the requirements of Article 64 of the New York Insurance Law, the Corporation is required to maintain a minimum surplus to policyholders in the amount of \$500,000.

The Corporation 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 independent abstract companies, who issue policies on the Corporation's behalf. As of the examination date, the Corporation title premiums were written through three abstract companies.

C. Reinsurance

The Corporation has no reinsurance contracts.

D. Holding Company System

The Corporation is controlled by Sally Port, a private individual, who owns a 70% interest in First Atlantic Title Insurance Corporation. The Corporation registered with the Department as a controlled insurer and has not filed its annual holding company registration statements in accordance with the requirements of Article 15 of the New York Insurance Law and Department Regulation 52.

It is recommended that the Corporation file its annual holding company registration statements pursuant to the provisions of Part 80-1.4 of Department Regulation 52.

The following represents the ownership interests in First Atlantic Insurance Corporation:

<u>Stockholder</u>	<u>No. of Shares</u>	<u>Percentage of ownership</u>
Sally Port	140	70.0%
Cindy Gottshall	10	5.0
Barry Bailin	30	15.0
Debora Schwartz	5	2.5
Barbara Bailin	5	2.5
Alan Goldstein	5	2.5
Irwin M. Haims	2.5	1.25
Alvin M. Glasser	<u>2.5</u>	<u>1.25</u>
Totals	<u>200.0</u>	<u>100.00%</u>

Neither the Corporation nor any of the above stockholders has an interest in Port Abstract Inc.

E. Segregated Funds Held For Others

During the examination period, the Corporation did not report any amounts for segregated funds held for others in the footnote of its filed annual statement. It contended that its agent did not hold escrow deposits on its behalf during the period under examination. However, the examiner's review of a sample of title insurance closing files revealed that the Corporation has no procedures to account for and determine the escrow on deposit with the agent. It is recommended that the Corporation establish procedures to account for and determine the escrow amount on deposit with its agent.

The Corporation does not require the agent to enter into an escrow agreement, nor does it require the agent to remit the unpaid escrow deposit to the Corporation. It is recommended that the Corporation require the agent to execute an escrow agreement.

The Corporation has a fiduciary responsibility to its policyholders for custody and accountability of escrow deposits. It is recommended that the Corporation disclose all escrow deposits held on behalf of its policyholders in a footnote to its annual statements.

F. Accounts, Records and Internal controls

During the period under examination, the Corporation showed the following deficiencies in its system of accounts, records and internal controls:

(i) Fidelity, Employee Theft and Dishonesty and Other Business Interruption Insurance

The Company did not have any fidelity bond and/or business interruption insurance.

It is recommended that the Corporation obtain fidelity bond and business interruption insurance.

(ii) Disaster Recovery Plan

The Corporation did not have a formal written disaster recovery business continuity plan approved by its board of directors. Such plan is necessary in order for the Corporation to respond effectively to an incident that may disrupt normal business activities and system.

It is recommended that the Corporation adopt a formal written disaster recovery business continuity plan to be approved by the Corporation's board of directors.

(iii) Reporting of Securities

The Corporation reported its United States (“US”) Treasury Bill investment as cash equivalents instead of short-term investments (Schedule DA) as required by annual statement instructions.

It is recommended that the Corporation report its US Treasury Bill investment as a short-term investment (Schedule DA) pursuant to the NAIC annual statement instructions.

(iv) Lack of formal written agency agreements

The Corporation did not enter into any formal written agency agreements with any of the abstract companies that are writing title insurance on behalf of the Corporation.

It is recommended that the Corporation enter into formal written agency agreements with the abstract companies that produce title insurance business on behalf of the Corporation.

(v) Lack of an Independent Certified Public Accountant Audit

Mr. Irving Port is a partner in Port, Rella LLP., the Corporation’s certified public accounting firm. Mr. Port is also a lawyer and he maintains the Corporation’s records in a manual form. In addition, Sally Port, the wife of Irving Port, owns 70% of the Corporation’s shares. It therefore appears that the CPA firm Port, Rella, LLP is not independent of the Corporation and, as such, the “audited financial statements” for the company fail to satisfy the requirement of Section 307 of New York Insurance Law. Considering the accountant relation with the Corporation and the majority shareholder, it appears that such relationship may have some conflicts of interest. Therefore, the Corporation accountant does not seem to be independent to issue audit report required by Section 307 of the New York Insurance Law. To date, the Corporation has not yet established a conflict of interest policy for the officers and board of directors.

It is recommended that the Corporation ensure that the certified public accountant who issues audit report required by Section 307 of the New York Insurance Law is independent. The Corporation must establish conflict of interest policy for its officers and directors.

(vi) Custodian Agreement

A review of the Corporation's investments revealed that it did not have a custodian agreement for the safekeeping of its investments, which is evident of good business practice and adequate internal control pursuant to the NAIC Financial Examiners Handbook Part 1 Section 1V H, which states:

- 1) That the custodian shall secure and maintain insurance protection in an adequate amount.
- 2) That the national bank, state bank, or trust company, as custodian is obligated to indemnify the insurance company for any insurance company's loss of securities in the custodian's custody, except that, unless domiciliary state law, regulation, or administrative action otherwise require a stricter standard (Section 2.b. sets forth an example of such a stricter standard), the bank or trust company shall not be so obligated to the extent that such loss was caused by other than the negligence or dishonesty of the custodian;
- 3) If domiciliary state law, regulation, or administrative action requires a stricter standard of liability for custodians of insurance company securities than that set forth in Section 2.a., then such stricter standard shall apply. An example of a stricter standard that may be used is that the custodian is obligated to indemnify the insurance company for any loss of securities of the insurance company in the custodian's custody occasioned by the negligence or dishonesty of the custodian's officers or employees, or burglary, robbery, holdup, theft, or mysterious disappearance, including loss by damage or destruction;
- 4) That in the event of a loss of the securities for which the custodian is obligated to indemnify the insurance company, the securities shall be promptly replaced or the value of the securities and the value of any loss of rights or privileges resulting from said loss of securities shall be promptly replaced; and may provide;
- 5) That the national bank, state bank or trust company as custodian shall not be liable for any failure to take any action required to be taken hereunder in the event and to the extent that the taking of such action is prevented or delayed by war (whether declared or not and including existing wars), revolution, insurrection, riot, civil commotion, act of God, accident, fire, explosions, stoppage of labor, strikes or other differences with employees, laws, regulations, orders or other acts of any governmental authority, or any other cause whatever beyond its reasonable control;
- 6) That in the event that the custodian gains entry in a clearing corporation through an agent, there should be [an] a written agreement between the custodian and the agent that the agent shall be subjected to the same liability for loss of securities as the custodian. If the agent is governed by laws that differ from the regulation of the custodian, the Commissioner of Insurance of

the state of domicile may accept a standard of liability applicable to the agent that is different from the standard liability;

- 7) That if the custodial agreement has been terminated or if 100% of the account assets in any one custody account have been withdrawn, the custodian shall provide written notification, within three business days of termination or withdrawal, to the insurer's domiciliary commissioner;
- 8) That during regular business hours, and upon reasonable notice, an officer or employee of the insurance company, an independent accountant selected by the insurance company and a representative of an appropriate regulatory body shall be entitled to examine, on the premises of the custodian, its records relating to securities, if the custodian is given written instructions to that effect from an authorized officer of the insurance company;
- 9) The custodian and its agents, upon reasonable request, shall be required to send all reports which they receive from a clearing corporation or the Federal Reserve book-entry system which the clearing corporation or the Federal Reserve permits to be redistributed and reports prepared by the custodian's outside auditors, to the insurance company on their respective systems of internal control;
- 10) That the custodian shall provide, upon written request from a regulator or and authorized officer of the insurance company, the appropriate affidavits, with respect to the insurance company's securities held by the custodian;
- 11) That the foreign bank acting as a custodian, or a U.S. custodian's foreign agent, or a foreign clearing corporation is only holding foreign securities or securities required by the foreign country in order for the insurer to do business in that country. A U.S. custodian must hold all other securities.

It is recommended that the Corporation establish a formal written custodian agreement for its securities held in a bank or trust company, chartered by the United States or any State thereof, which contains safeguards and controls that are in accordance with the NAIC Financial Examiners Handbook Part I Section 1V H.

G. 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	\$20,000	1.73%
Other underwriting expenses incurred	772,738	66.84
Net underwriting gain (loss)	<u>363,354</u>	<u>31.43</u>
Premiums earned	<u>\$1,156,092</u>	<u>100.00%</u>

3. FINANCIAL STATEMENTS

A Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2007, as determined by this examination and as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Cash, cash equivalents and short-term investments	\$1,377,337	\$ 0	\$1,377,337
Uncollected premiums and agents' balances in the course of collection	<u>5,684</u>	<u>0</u>	<u>5,684</u>
Total assets	<u>\$1,383,021</u>	<u>\$ 0</u>	<u>\$1,383,021</u>

Liabilities, Surplus and Other Funds

Liabilities

Statutory premium reserve		\$144,097
Commissions, brokerage and other charges due or accrued to attorneys, agents and real estate brokers		5,000
Other expenses (excluding taxes, licenses and fees)		<u>92</u>
Total liabilities		\$149,189

Surplus and Other Funds

Common capital stock	\$500,000	
Gross paid in and contributed surplus	250,000	
Unassigned funds (surplus)	<u>483,832</u>	
Surplus as regards policyholders		<u>1,233,832</u>
Total liabilities and surplus and other funds		<u>\$1,383,021</u>

NOTE: The Company's tax returns have never been audited by the Internal Revenue Service. The examiner is unaware of any potential exposure of the Company to any further tax assessment and no liability has been established herein relative to such contingency.

B. Underwriting and Investment Exhibit

Surplus as regards policyholders increased \$44,778 during the five-year examination period January 1, 2003 through December 31, 2007, detailed as follows:

<u>Underwriting Income</u>		
Premiums and fees earned		\$1,156,092
Deductions:		
Loss and loss adjustment expenses incurred	\$ 20,000	
Operating expenses incurred	<u>772,738</u>	
Total underwriting deductions		<u>792,738</u>
Net underwriting gain or (loss)		\$ 363,354
<u>Investment Income</u>		
Net investment income earned	\$171,446	
Net realized capital gains (losses)	<u>0</u>	
Net investment gain or (loss)		<u>171,446</u>
Net income before federal income taxes		\$ 534,800
Federal and foreign income taxes incurred		<u>20,022</u>
Net income (loss)		\$ <u>514,778</u>

C. Capital and Surplus Accounts

Surplus as regards policyholders per report on examination as of December 31, 2002			\$1,189,054
	Gains in <u>Surplus</u>	Losses in <u>Surplus</u>	
Net income	\$514,778		
Dividends to stockholders	<u>0</u>	<u>\$470,000</u>	
Total gains and losses	<u>\$514,778</u>	<u>\$470,000</u>	
Net increase (decrease) in surplus			<u>44,778</u>
Surplus as regards policyholders per report on examination as of December 31, 2007			<u>\$1,233,832</u>

4. STATUTORY PREMIUM RESERVE

The examination reserve of \$144,097 is the same as the amount reported by the Corporation in its December 31, 2007 annual statement. The reserve was calculated pursuant to the provisions of Section 6405(a) of the New York Insurance Law.

Pursuant to Section 6405(c) of New York Insurance Law, the reinsurance reserves required by subsection (a) of this section shall be maintained as follows:

“Admitted assets of a value at least equal to the amount required for such reserve shall be continuously held by the corporation as segregated reserves fund at all times distinct and separate from all its other assets. Cash paid into such fund shall, unless invested, be kept in legal tender or deposited in a separate account. Securities which are part of such fund shall be clearly identified as securities belonging to such fund.”

The Corporation did not segregate and identify the asset backing up the above reserves. Therefore, it is recommended that the Corporation segregate and identify funds belonging to the statutory premium reserve, pursuant to Section 6405(c) of the New York Insurance Law.

5. FACILITATION OF EXAMINATION

Overall, the examiner experienced a lack of cooperation on the part of the Corporation management and a general failure of them to take this examination seriously. Out of the seven examination requests, none was completely answered to the examiner's satisfaction. The average time a memo was outstanding was thirty-five business days (seven weeks).

Section 310(a)(3) and (a)(4) of the New York Insurance Law states:

“(3)The officers and agents of such insurer or other person shall facilitate such examination and aid such examiners in conducting the same so far as it is in their power to do so.

(4)The refusal of any insurer to submit to examination shall be ground for revocation or refusal of a license or renewal license.”

It is recommended that management take the necessary steps to facilitate future examinations, pursuant to Section 310 of the New York Insurance Law.

6. CLAIM FILES AND DOCUMENTATION

Instead of providing the examiner with an actual claim file, the Corporation provided the examiner with claim summary documents, which were insufficient to allow the examiner to reconstruct the claim event and payment history. As of the date of this report, the Corporation has failed to produce this claim file.

Part 243.2 (b)(4) of Department Regulation No. 152 states:

“b) Except as otherwise required by law or regulation, an insurer shall maintain:

(4) A claim file for six calendar years after all elements of the claim are resolved and the file is closed or until after the filing of the report on examination in which the claim file was subject to review, whichever is longer. A claim file shall show clearly the inception, handling and disposition of the claim, including the dates that forms and other documents were received.”

It is recommended that the Corporation maintain adequate claim payment supporting details and make all pertinent claim documents available for statutory examination pursuant to Part 243.2(b)(4) of Department Regulation No. 152.

7. MARKET CONDUCT ACTIVITIES

In the course of this examination, a review was made of the manner in which the Corporation 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 Corporation's underwriting and rating.

A. Underwriting and Rating

The examiner reviewed twenty title insurance policies issued to determine if the premiums and closing costs charged by the agents were in compliance with the filed rates. This procedure revealed that eleven policies out of the twenty policies tested contained error in their calculation, which represented 55% error of the total sampled. The examiner informed the Corporation's management of errors in the title premiums calculation, and they promised to investigate the problem. It should be noted that the Corporation did not have established procedures to enable them to monitor and oversee the business produced by the abstract companies (title agents).

It is recommended that the Corporation institute procedures that ensure the premiums charged by the agents are accurate.

It is recommended that both the Corporation and abstract companies review all title policies issued during the last five years where premium charged was calculated incorrectly be refunded back to the insured.

It is also recommended that the Corporation establish procedures that will assist them to monitor and oversee the title business produced by the agents.

8. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained eleven recommendations as follows (page numbers refer to the prior report):

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Management</u>	
<p>It is recommended that the Company amend its “plan of operation” to reflect its current mode of operations and file such plan, which should include a proposed management agreement, with the Department.</p> <p>The Company has not complied with the recommendation.</p>	4
B. <u>Territory and Plan of Operation</u>	
i. It is recommended that the Company report “gross direct premiums written” gross of commissions on Schedule-T of its filed annual statement, in accordance with the provisions of the Annual Statement Instructions for Title Companies and SSAP No. 57.	5
<p>The Company has complied with this recommendation.</p>	
ii. It is further recommended that the Company correctly report agents’ commissions as “amounts paid to or retained by title agent” on the operations and investment exhibits of its filed annual statements, in accordance with the provisions of the Annual Statement Instructions for Title Companies and SSAP No. 57.	5
<p>The Company has complied with this recommendation.</p>	
C. <u>Holding Company System</u>	
<p>It is recommended that the Company file annual reports in accordance with the requirements of Article 15 of the New York Insurance Law.</p> <p>The Company has complied with this recommendation.</p>	6
D. <u>Segregated Funds Held For Others</u>	
i. It is recommended that the Company establish procedures to account for and determine the escrow amount on deposit with its agent.	7
ii. It is recommended that the Company require its agent to execute an escrow agreement.	7

<u>ITEM</u>	<u>PAGE NO.</u>
iii. It is recommended that the Company disclose all escrow deposits held on behalf of its policyholders in a footnote to its annual statements.	7
The Company has not complied with the above recommendations.	
E. <u>Accounts, Records and Internal Controls</u>	
i. It is again recommended that the Company obtain fidelity bond and business interruption insurance.	8
The Company has not complied with this recommendation.	
ii. It is again recommended that the Company require two authorized signatures for checks and for transactions drawn on the Company's bank accounts.	8
The Company has not complied with this recommendation.	
iii. It is recommended that the Company segregate the required amount of reinsurance reserve as specified in Section 6405(c) of the New York Insurance Law.	8
The Company has not complied with this recommendation.	
F. <u>Custodial Agreement</u>	
It is recommended that the Company establish a formal written custodian agreement for its securities held in a bank or trust company, chartered by the United States or any State thereof, which contains safeguards and controls that are in accordance with the NAIC Financial Examiners Handbook Part 1 Section 1V H.	19
The Company has not complied with this recommendation.	

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Management</u>	
i. It is recommended that board members who are unable or unwilling to attend meetings consistently should resign or be replaced.	4
ii. It is recommended that the Corporation amend its “plan of operation” to reflect its current mode of operations and file such plan, which should include a proposed management agreement, with the Department.	5
B. <u>Holding Company System</u>	
It is recommended that the Corporation file its annual holding company registration statements pursuant to the provisions of Part 80-1.4 of Department Regulation 52.	6
C. <u>Segregated Funds Held For Others</u>	
i. It is recommended that the Corporation establish procedures to account for and determine the escrow amount on deposit with its agent.	7
ii. It is recommended that the Corporation require its agent to execute an escrow agreement.	7
iii. It is recommended that the Corporation disclose all escrow deposits held on behalf of its policyholders in a footnote to its annual statements.	7
D. <u>Accounts Records and Internal Controls</u>	
i. It is recommended that the Corporation obtain fidelity bond and business interruption insurance.	7
ii. It is recommended that the Corporation adopt a formal written disaster recovery/ business continuity plan to be approved by the Corporation’s board of directors.	7
iii. It is recommended that the Corporation report its US Treasury Bill investment as a short-term investment (Schedule DA) pursuant to the NAIC annual statement instructions.	8
iv. It is recommended that the Corporation enter into agency agreement with the abstract companies that produce title insurance premiums on behalf of the Corporation.	8

ITEMPAGE NO.

- v. It is recommended that the Corporation ensure that the Certified Public Accountant who issues the audit report required by Section 307 of Insurance Law is independent, and establish conflict of interest policy for its officers and directors. 8
- vi. It is recommended that the Corporation establish a formal written custodian agreement for its securities held in a bank or trust company, chartered by the United States or any State thereof, which contains safeguards and controls that are in accordance with the NAIC Financial Examiners Handbook Part 1 Section 1V H. 10
- E. Statutory Premium Reserves
- It is recommended that the Corporation segregate and identify funds belonging to the statutory premium reserve pursuant to Section 6405(c) of the New York Insurance Law. 13
- F Facilitation of Examination
- It is recommended that management take the necessary steps to facilitate future examinations, pursuant to Section 310 of the New York Insurance Law. 14
- G Claim Files and Documentation
- It is recommended that the Corporation maintain adequate claim payment supporting details and make all pertinent claim documents available for statutory examination pursuant to Part 243.2(b)(4) of Department Regulation 152. 14
- H Underwriting and Rating
- It is recommended that the Corporation institute procedures that ensure the premiums charged by the agents are accurate. 15
- It is recommended that both the Corporation and abstract companies review all title policies issued during the last five years where premium charged was calculated incorrectly be refunded back to the insured. 15
- It is also recommended that the Corporation establish procedures that will assist them to monitor and oversee the title business produced by the agents. 15

Appointment No. 30272

**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:*

Moses Egbon

as proper person to examine into the affairs of the

FIRST ATLANTIC 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 4th day of November, 2008



Eric Dinallo

ERIC R. DINALLO

Superintendent of Insurance