

REPORT ON EXAMINATION
OF THE
TRANSNATION TITLE INSURANCE COMPANY OF NEW YORK
AS OF
DECEMBER 31, 2000

DATE OF REPORT

FEBRUARY 15, 2002

EXAMINER

JIMMIE NEWSOME

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GEORGE E. PATAKI
Governor

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

GREGORY V. SERIO
Superintendent of Insurance

February 15, 2002

Honorable Gregory V. Serio
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 21783 dated September 26, 2001, attached hereto, I have made an examination into the condition and affairs of the Transnation Title Insurance Company of New York as of December 31, 2000 and submit the following report thereon.

The examination was conducted at the Company's administrative office located at 101 Gateway Centre Parkway, Richmond, Virginia 23235.

Wherever the designation the "Company" appears herein without qualification, it should be understood to indicate the Transnation Title Insurance Company of New York.

Whenever the designation the "Department" appears herein without qualification, it should be understood to indicate the New York Insurance Department.

1. SCOPE OF EXAMINATION

The previous examination was conducted as of December 31, 1995. This examination covers the five-year period from January 1, 1996, through December 31, 2000. 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, 2000, a review of income and disbursements deemed necessary to accomplish such verification, and utilized, to the extent considered appropriate, work performed by the Company's independent certified public accountants. A review or audit was also made of the following items as called for in the Examiners Handbook of the National Association of Insurance Commissioners:

- History of the Company
- Management and control
- Corporate records
- Fidelity bonds and other insurance
- Officers' and employees' welfare and pension plans
- Territory and plan of operation
- Growth of the Company
- Business in force
- Loss experience
- Reinsurance
- Market conduct activities
- Accounts and records
- Financial statements

A review was also made to ascertain what action was taken by the Company with regard to comments and recommendations made 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 Company, (formerly known as Transamerica Title Insurance Company of New York) was incorporated under the laws of New York on August 14, 1984. It commenced business on May 5, 1986.

The Company's charter was originally filed in the office of the Superintendent of Insurance of the State of New York on August 14, 1984, as amended effective December 19, 1995. The Company's paid-in capital was \$500,000, consisting of five hundred 500 shares with a par value of \$1,000 dollars per share. All authorized shares are issued and outstanding.

The Company's capital and gross paid-in and contributed surplus were \$500,000 and \$4,550,000, respectively, as of December 31, 2000.

A. Management

The by-laws, as amended, provide that the business and affairs of the Company shall be managed and controlled by a board of directors, consisting of not less than five nor more than twenty members. As of the examination date, the board of directors was comprised of seven members. The directors as of December 31, 2000, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Janet A. Alpert Midlothian, VA	President, Transnation Title Insurance Company of New York
Christopher J. Bruno Cortlandt, NY	Vice President, Transnation Title Insurance Company of New York
Donald C. Ende Stamford, CT	Vice President, Transnation Title Insurance Company of New York
G. William Evans Richmond, VA	Chief Financial Officer & Executive Vice President, LandAmerica Financial Group, Inc.
Melvyn Mitzner White Plains, NY	Vice President, Transnation Title Insurance Company of New York
John P. Rapp Midlothian, VA	Senior Vice President, Transnation Title Insurance Company of New York
Donald C. Weigel, Jr. Cortlandt Manor, NY	Senior Vice President, Transnation Title Insurance Company of New York

The minutes of all meetings of the board of directors and committees thereof held during the examination period were reviewed to determine if each director is willing and maintaining an active role into the corporate management of Transnation Title Insurance Company of New York. Overall, the attendance of the board of directors was adequate during the period of examination.

It appears that the Company is not in compliance with its by-laws, wherein Section 2.4 states, “there shall be a minimum of four regularly scheduled meetings of the board of directors per year.” It was noted that during the examination period, the board of directors only convened on twelve occasions. The board of directors’ resolutions were effected through a unanimous consent of directors in place of board of directors’ meeting.

The board of directors' minutes contained no information as to the direction of the Company on a going forward basis or an indication on past results. The examiners were unable to ascertain and provide reasonable assurances that members of the board of directors were willing and maintaining an active role into the corporate management of Transnation Title Insurance Company of New York.

The failure of the board of directors to hold regularly scheduled meetings precludes the directors from discharging their fiduciary responsibilities with respect to oversight of the Company.

It is recommended that the board of directors hold the requisite number of regular meetings as set forth in the Company's by-laws.

Section 6402(e) of the New York Insurance Law states,

“Its directors shall be natural persons, not less than seven in number, all citizens of the United States, a majority of whom shall be citizens and residents of this state at the time of their election and during their continuance in office.”

It appears that the Company's by-laws conflict with Section 6402(e) of the New York Insurance Law, with regard to the number of directors. The by-laws indicate that the board shall consist of not less than five in lieu of seven members. In addition, it was noted that the majority of the board of directors reside outside of New York State, which is in violation of Section 6402(e) of the New York Insurance Law.

It is recommended that the Company amend its by-laws to conform to the provisions of Section 6402(e) of the New York Insurance Law.

It is recommended that the Company reconstitute its board of directors to meet the requirements as set forth in Section 6402(e) of the New York Insurance Law.

The Company was unable to provide copies of the amendment to the charter and by-laws. When this matter was brought to the Company's attention they indicated that such information was maintained by the previous owner, Reliance Insurance Company and was not received during the transition.

It is recommended that the Company exercise due care in obtaining and maintaining copies of all amendments to its charter and by-laws.

The principal officers of the Company as of December 31, 2000, were as follows:

<u>Name</u>	<u>Title</u>
Janet A. Alpert	Chief Executive Officer and President
Ronald B. Ramos	Senior Vice President and Treasurer
John R. Blanchard	Senior Vice President
John P. Rapp	Senior Vice President
Donald C. Weigel, Jr.	Senior Vice President
William R. Purcell	Vice President and Secretary

B. Territory and Plan of Operation

At December 31, 2000, Transnation Title Insurance Company of New York was licensed to transact the business of title insurance, as defined in paragraph 18 of Section 1113(a) of the New York Insurance Law. As of the examination date, the Company was only licensed in the State of New York.

The amount of direct premiums written during the period covered by this examination is detailed as follows:

<u>Year</u>	<u>Direct Premiums Written</u>
1996	\$114,435
1997	\$129,899
1998	\$550,114
1999	\$750,021
2000	\$511,349

Based upon the lines of business for which the Company is licensed, and the Company's 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 direct branch operations and independent agents who issue policies on behalf of the Company.

During the period of examination, the Company maintained one regional office located in Rochester, New York, which is a full service underwriting and claims operation. In addition, business is produced through two agents. Approximately eighty-one percent of the Company's premium income was derived from direct branch operations as of December 31, 2000.

C. Reinsurance

The Company assumes a relatively minor volume of business as compared to its direct writings. The majority of such assumptions are on a facultative basis and non-obligatory.

The Company employs a standard form American Land Title Association Facultative Reinsurance Agreement ("ALTA"), when assuming risks from other insurance companies. The Company's maximum

permissible retention on any one single risk as determined by this examination is \$5,599,864. The Company's maximum retention of \$500,000 was within the limits prescribed by Section 6403(c) of the New York Insurance Law.

The Company has an automatic reinsurance agreement with its affiliate, Commonwealth Land Title Insurance Company ("Commonwealth"). The agreement provides for Commonwealth to automatically assume all policies with a fixed dollar liability in excess of the Company's \$500,000 primary retention. Unless renewed, such agreement will expire in March 2004.

In addition to the above-mentioned agreement, effective September 1, 1996, the Company entered into an excess of loss title reinsurance agreement with ACE Capital Title Reinsurance Company, whereby the Company cedes all losses from each occurrence in excess of \$10,000,000 subject to an aggregate limit of \$40,000,000.

The Schedule F as contained in the Company's annual statements filed for the years within the examination period was found to accurately reflect its reinsurance transactions.

The examiners reviewed all ceded reinsurance contracts effected during the examination period. These contracts all contained the insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

The Company is party to reinsurance agreements, where there are multiple cedants, whom are not parties to an inter-company pooling agreement but are affiliates. It's the Department's position that a domestic insurer cannot participate in a reinsurance agreement with multiple affiliated cedants without a

pooling agreement. The pooling agreement should contain the pooling percentages of each affiliate and the method of its premium allocation. However, the Department has accepted the following wording in lieu of a pooling agreement, which should be contained in such reinsurance agreements, usually as a mutual offset clause:

“Each party to this contract agrees to honor the terms set forth herein as if the contract were a separate agreement between the reinsurer and each individual named reinsured. Balances payable or recoverable by any reinsurer or each individual named reinsurer or individual named reinsured shall not serve to offset any balances payable or recoverable to or from any other reinsured party to the contract. Reports and remittances made to the reinsurer in accordance with the applicable articles are to be in sufficient detail to identify both the reinsurer’s loss obligations due each reinsured and each reinsured’s premium remittances under the report.”

It is recommended that the Company amend its reinsurance agreement to include a mutual offset clause, whereby each party to this contract agrees to honor the terms set forth therein as if the contracts were a separate agreement between the reinsurer and each individual named reinsured.

It is recommended that the Company maintain sufficient documentation in identifying both the reinsurer’s loss obligations due each reinsured and each reinsured’s premium remittance to the reinsurer.

D. Holding Company System

LandAmerica Financial Group, Inc. (formerly known as Lawyers Title Corporation) is the ultimate parent in the holding company system. Members of the holding company system are detailed in the Holding Company – Organizational Chart, appended to this report. As of December 31, 2000, Reliance Insurance Company and LandAmerica Financial Group, Inc. Savings & Stock Ownership Plan are the record holders of approximately 29.9% and 10.6%, respectively of the issued and outstanding shares of

LandAmerica Financial Group, Inc. No other person beneficially owns more than 10% of the presently issued and outstanding shares of LandAmerica Financial Group, Inc.

Subsequent to the examination date, as a result of an underwritten public offering in February and March 2001, no one party owns 10% or more of LandAmerica Financial Group, Inc. common stock. Reliance Insurance Company owns 100% of Preferred Shares convertible into common shares equal to less than 2% of common shares fully diluted.

LandAmerica Financial Group, Inc. (“LandAmerica”) owns 100% of the stock of Transnation Title Insurance Company, which owns 100% of the stock of the Company.

Transnation Title Insurance Company of New York became a controlled insurer of LandAmerica on February 27, 1998, through its wholly-owned subsidiary of Transnation Title Insurance Company.

This acquisition was effected pursuant to a stock purchase agreement, dated August 20, 1997, amended and restated on December 11, 1997 by and between LandAmerica, Lawyers Title Insurance Corporation (“LTIC”), Reliance Insurance Company (“RIC”) and Reliance Group Holdings, Inc. (“Reliance”). Pursuant to this agreement, LandAmerica purchased 100% of the authorized, issued and outstanding shares of the company’s parent, Transnation Title Insurance Company and affiliate, Commonwealth Land Title Insurance Company.

As part of the stock purchase agreement, LandAmerica, RIC and Reliance have agreed to enter into a voting and standstill agreement to provide for the designation by RIC of three directors to be nominated to the board of directors of LandAmerica. The voting and standstill agreement prohibits

Reliance from acquiring any additional shares of LandAmerica and from knowingly transferring shares to any person or group if, as a result of such transfer, such person or group would have beneficial ownership of more than 9.9% of LandAmerica issued and outstanding shares.

The acquisition was completed on February 27, 1998. Simultaneously, Lawyers Title Corporation amended its charter, changing the name of the holding company to LandAmerica Financial Group, Inc. Approvals from the appropriate Insurance Departments were obtained.

Pursuant to the provisions set forth in Section 1506 of the New York Insurance Law and Department Regulation 52, LandAmerica filed an application for approval of the acquisition of control of a domestic insurer for the acquisition and control of Transnation Title Insurance Company of New York on September 15, 1997, supplemented on December 15, 1997. The acquisition was approved by the New York Department on February 17, 1998.

A review was made of the filings made by the Company, as registrant, pursuant to the requirements of Article 15 of the New York Insurance Law and Department Regulation 52. All were found to be filed timely.

The following is a summary of each inter-company agreement in effect as of December 31, 2000:

1. Consolidated Federal Income Tax Liability Allocation & Payment Agreement

On March 1, 1998 the Company entered into a consolidated federal income tax allocation & payment agreement with its parent, LandAmerica Financial Group, Inc. A formal agreement was executed and submitted to the Department, pursuant to the Department's Circular Letter No. 33 (1979),

describing the manner in which the federal income tax for all entities is allocated to each entity. The effective date for this agreement relates to all taxable years beginning on or after July 1, 1998.

As determined by this examination, the agreement by and between the Company and its parent, LandAmerica Financial group, Inc. met the minimum guidelines set forth in Department Circular Letter No. 33 (1979).

2. Services, Cost and Expense Allocation Agreement

On September 1, 1998, the Company entered into a services, cost and expense allocation agreement with its affiliate, Lawyers Title Insurance Corporation (“LTIC”). Under the terms of the agreement, LTIC agrees to provide, and the Company accepts certain corporate services, including: administrative services, development of underwriting manuals, rate and form filings, claims services, internal audit, accounting services, maintenance of company records, preparation and rendering of reports, collection of premiums and paying of all operating expenses.

3. Premium Concentration and Claims Payment Agreement

On November 1, 1999, the Company entered into a premium concentration and claims payment agreement with its parent, LandAmerica Financial Group, Inc. Under the terms of the agreement, LandAmerica will accept premium deposits and perform revenue concentration services, including tracking, attribution, and cash management. Any premiums collected by LandAmerica will be held in a fiduciary capacity and paid over to the Company immediately upon their clearance with the depository bank. LandAmerica will also pay claim losses and expenses.

4. Consolidated Payroll and Accounts Payable Agreement

On September 1, 1999, the Company entered into a consolidated payroll and accounts payable agreement with its parent, LandAmerica Financial Group, Inc. Under the terms of the agreement, LandAmerica will pay wages, salaries, benefits, workers' compensation insurance and related expenses and obligations for personnel employed by the Company. LandAmerica will also handle accounts payable processing that arises in the ordinary course of the Company's business.

5. Automatic Reinsurance Agreement

On March 12, 1999, the Company entered into an automatic reinsurance agreement with its affiliate, Commonwealth Land Title Insurance Company ("Commonwealth"). Under the terms of the agreement, Commonwealth reinsures risks located in states in which the Company is licensed and which is automatic for losses in excess of the primary retention of \$500,000 to the extent of the excess over the retention but not more than the amount of the fixed policy liability stated in dollars.

All of the agreements were filed with this Department pursuant to the provisions of Section 1505(d) of the New York Insurance Law.

E. Custodian Agreements

As of December 31, 2000, the Company maintained a custodian agreement with SunTrust Bank. The custodian agreement lacked certain necessary safeguards, controls and protective covenants recommended by the Department, for the custody or safekeeping of securities.

It is recommended that the Company amend the custodian agreement to include the following safeguards and controls for the custody and safekeeping of its securities:

1. The bank shall have in force, for its own protection, Bankers Blanket Bond Insurance of the broadest form available for commercial banks and will continue to maintain such insurance. The bank will give the company 60 days written notice of any material change in the form or amount of such insurance or termination of this coverage.
2. Maintain records sufficient to verify information we are required to report in Schedule D of the Annual Statement blank of the Insurance Department of the State of New York.
3. Furnish us with the appropriate affidavits in the form as may be acceptable to you and to the New York State Insurance Department in order for the securities referred to in such affidavits to be recognized as admitted assets of the company.
4. Access shall be during your regular banking hours and specifying those persons who shall be entitled to examine on your premises securities held by the bank on its premises and its records regarding securities held, but only upon furnishing the bank with written instructions to that effect from any specified authorized officer.
5. Written instructions hereunder shall be signed by any two of its authorized officers specified in a separate list for this purpose which will be furnished to the bank from time to time signed by the treasurer or an assistant treasurer or an assistant secretary.
6. There should be a provision in the agreement that would give the insurer the opportunity to secure the most recent report on the review of the custodian's system of internal controls, issued by internal or independent auditors.

F. Significant Operating Ratios

The following ratios have been computed as of December 31, 2000 based upon the results of this examination:

Net premiums written in 2000 to surplus as regards to policyholders	.09:1
Liabilities to liquid assets (cash and invested assets less investment in affiliates)	9.93%
Title insurance premiums and fees receivable to surplus as regards to policyholders	2.66%

The above ratios fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners.

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 LAE Incurred	\$ 683,583	16.44%
Operating Expenses Incurred	3,913,151	94.10
Net Operating Gain (or Loss)	<u>(438,033)</u>	<u>(10.53)</u>
Premiums and Fees Earned	<u>\$4,158,701</u>	<u>100.00%</u>

G. Audited Financial Statements

Section 89.2 of Department Regulation 118 states in part,

“Every insurer subject to this part shall retain an independent certified public accountant (“CPA”) who agrees by written contract with such insurer to comply with the provisions of Section 307 (b) of the New York Insurance Law... Such contract must specify that:

(a) on or before June 30th, the CPA shall provide an audited financial statement and opinion for the prior calendar year and an evaluation of the insurer’s accounting procedures and internal control system 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 the minimum capital and surplus requirements set forth in the Insurance Law shall be given by the CPA, in writing, to the superintendent within fifteen (15) calendar days following such determination; and

(c) the workpapers 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. The CPA must retain for review such workpapers and communications for a period of not less than five (5) years.”

The review of the audit engagement contracts entered into between the Company and its certified public accountants for the period under examination revealed that the contracts were not in accordance with the provisions of Section 89.2 of Department Regulation 118.

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

H. Abandoned Property Law

A review was made of the information included in the Company's filed Abandoned Property reports with the Office of the Comptroller of the State of New York. The examiners also reviewed the Company's accounting policy and procedures with respect to all unclaimed checks. It appears that the Company has adequate controls in maintaining the accountability of all unclaimed checks.

In conclusion, the Company appears to be complying with Section 1317 of the New York Abandoned Property Law with regard to filing such reports.

I. Segregated Funds Held for Others

At December 31, 2000, the Company reported \$11,804,130 as custodial 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.

In view of the fiduciary responsibility for such funds, a detailed review was made of the underlying escrow deposit agreements to ascertain if the Company was fulfilling its contractual obligations.

Escrow funds are taken by the Company at title closing whenever there exist unpaid or accrued amounts such as real estate taxes, franchise taxes, judgments or liens against the insured property.

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 when the Company is refunding balances after the title objections, for which the escrow was originally taken, such refunds were satisfied in a timely and efficient manner.

J. Accounts and Records

1. Section 310 of the New York Insurance Law

During the course of the examination, the examiners encountered numerous delays in obtaining supporting documentation. There was no communication with the examiners regarding examination requests unless the examiners, themselves, followed up. Based on the Company's responses or lack thereof, it appears to be a lack of cooperation by the Company.

Section 310 (a)(3) of the New York Insurance Law states in part:

“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.”

It is recommended that for future examinations the Company make every effort to facilitate such examinations.

During the period under examination, the examiners noted the following deficiencies in the Company's system of accounts and records:

2. Location of Books and Records

Section 325(b) states in part:

“A domestic insurer...may keep and maintain its books of account without this state if, in accordance with a plan adopted by its board of directors and approved by the superintendent, it maintains in this state suitable records in lieu thereof.”

It appears that the Company moved its books and records outside of New York State without filing a Section 325(b) Plan with the Department. It was further noted that the Company moved its books and records to Virginia, a state where they are not licensed to do business.

It is recommended that the Company file a Section 325(b) Plan with the Department seeking approval to keep and maintain its books and records outside of New York State.

3. Title Insurance Premiums and Fees Receivable

During the period under examination, the examiners noted that for the State of New York, the Company booked premiums when they were received. Section 6404(b) of the New York Insurance Law states that:

“The superintendent shall allow as admitted assets premiums and fees for title examination and insurance and for abstracts and searches, not more than ninety days past due. Such premiums and fees shall be deemed to be due when the services for which such premium and fees are chargeable shall have been performed, except that with respect to abstracts and searches, not later than the closing of the transaction for which the services were rendered, and with respect to examination on a closed title basis premiums and fees shall be deemed due when title is closed.”

The Company was unable to provide the examiners with documentation detailing the amount of premiums due in accordance with Section 6404(b) of the New York Insurance Law. Also, the examiners were unable to ascertain whether the Company maintained an aged listing of uncollected agency premiums pursuant to the provisions of Section 6404(b) of the New York Insurance Law. No change to the item is warranted as the amount is immaterial to the balance sheet.

It is recommended that the Company record premiums and fees when due, pursuant to the provisions of Section 6404(b) of the New York Insurance Law.

It is recommended that the Company maintain an aged listing of uncollected premiums pursuant to Section 6404(b) of the New York Insurance Law.

4. Statutory Premium Reserve

The Company failed to maintain admitted assets of a value at least equal to the amount required for the statutory premium reserve, pursuant to the provisions of Section 6405(c) of the New York Insurance Law. Section 6405(c) states in part,

“The reinsurance reserve 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 a segregated reserve fund at all times distinct and separate from all its other assets...”

It is recommended that the Company maintain admitted assets of a value at least equal to the amount required for the statutory premium reserve as a segregated reserve fund, pursuant to the provisions of Section 6405(c) of the New York Insurance Law.

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, 2000. This statement is the same as the balance sheet filed by the Company:

<u>Assets</u>	<u>Ledger Assets</u>	<u>Non-Ledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$5,386,264	\$		\$5,386,264
Cash and short-term investments	214,731			214,731
Title insurance premiums and fees receivable	157,689		\$16,365	141,324
Electronic data processing equipment	20,821			20,821
Interest, dividends, real estate income due & accrued	117,215			117,215
Other assets non-admitted	13,974		13,974	
Miscellaneous assets	<u>49,141</u>	<u> </u>	<u>49,141</u>	<u> </u>
Total assets	<u>\$5,959,835</u>	<u>\$ 0</u>	<u>\$79,480</u>	<u>\$5,880,355</u>

<u>Liabilities</u>	<u>Amount</u>
Known claims reserve	\$166,780
Statutory premium reserve	331,001
Other expenses	12,033
Payable to parent, subsidiaries and affiliates	<u>57,947</u>
Total liabilities	<u>\$567,761</u>
 <u>Surplus and other funds</u>	
Common capital stock	500,000
Gross paid-in and contributed surplus	4,550,000
Unassigned surplus funds	<u>262,594</u>
Surplus as regards policyholders	<u>\$5,312,594</u>
Total liabilities, surplus and other funds	<u>\$5,880,355</u>

Note: The Internal Revenue Service has not audited the consolidated income tax returns filed on behalf of the Company. 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. Operations and Investment Exhibit

Surplus as regards policyholders increased \$807,664 during the five-year examination period, (January 1, 1996, through December 31, 2000) detailed as follows:

STATEMENT OF INCOME

Operating Income

Premiums and fees earned		\$4,158,701
Deductions:		
Losses and loss adjustment expenses incurred	\$ 683,583	
Operating expenses incurred	<u>3,913,151</u>	
Total operating deductions		<u>4,596,734</u>
Net operating (loss)		\$ (438,033)

Investment Income

Net investment income earned	\$1,572,116	
Net realized capital gains	<u>136,119</u>	
Net investment gain		<u>1,708,235</u>

Other Income

Net income before federal income taxes		\$ 1,270,202
Federal income taxes incurred		<u>395,433</u>
Net income		<u>\$ 874,769</u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 1995, per report on examination			\$4,504,930
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$874,769		
Change in non-admitted assets	<u> </u>	<u>\$67,105</u>	
Total gains and losses	<u>\$874,769</u>	<u>\$67,105</u>	
Net increase to surplus as regards policyholders			<u>807,664</u>
Surplus as regards policyholders, December 31, 2000, per report on examination			<u>\$5,312,594</u>

4. KNOWN CLAIMS RESERVE

The examination liability of \$166,780 is the same amount reported by the Company as of the examination date. The examination analysis of the liability 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 statement.

The Company's reserve for unpaid losses and claims are based on individual case estimates for losses on claims reported to the Company as of December 31, 2000, and estimates for unreported losses based upon past experience.

The adequacy of the Company's known claims reserve was based upon a review of claim files and disbursements made from January 1, 2001 through December 31, 2001. This twelve-month development gave consideration to reinsurance recoveries, salvage and subrogation whenever applicable.

5. 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 Department's Property Bureau.

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

- 1) Sales and advertising
- 2) Underwriting
- 3) Rating
- 4) Treatment of policyholders and claimants

No problem areas were encountered.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

A review was made into the actions taken by the Company with regards to the comments and recommendations contained in the prior report on examination. The items, letters and page numbers shown below refers to that of the prior report:

ITEM

PAGE NO.

Management

- | | | |
|----|---|---|
| A. | It is recommended that the board of directors hold meetings as prescribed by the Company's by-laws. | 5 |
|----|---|---|

ITEMPAGE NO.

The Company has not complied with this recommendation. The Company's by-laws state, "there shall be a minimum of four regularly scheduled meetings of the board of directors per year." The board of directors did not hold the required number of meetings during the period covered by this examination. A similar recommendation will be made in this report on examination.

- B. It is recommended that the Company reconstitute its board of directors in compliance with Section 6402(e) of the New York State Insurance Law. 5

The Company has not complied with this recommendation. The majority of the board of directors resides outside of New York State. A similar recommendation will be made in this report on examination.

Holding Company System

- C. It is recommended that the Company submit for approval the management service agreement to the New York State Insurance Department in accordance with Section 1505(d) of the New York State Insurance Law. 9

The Company has complied with this recommendation. On June 17, 1999, the Company filed a service, cost, and expense allocation agreement, which replace the management service agreement. The agreement was approved by the Insurance Department on July 28, 1999.

7. **SUMMARY OF COMMENTS AND RECOMMENDATIONS**

ITEMPAGE NO.

- A. Management

It is recommended that the board of directors hold the requisite number of regular meetings as set forth in the Company's by-laws. 5

It is recommended that the Company amend its by-laws to conform to the provisions of Section 6402(e) of the New York Insurance Law. 5

It is recommended that the Company reconstitute its board of directors to meet the requirements as set forth in Section 6402(e) of the New York Insurance Law. 6

<u>ITEM</u>	<u>PAGE NO.</u>
It is recommended that the Company exercise due care in obtaining and maintaining copies of all amendments to its charter and by-laws.	6
B. <u>Reinsurance</u>	
It is recommended that the Company amend its reinsurance agreement to include a mutual offset clause, whereby each party to this contract agrees to honor the terms set forth therein as if the contracts were a separate agreement between the reinsurer and each individual named reinsured.	9
It is recommended that the Company maintain sufficient documentation in identifying both the reinsurer's loss obligations due each reinsured and each reinsured's premium remittance to the reinsurer.	9
C. <u>Custodian Agreement</u>	
It is recommended that the Company amend the custodian agreement to meet the necessary safeguards and controls suggested by the Insurance Department, for the custody or safekeeping of its securities.	13
D. <u>Audited Financial Statements</u>	
It is recommended that the Company comply with the provisions of Section 307(b) of the New York Insurance Law and Department Regulation 118 Section 89.2, with respect to its written engagement contracts with its CPA.	16
E. <u>Accounts and Records</u>	
1. <u>Section 310 of the New York Insurance Law</u>	
It is recommended that for future examinations the Company make every effort to facilitate such examinations.	17
2. <u>Location of Books and Records</u>	
It is recommended that the Company file a Section 325(b) Plan with the Department seeking approval to keep and maintain its books and records outside of New York State.	18
3. <u>Title Insurance Premiums and Fees Receivable</u>	
It is recommended that the Company record premiums and fees when due, pursuant to the provisions of Section 6404(b) of the New York Insurance Law.	19

ITEMPAGE NO.

It is recommended that the Company maintain an aged listing of uncollected premiums pursuant to Section 6404(b) of the New York Insurance Law.

19

4. Statutory Premium Reserve

It is recommended that the Company maintain admitted assets of a value at least equal to the amount required for the statutory premium reserve as a segregated reserve fund, pursuant to the provisions of Section 6405(c) of the New York Insurance Law.

19

SUBSIDIARIES OF LANDAMERICA FINANCIAL GROUP, INC.

<u>Name</u>	<u>State of Inc. or Organization</u>	<u>% of Direct or Indirect Ownership</u>
<u>Subsidiaries of LandAmerica Financial Group, Inc.</u> (in bold)		
Commonwealth Land Title Insurance Company	Pennsylvania	100%
<u>Its Subsidiaries</u>		
Albuquerque Title Company, Inc.	New Mexico	100%
Atlantic Title & Abstract Company	Delaware	100%
<u>Its Subsidiary</u>		
ATACO, Inc.	Pennsylvania	100%
Citrus Title Company, Inc.	Florida	100%
CLTIC-RELO, Inc.	Delaware	100%
<u>Its Subsidiaries</u>		
The Resource Alliance Group, Inc.	Delaware	51%
The Resource Alliance Limited Partnership	New Jersey	49.5%
Commercial Settlements, Inc.	District of Columbia	100%
Commonwealth Land Title Company	California	100%
Commonwealth Land Title Company of Austin	Texas	100%
Commonwealth Land Title Company of Dallas	Texas	100%
Commonwealth Land Title Company of El Paso	Texas	100%
Commonwealth Land Title Company of Fort Worth	Texas	100%
Commonwealth Land Title Company of Houston	Texas	100%
Commonwealth Land Title Company of San Antonio	Texas	100%
Commonwealth Land Title Company of Washington	Washington	100%
Commonwealth Land Title Corporation (Iowa)	Iowa	100%
Commonwealth Relocation Services, Inc.	Pennsylvania	100%
Commonwealth Title of Arizona	Arizona	100%
Congress Abstract Corporation	Pennsylvania	100%
Crestview Lawyers Service	New Jersey	100%
CRS Financial Services, Inc.	Pennsylvania	100%
DO Holding Company, Inc. (f/k/a Day One, Inc.)	Pennsylvania	100%
Edge Rock, Inc.	Delaware	100%
<u>Its Subsidiaries</u>		
Cornerstone Residential Title Agency	Ohio	51%
Norwood Title Agency	New Hampshire	51%
Residential Title Agency, LLC	Ohio	21%
Golden State Title Company	California	100%
Goliath, Inc.	Pennsylvania	100%
<u>Its Subsidiaries</u>		
Goliath One, L. P.	Pennsylvania	100%
Goliath Two, L. P.	Pennsylvania	100%
Goliath Three, L. P.	Pennsylvania	100%

SUBSIDIARIES OF LANDAMERICA FINANCIAL GROUP, INC.

<u>Name</u>	<u>State of Inc. or Organization</u>	<u>% of Direct or Indirect Ownership</u>
Goliath Four, L. P.	Pennsylvania	100%
Goliath Five, L.P.	Pennsylvania	100%
Industrial Valley Title Insurance Company <u>Its Subsidiary</u>	Pennsylvania	100%
Commonwealth Land Title Insurance Company of New Jersey	New Jersey	100%
LandAmerica Appraisal Services, Inc.	Pennsylvania	100%
Longworth Insured Title Agency LLC	Ohio	51%
Louisville Title Company	Kentucky	100%
Osage Corporation	Pennsylvania	100%
Partners Title Company	Texas	100%
Pikes Peak Title Service, Inc.	Colorado	100%
Plantco, Inc.	District of Columbia	100%
Property Services, Inc.	Pennsylvania	100%
Rainier Title Company	Washington	100%
Residential Abstract, LLC	New York	51%
T & T Co. Holding Company <u>Its Subsidiary</u>	Florida	100%
Title & Trust Company of Florida	Florida	100%
The National 1031 Exchange Corporation	California	100%
Title Guarantee Company of Rhode Island	Rhode Island	100%
Title Insurance Company	Alabama	100%
Title Services, Inc.	Minnesota	100%
Global Corporate Services, Inc.	Michigan	100%
LandAmerica Environmental Insurance Service Agency, Inc. <u>Its Subsidiaries:</u>	Virginia	100%
LEISA of Arizona, Inc.	Arizona	100%
LEISA of California, Inc.	California	100%
LTEISA of Colorado, Inc.	Colorado	100%
LEISA of Connecticut, Inc.	Connecticut	100%
LEISA of New York, Inc.	New York	100%
LEISA of Ohio, Inc.	Ohio	100%
LEISA of Pennsylvania, Inc.	Pennsylvania	100%
LEISA of Texas, Inc.	Texas	100%
LandAmerica Exchange Company <u>Its Subsidiaries:</u>	Maryland	100%
CWLT Roseland Exchange, L.L.C.	New Jersey	100%
OTV Construction Exchange, L.L.C.	Missouri	100%
West End Real Estate Holding Company	Virginia	100%

SUBSIDIARIES OF LANDAMERICA FINANCIAL GROUP, INC.

<u>Name</u>	<u>State of Inc. or Organization</u>	<u>% of Direct or Indirect Ownership</u>
LandAmerica Information Company (f/k/a Datatrace Information Services Company)	Virginia	100%
Datatrace Information Services LLC	Delaware	20%
LandAmerica OneStop, Inc.	Virginia	100%
LandMDA, L.L.C.	Virginia	50%
Lawyers Title Insurance Corporation	Virginia	100%
<u>Its Subsidiaries:</u>		
American Title Group, Inc.	Texas	100%
<u>Its Subsidiaries:</u>		
ATCOD, Inc. d/b/a American Title Company	Texas	100%
American Title Company of Austin d/b/a Austin Title Company	Texas	100%
Commercial Abstract & Title Co. d/b/a Lawyers Title of San Antonio, Inc.	Texas	100%
Texas Title Company	Texas	100%
William H. Tamm, Inc.	Texas	100%
Atlanta Title Company	Georgia	100%
Brighton Title Services Company, LLC	Michigan	50%
Builders Disbursement Services, Inc.	Virginia	100%
Building Exchange Company	Virginia	100%
<u>Its Subsidiary</u>		
Bayside Partners IV, LLC	Michigan	100%
CFS Title Insurance Agency, LLC	Virginia	50%
Charleston Title Agency LLC	Ohio	51%
Charter Title Company	Virginia	100%
<u>Its Subsidiaries:</u>		
Charter Title/Sugarland, Ltd. d/b/a Charter Title Company Fort Bend	Texas	80%
Charter Title Company - Galveston, L.L.C.	Texas	100%
<u>Its Subsidiary:</u>		
Harbour Title Company d/b/a Lawyers Title Galveston	Texas	50%
Commerce Title Guaranty Co.	Tennessee	100%
Continental Diversified Services Company	California	100%
Elliptus Technologies, Inc.	Virginia	100%
Excel Title Agency, LLC	Virginia	51%
First Stable Properties, Inc.	Virginia	100%
First Title & Escrow Company, Inc.	Tennessee	51%
Florida Southern Abstract & Title Co.	Florida	100%
Guarantee Title Co., Inc.	Kansas	100%
J-FLY, L.L.C.	Virginia	70%

SUBSIDIARIES OF LANDAMERICA FINANCIAL GROUP, INC.

<u>Name</u>	<u>State of Inc. or Organization</u>	<u>% of Direct or Indirect Ownership</u>
Land Canada Title Insurance, Ltd.	Canada	51%
Land Title Abstract Co.	Michigan	100%
Land Title Dawson Abstract Co.	Michigan	100%
LandAm Construction Exchange Company	Virginia	100%
Lawyers Acquisition Company, Inc.	Virginia	100%
Lawyers Holding Corporation	Virginia	100%
<u>Its Subsidiaries:</u>		
Cumberland Title Company	Maine	100%
Lion Abstract, LLC	Pennsylvania	50%
Louisville Title Agency of Central Ohio, Inc.	Ohio	100%
Oakton Title, Inc.	Virginia	100%
Lawyers Title Agency, Inc.	Virginia	100%
Lawyers Title Company	California	100%
<u>Its Subsidiaries:</u>		
California Land Title Company	California	100%
Continental Land Title Company	California	100%
Continental Lawyers Company	California	100%
LTC Exchange Company	California	100%
LandAmerica Account Servicing, Inc.	Arizona	100%
Lawyers Title of Arizona, Inc.	Arizona	100%
Lawyers Title of Nevada, Inc.	Nevada	100%
Lawyers Title of El Paso, Inc.	Virginia	100%
<u>Its Subsidiary:</u>		
Database Access, Inc.	Texas	100%
Lawyers Title of North Carolina, Inc.	Virginia	100%
Lawyers Title of Pueblo, Inc.	Colorado	100%
Lawyers Title Realty Services, Inc.	Virginia	100%
Lawyers Title Settlement Company, LLC	Virginia	50%
Lion Abstract Limited Partnership	Pennsylvania	50%
Long Island Title Services Agency, LLC	Virginia	51%
Lorain County Title Company	Ohio	100%
LTIC Alliance LLC	Ohio	100%
<u>Its Subsidiary</u>		
HL Title Agency LLC	Ohio	51%
M/I Title Agency, Ltd.	Ohio	10%
Monroe County Abstract Co.	Michigan	100%
New Mexico Title Company	New Mexico	100%
NIA/Lawyers Title Agency, LLC	New Jersey	50%
Performance Tax Services, Inc.	Texas	100%
Portland Financial Services Corporation	Oregon	100%
RE/Assurance Title Agency, L.L.C.	Ohio	51%
Real Estate Title Company, Incorporated	Maryland	100%

SUBSIDIARIES OF LANDAMERICA FINANCIAL GROUP, INC.

<u>Name</u>	<u>State of Inc. or Organization</u>	<u>% of Direct or Indirect Ownership</u>
RealServe Company, Inc.	Virginia	100%
Rio Rancho Title, Inc.	New Mexico	100%
St. Clair County Abstract Co.	Michigan	100%
Tamiami Abstract & Title Co.	Florida	100%
The Title Guarantee & Trust Company	Ohio	100%
Title Investors Group, Inc.	Texas	100%
<u>Its Subsidiaries:</u>		
Land Title Insurance Company	California	100%
Title Insurance Company of America	Tennessee	100%
<u>Its Subsidiaries:</u>		
Mid-South Title Corporation	Tennessee	100%
Rutherford County Title Insurance Co.	Tennessee	100%
TransOhio Residential Title Agency Ltd. (an LLC)	Ohio	50.1%
Union Title Agency, LLC	Virginia	21%
University Title Services, Inc.	Florida	25%
Wilson Title Company, Inc.	Texas	100%
Palma, LaZar and Ulsh, L.P.	Pennsylvania	40%
PRIMIS, Inc.	Georgia	100%
Transnation Title Insurance Company	Arizona	100%
<u>Its Subsidiaries:</u>		
Transnation Title & Escrow, Inc.	Delaware	100%
Transnation Title Insurance Company of New York	New York	100%
Title Transfer Services, Inc.	Colorado	100%
Xenia Property Company	Pennsylvania	100%

Appointment No. 21783

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, GREGORY V. SERIO, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

Jimmie Newsome

as proper person to examine into the affairs of the

TRANSNATION TITLE INSURANCE COMPANY OF NEW YORK

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

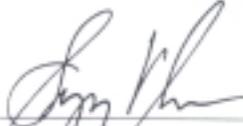
Company

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 26th day of September, 2001





GREGORY V. SERIO
Superintendent of Insurance

