

REPORT ON EXAMINATION

OF

NATIONAL TITLE INSURANCE OF NEW YORK INC.

AS OF

DECEMBER 31, 2018

DATE OF REPORT

DECEMBER 17, 2019

EXAMINER

LEE R. PROWELL

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## Department of Financial Services

**ANDREW M. CUOMO**  
Governor

**LINDA A. LACEWELL**  
Superintendent

December 17, 2019

Honorable Linda A. Lacewell  
Superintendent  
New York State Department of Financial Services  
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 31861 dated January 23, 2019, attached hereto, I have made an examination into the condition and affairs of National Title Insurance of New York, Inc., as of December 31, 2018, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate National Title Insurance of New York Inc.

Wherever the term “Department” appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

The examination was conducted at the Company’s administrative office located at 601 Riverside Avenue, Jacksonville, Florida 32204.

## 1. SCOPE OF EXAMINATION

The Department has performed an examination of the Company, a multi-state insurer. The previous examination was conducted as of December 31, 2013. This examination covered the five-year period from January 1, 2014 through December 31, 2018. Transactions occurring subsequent to this period were reviewed when deemed appropriate by the examiner.

The examination was conducted in conjunction with the state of Florida, which was the lead state of the Fidelity National Financial Group (“FNF Group”). The examination was performed concurrently with the examinations of the following insurers: Chicago Title Insurance Company (“CTIC”), Commonwealth Land Title Insurance Company (“CLTIC”), Fidelity National Title Insurance Company (“FNTIC”), and Alamo Title Insurance (“ATI”). CTIC, CLTIC and FNTIC are domiciled in Florida, and ATI is domiciled in Texas. Other states participating in this examination were Florida and Texas.

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 current and prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company 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 New York laws, statutory accounting principles, and annual statement instructions.

This examination report includes, but is not limited to, the following:

- Company history
- Management and control
- Territory and plan of operation
- Reinsurance
- Holding company description
- Financial statement presentation
- Reserves analysis
- Summary of recommendations

The prior report on examination contained no comments or recommendations.

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

## **2. DESCRIPTION OF COMPANY**

National Title Insurance of New York Inc. was incorporated as City Title Guaranty Company under the laws the State of New York on March 14, 1929 and commenced business on December 31, 1936. On January 11, 1937, the name was changed to City Title Insurance Company, and again to National Attorneys' Title Insurance Company on December 1, 1982. On February 12, 1990, the name was changed to New York TRW Title Insurance Inc. On January 10, 1994, the Nations Holding Group purchased all the issued and outstanding shares of the Company's immediate parent, TRW Title Inc. Subsequently, TRW Title Inc. changed its name to Nations Title Inc. On May 9, 1994, the Company's present name was adopted.

On June 10, 1999, the Company was sold to American Title Company, a California domiciled title company wholly owned by American National Financial, Inc. ("ANFI"). Between June 1999 and March 2003, Fidelity National Financial, Inc. ("FNF") held a minority interest in ANFI, ranging from 20% to 28%. On March 26, 2003, FNF acquired all the remaining outstanding common stock of ANFI.

During 2006, FNF effectuated a corporate restructuring which resulted in the spin-off of several subsidiaries owned by Fidelity National Information Services, Inc. ("FIS"), and the creation of FIS as a separate publicly traded company. On May 1, 2006, the Company's stock was transferred to FNTS Holdings LLC, a wholly owned subsidiary of FIS.

On July 2, 2008, FIS contributed the stock of the Company's immediate parent, LPS Property Tax Solutions, Inc. (formerly known as FIS Tax Services, Inc.), and its subsidiaries to a newly-formed Delaware holding company, Lender Processing Services, Inc. ("LPS"), which was a wholly-owned subsidiary of FIS. FIS then distributed the stock of LPS to the shareholders of FIS, and LPS became an independent publicly traded company.

On January 3, 2014, as part of a merger transaction between LPS and FNF, CTIC, a Nebraska domiciled title insurer and member of the FNF Group, acquired 100% of the Company's stock. CTIC re-domesticated to the state of Florida effective March 1, 2017.

A. Corporate Governance

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 nor more than fifteen members. The board met once during calendar years 2014 and 2015, and two times during each calendar year 2016, 2017 and 2018. At December 31, 2018, the board of directors was comprised of the following seven members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Thomas Arthur Glatthaar Purchase, New York	Senior Vice President and Senior Underwriting Counsel, National Title Insurance of New York Inc.
Michael Louis Gravelle Las Vegas, Nevada	Executive Vice President, General Counsel and Corporate Secretary, National Title Insurance of New York Inc.
Edward Louis Heim New York, New York	Vice President and Senior Underwriter, National Title Insurance of New York Inc.
Mark Alan Lotterer Orchard Park, New York	Senior Vice President and Regional Manager, National Title Insurance of New York Inc.
Anthony John Park Jacksonville, Florida	Executive Vice President and Chief Financial Officer, National Title Insurance of New York Inc.
Joanna Vivian Patilis Manhasset, New York	Senior Vice President and Regional Manager, National Title Insurance of New York Inc.
Raymond Randall Quirk Jacksonville, Florida	Chairman of the Board, President and Chief Executive Officer, National Title Insurance of New York Inc.

As of December 31, 2018, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Raymond Randall Quirk	Chairman of the Board, President, and Chief Executive Officer
Michael Louis Gravelle	Executive Vice President, General Counsel, and Corporate Secretary
Anthony John Park	Executive Vice President and Chief Financial Officer

B. Territory and Plan of Operation

As of December 31, 2018, the Company was licensed to write business in 48 states and in the District of Columbia.

As of the examination date, the Company was authorized to transact title insurance as defined in paragraph 18 of Section 1113(a) of the New York Insurance Law.

Based upon the line 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 residential title insurance policies, and secondarily in performing other title-related services such as escrow, collection and trust activities in connection with real estate transactions. The Company does not focus marketing efforts on the homeowner. Instead, the Company actively encourages its sales personnel to develop new business relationships with bank and non-bank mortgage originators and national trustees (e.g. attorneys) who order title insurance policies for their clients.

The following schedule shows the direct premiums written by the Company for the period under examination:

<u>Calendar Year</u>	<u>Direct Premiums</u>
2014	\$90,224,348
2015	\$76,213,232
2016	\$83,216,994
2017	\$69,377,865
2018	\$55,239,526

The Company did not assume any business during the period under examination. The Company utilizes the services of affiliated agents, under the holding company ServiceLink NLS, LLC ("ServiceLink"). In 2018, ServiceLink generated approximately 97% of the Company's direct written premiums. A nominal amount of business is written through direct operations and independent agents. In 2018, almost half of direct written premiums were from three states: California (30.5%), Florida (8.5%), and Washington (8.5%). New York comprised 5.3% of direct written premiums.

C. Reinsurance Ceded

The Company's ultimate parent, FNF, entered into two Excess of Loss Reinsurance Contracts with various reinsurers on behalf the Company and other subsidiaries and affiliates of FNF. Coverage is shared by the Company and other subsidiaries and affiliates of FNF. The contract provides coverage on a loss occurrence basis for the Company and its affiliates regardless of the number of policies contributing to the ultimate net loss. The losses are covered based upon date reported to the reinsurer.

Examination review found that the Schedule F data reported by the Company in its filed annual statement accurately reflected its reinsurance transactions. Additionally, examination review indicated that the Company was not a party to any finite reinsurance agreements.

D. Holding Company System

The Company is a member of the Fidelity National Financial Group. It is wholly owned by CTIC, a Florida-domiciled insurer, which is ultimately owned by Fidelity National Financial, Inc., a Delaware-domiciled public holding company.

FNF, through its title insurance subsidiaries, provides (i) title insurance, escrow and other title-related services, including trust activities, trustee sales guarantees, recordings and reconveyances and home warranty products, and (ii) transaction services to the real estate and mortgage industries. Through its subsidiary, ServiceLink Holdings, LLC, FNF provides mortgage transaction services, including title-related services and facilitation of production and management of mortgage loans.

A review of the holding company registration statements filed with this Department indicated that such filings were complete and were filed in a timely manner pursuant to Article 15 of the New York Insurance Law and Department Regulation 52.

The following is an abridged chart of the holding company system at December 31, 2018:





### Holding Company Agreements

At December 31, 2018, the Company was party to the following agreements with other members of its holding company system:

#### Tax Sharing Agreement

The Company is a party to the First Amendment to Amended and Restated Tax Allocation Agreement, dated January 3, 2014, with FNF. FNF and various subsidiaries file a consolidated federal income tax return in accordance with the relevant Internal Revenue Service regulations.

#### Master Services Agreement

Effective May 4, 2017, the Company entered into an Amended and Restated Master Services Agreement with FNF and various affiliates. The agreement provides for the efficient coordination of administrative functions by and between the parties to the agreement and prevents unnecessary duplication of operations with respect to general corporate services including legal, communications, advertising,

regulatory, financial, claims administration, general administrative support, underwriting, IT, and title support services.

In 2018, the Company paid \$3,132,578 for services pursuant to this agreement.

#### Cost Sharing Agreement

The Company is party to the Second Amended and Restated Cost Allocation Agreement, effective April 9, 2018, with FNF and certain affiliates. The parties agree to share the costs incurred in obtaining and providing access to title plants and other various services. Per the terms of the agreement, on a monthly basis, each party pays their proportional share of actual costs and expenses.

#### Allocation Agreement

The Company is party to an Amended and Restated Allocation Agreement relative to the Excess of Loss Program with FNF and affiliates, dated May 1, 2017. FNF, as the ultimate parent, is authorized to, on behalf of the parties, negotiate, enter into and administer reinsurance contracts for excess of loss coverage. The annual cost for the excess of loss program is based on each individual subsidiary's proportionate share of the annual cost. The allocation is based on the pro rata share of gross written premium of each subsidiary.

#### Agent Agreements

During the examination period, the Company entered into various issuing agent agreements with certain affiliates. The agreements provide for the various affiliated parties to be appointed as issuing agents for the purpose of issuing title insurance commitment, preliminary reports, policies, endorsements, guarantees, other title assurances and all other premium bearing products involving real property located in the United States. Per the terms of the agreement, each issuing agent shall pay the Company a specified percentage of the gross premium on all title insurance products issued by that agent.

#### Underwriting Agreements

During the examination period, the Company entered into various issuing underwriting agreements with certain affiliates. The agreements provide for the affiliates to be appointed as the underwriting title company to provide title insurance agency services in the state of California in the respective counties in which each affiliate is licensed. Per the terms of the agreements, each affiliate shall report and remit a specified percent of each commitment, policy and endorsement of the principal issued to the Company.

All agreements subject to Section 1505 of the New York Insurance Law were filed with the Department.

E. Significant Ratios

The financial 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	\$ 13,178,579	3.45%
Other operating expenses incurred	343,490,245	89.84%
Net operating gain	<u>25,658,974</u>	<u>6.71%</u>
Title insurance and related income	<u>\$382,327,798</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, 2018 as reported by the Company:

<u>Assets</u>	<u>Assets</u>	Non-admitted <u>Assets</u>	Net Admitted <u>Assets</u>
Bonds	\$ 96,019,330	\$ 0	\$ 96,019,330
Preferred stocks	1,000,000	0	1,000,000
Cash, cash equivalents and short-term Investments	3,323,171		3,323,171
Title plants	1,150,000	0	1,150,000
Investment income due and accrued	696,826	0	696,826
Uncollected premiums and agents' balances in the course of collection	19,542	0	19,542
Net deferred tax asset	4,094,251	3,310,249	784,002
Guaranty funds receivable or on deposit	112	0	112
Cash surrender value of life insurance	1,489,294	0	1,489,294
Prepaid and other assets	<u>12,006</u>	<u>12,006</u>	<u>0</u>
Total assets	<u>\$107,804,532</u>	<u>\$3,322,255</u>	<u>\$104,482,277</u>

Liabilities, surplus and other fundsLiabilities

Known claims reserve	\$ 1,653,952
Statutory premium reserve	59,990,092
Other expenses (excluding taxes, licenses and fees)	193,154
Taxes, licenses and fees (excluding federal and foreign income taxes)	685,203
Current federal and foreign income taxes	88,187
Premiums and other consideration received in advance	437,532
Payable to parent, subsidiaries and affiliates	<u>408,570</u>
 Total liabilities	 \$ 63,456,690

Surplus and other funds

Common capital stock	\$ 2,014,516
Gross paid in and contributed surplus	8,988,478
Unassigned funds (surplus)	30,193,208
Less treasury stock, at cost	<u>(170,615)</u>
Surplus as regards policyholders	<u>41,025,587</u>
 Total liabilities, surplus and other funds	 \$ <u>104,482,277</u>

Note: The Internal Revenue Service has completed its audits of the Company's consolidated federal income tax returns through tax year 2017. All material adjustments, if any, made subsequent to the date of examination and arising from said audits, are reflected in the financial statements included in this report. Audits covering tax year 2018 is currently in progress. 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. Statement of Income

The net income for the examination period as reported by the Company was \$24,975,010 as detailed below:

Operating Income

Title insurance and related income		\$382,327,798
Deductions:		
Losses and loss adjustment expenses incurred	\$ 13,178,579	
Operating expenses incurred	<u>343,490,245</u>	
Total operating deductions		<u>356,668,824</u>
Net operating gain or (loss)		\$ 25,658,974

Investment Income

Net investment income earned	\$ 10,991,590	
Net realized capital gains (losses)	<u>255,315</u>	
Net investment gain or (loss)		11,246,905

Other Income

Title plant impairment	\$ <u>(1,162,273)</u>	
Total other income or (loss)		<u>(1,162,273)</u>
Net income after capital gains tax and before all other federal income taxes		\$ 35,743,606
Federal and foreign income taxes incurred		<u>10,768,596</u>
Net income		<u>\$ 24,975,010</u>

C. Capital and Surplus

Surplus as regards policyholders decreased \$10,791,316 during the five-year examination period January 1, 2014 through December 31, 2018, as reported by the Company, detailed as follows:

Surplus as regards policyholders as reported by the Company as of December 31, 2013			\$51,816,903
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$24,975,010		
Change in net deferred income tax		\$ 2,586,695	
Change in non-admitted assets		703,392	
Dividends to stockholders		32,915,861	
Prior year correction to ceded premium	<u>439,622</u>	<u>0</u>	
Total gains and losses	<u>\$25,414,632</u>	<u>\$36,205,948</u>	
Net decrease in surplus			<u>(10,791,316)</u>
Surplus as regards policyholders as reported by the Company as of December 31, 2018			<u>\$41,025,587</u>

No adjustments were made to surplus as a result of this examination.

Capital paid in is \$2,014,515 consisting of 134,301 shares of \$15 par value per share common stock. Gross paid in and contributed surplus is \$8,988,478. Gross paid in and contributed surplus and capital paid in did not change during the examination period.

**4. KNOWN CLAIMS RESERVE**

The examination liability for the captioned item of \$1,653,952 is the same as reported by the Company as of December 31, 2018. The examination analysis was conducted in accordance with generally accepted actuarial principles and statutory accounting principles, including NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principles No. 57.

**5. STATUTORY PREMIUM RESERVE**

The examination liability of \$59,990,092 is the same as the amount reported by the Company as of December 31, 2018. The reserve was calculated pursuant to Section 6405(a) of the New York Insurance Law.

**6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION**

The prior report on examination did not contain any comments or recommendations.

**7. SUMMARY OF COMMENTS AND RECOMMENDATIONS**

This report on examination contains no comments or recommendations.



Respectfully submitted,

Lee Prowell

Lee Prowell  
Senior Insurance Examiner

STATE OF NEW YORK     )  
  )ss:  
COUNTY OF NEW YORK    )

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

Lee Prowell

Lee Prowell

Subscribed and sworn to before me

this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

*APPOINTMENT NO. 31861*

*NEW YORK STATE*

***DEPARTMENT OF FINANCIAL SERVICES***

*I, Maria T. Vullo, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

***Lee Prowell***

*as a proper person to examine the affairs of the*

***National Title Insurance of New York, Inc.***

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

***COMPANY***

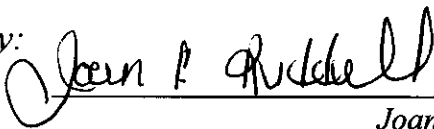
*with such other information as he shall deem requisite.*

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

*this 23rd day of January, 2019*

***MARIA T. VULLO***  
*Superintendent of Financial Services*



By:   
\_\_\_\_\_  
*Joan Riddell*  
*Deputy Bureau Chief*