REPORT ON EXAMINATION

OF THE

FIRST AMERICAN TITLE INSURANCE COMPANY

OF NEW YORK

AS OF

DECEMBER 31, 2005

DATE OF REPORT       JUNE 1, 2007
EXAMINER              JIMMIE NEWSOME
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June 1, 2007

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 22546 dated September 13, 2006, attached hereto, I have made an examination into the condition and affairs of the First American Title Insurance Company of New York as of December 31, 2005 and submit the following report thereon.

Wherever the designations “the Company” or “FATICONY” appear herein without qualification, it should be understood to indicate the First American Title Insurance Company of New York.

Wherever the designation “Department” appears herein without qualification, it should be understood to indicate the New York Insurance Department.

The examination was conducted at the Company’s home office located at 633 Third Avenue, New York, New York 10017.
1. **SCOPE OF EXAMINATION**

The previous examination was conducted as of December 31, 2000. This examination covers the five-year period from January 1, 2001, through December 31, 2005. 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, 2005. The examination included a review of income, disbursements and company records deemed necessary to accomplish such verification, and utilized, to the extent considered appropriate, work performed by the Company’s independent certified public accountants (“CPA”). 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 (“NAIC”):

- History of the Company
- Management and control
- Corporate records
- Fidelity bonds and other insurance
- Territory and plan of operation
- Growth of the Company
- Business in force by states
- Loss experience
- Reinsurance
- 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 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 was incorporated on September 14, 1967, as the Northeastern Title Guaranty Corporation under the laws of the State of New York and commenced business on September 11, 1968.

In March 1970, Netgo, Ltd., a holding company, acquired 98.25% of the outstanding stock of Northeastern Title Guaranty Corporation. On October 31, 1972, First American Title Insurance Company, a California corporation, purchased 100% of the outstanding stock of Northeastern Title Guaranty Corporation. The name of the Company was then changed to First American Title Insurance Company of New York.

At December 31, 2005, the capital paid in was $1,000,000 consisting of 40,000 shares of common stock with a par value of $25 per share. Gross paid-in and contributed surplus was $77,619,615.

Gross paid-in and contributed surplus increased by $29,349,372 during the examination period, as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>Beginning gross paid-in and contributed surplus</td>
<td>$48,270,243</td>
</tr>
<tr>
<td>2001</td>
<td>Debt forgiveness</td>
<td>$4,016,458</td>
</tr>
<tr>
<td>2002</td>
<td>Debt forgiveness</td>
<td>5,351,252</td>
</tr>
<tr>
<td>2003</td>
<td>Debt forgiveness</td>
<td>4,612,483</td>
</tr>
<tr>
<td>2004</td>
<td>Debt forgiveness</td>
<td>6,346,364</td>
</tr>
<tr>
<td>2005</td>
<td>Debt forgiveness</td>
<td>9,022,815</td>
</tr>
<tr>
<td></td>
<td>Total Surplus Contributions</td>
<td>29,349,372</td>
</tr>
<tr>
<td>2005</td>
<td>Ending gross paid-in and contributed surplus</td>
<td>$77,619,615</td>
</tr>
</tbody>
</table>

A. Management

Pursuant to the Company’s charter and by-laws, as amended, management of the Company is vested in a board of directors, consisting of not less than seven nor more than thirteen members. The board met one time during each calendar year. At December 31, 2005, the board of directors was comprised of the following thirteen members:
A review of the minutes of the board of directors’ meetings held during the examination period indicated that the meetings were generally well attended and each board member had an acceptable record of attendance with the exception of Parker S. Kennedy, 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 appropriate policy decisions may be reached by the board. 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.

As of December 31, 2005 the principal officers of the Company were as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>James M. Orphanides</td>
<td>President</td>
</tr>
<tr>
<td>Margaret J. O’Brien</td>
<td>Secretary</td>
</tr>
<tr>
<td>Patrick Adamo</td>
<td>Treasurer</td>
</tr>
<tr>
<td>Martin I. Demsky</td>
<td>Vice President</td>
</tr>
</tbody>
</table>

1. **Conflict of Interest**

The Company has a procedure to distribute conflict of interest questionnaires to its board of directors, executive officers and to all principal employees on a yearly basis. A review of the Company’s records was made for the period covered by this examination. This review was confined to the board of directors listed in the annual statements covered by this examination period. However, the Company was unable to provide the conflict of interest questionnaires for the year ended December 31, 2005.

The Company has a procedure for disclosing to its board of directors any material interest or affiliation on the part of its directors, officers or employees, which is in or is likely to conflict with the official duties of such person. Although no potential conflicts were disclosed by any of the officers, directors or key employees, it was noted that the Company did not have any established procedures regarding what steps the board would take in the event that a potential conflict was disclosed by anyone.

The Company has a fiduciary responsibility to its policyholders to ensure that its directors, officers and employees do not use their official positions to promote some interest, which is distinct from that of the company.
It is recommended that the board of directors maintain complete minutes of its proceedings on such matters.

It is recommended that the Company exercise due care in obtaining and maintaining signed conflict of interest questionnaires from its board of directors, officers and key employees.

It is recommended that the Company establish procedures which would detail the actions that the board would take when a conflict has been disclosed.

B. Territory and Plan of Operation

As of December 31, 2005, the Company was licensed to transact the business of title insurance, as defined in paragraph 18 of Section 1113(a) of the New York Insurance Law. 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. As of the examination date, the Company was licensed in Kansas, Michigan, New Hampshire, New York and Ohio. Although the Company is licensed to write business in other states, its premium writings are limited to the State of New York.

The following schedule shows the direct premiums written by the Company both in New York and in total for the period under examination:

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>New York State</th>
<th>Total Premiums Written</th>
<th>Premiums Written in New York as a percentage of Total Premiums Written</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$104,988,944</td>
<td>$104,988,944</td>
<td>100.00%</td>
</tr>
<tr>
<td>2002</td>
<td>$150,068,696</td>
<td>$150,068,696</td>
<td>100.00%</td>
</tr>
<tr>
<td>2003</td>
<td>$193,095,421</td>
<td>$193,095,421</td>
<td>100.00%</td>
</tr>
<tr>
<td>2004</td>
<td>$226,306,113</td>
<td>$226,306,113</td>
<td>100.00%</td>
</tr>
<tr>
<td>2005</td>
<td>$238,620,140</td>
<td>$238,620,140</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

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.
The Company utilizes direct, independent agents, and affiliated agents as distribution channels for its product offerings, with a share of direct premiums written of 33%, 62% and 5% respectively as of December 31, 2005.

During the period under examination, the Company maintained four branch offices located in New York at White Plains, Uniondale, Riverhead, and Manhattan, which provided all title services and operations. The Company’s New York agency division is comprised of more than 400 agents, strategically located throughout the state.

C. Reinsurance

Assumed reinsurance accounted for less than 1% of the Company’s gross premium written at December 31, 2005. During the period covered by this examination, the Company’s assumed reinsurance business has remained stable since the last examination and consists mainly of title insurance coverage assumed on an excess of loss basis, pursuant to the terms of treaty agreements with both authorized and unauthorized cedants.

Effective January 1, 2002, the Company entered into a treaty reinsurance agreement with an affiliate, First American Title Insurance Company of Kansas, Inc., whereby the Company assumes 100% of the contracted liability in excess of $500,000 on each policy issued by First American Title Insurance Company of Kansas, Inc. through First American Title Kansas Agency, Inc.

Effective January 1, 2002, the Company entered into a treaty reinsurance agreement with an affiliate, First American Title Insurance Company of Kansas, Inc., whereby the Company assumes 100% of the contracted liability in excess of $500,000 on each policy issued by First American Title Insurance Company of Kansas, Inc. through independent agents.

Effective January 1, 2002, the Company entered into a treaty reinsurance agreement with its immediate parent, First American Title Insurance Company, a California corporation, which provides for the automatic retrocession of the reinsurance risks assumed by the Company pursuant to the reinsurance agreement with First American Title Insurance Company of Kansas, Inc.

The Company employs the standard form American Land Title Association Facultative Reinsurance Agreement in ceding risks in excess of its primary retention of $35,000,000 on a facultative basis.

The Company’s maximum permissible retention on any one single risk as determined by this examination pursuant to Section 6403(c) of the New York Insurance Law is $108,721,433. However, the Company voluntarily limits its retention on any one single risk to $35,000,000. In addition, the Company reinsured certain risks with companies which were unauthorized in the State of New York. The Company did not require any deposits, funds withheld, or letters of credit from these unauthorized companies. The Company’s maximum retention and amount of unauthorized reinsurance on any one single risk was within the limits prescribed by Section 6403(c) of the New York Insurance Law.

Reinsurance agreements with affiliates were reviewed for compliance with Article 15 of the New York Insurance Law. It was noted that all affiliated reinsurance agreements were filed with the Department pursuant to the provisions of Section 1505(d)(2) of the New York Insurance Law.

All ceded reinsurance agreements in effect as of the examination date were reviewed and found to contain the required clauses, including an insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

Examination review of the Schedule F data reported by the Company in its filed annual statement was found to accurately reflect its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in SSAP No. 62. Representations were supported by appropriate risk transfer analyses and an attestation from the Company’s chief executive officer pursuant to Department Circular Letter No. 8 (2005). Additionally, examination review indicated that the Company was not a party to any finite reinsurance agreements. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in paragraphs 25 and 26 of SSAP No. 62.

D. Holding Company System

As of December 31, 2005, First American Financial Corporation is the ultimate parent in the holding company system. Members of the holding company system are detailed in Exhibit 1, appended to this report.
First American Title Insurance Company of New York became a controlled insurer of First American Financial Corporation on October 31, 1972. The Company is a wholly owned subsidiary of First American Title Insurance Company, a California corporation, which is ultimately controlled by First American Financial Corporation.

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

At December 31, 2005, the Company was party to the following agreements with other members of its holding company system:

1. **Tax Allocation Agreement**

   Effective December 15, 1994, the Company entered into a tax allocation agreement with its ultimate parent, First American Financial Corporation. The agreement was amended on January 1, 2003.

   The tax allocation agreement complies with the guidelines set forth in Department’s Circular Letter No. 33 (1979).

2. **Cost Allocation Agreement**

   On January 1, 1997, the Company entered into a cost allocation agreement with its ultimate parent, First American Financial Corporation and immediate parent, First American Title Insurance Company, which was non-disapproved by the Department on June 25, 1998. Under the terms of the agreement, the parent companies will pay certain expenses on behalf of the Company and provide underwriting, claims and investment services. The costs or expenses for such services shall be allocated to the Company pursuant to a method which equitably reflects the actual cost to such party involved and consistent with the requirements of Department Regulation No. 30.

3. **Sharing Agreement**

   On November 30, 2005, the Company entered into a sharing agreement with its wholly-owned subsidiary and affiliate, Public Abstract Corporation (“PAC”), which was non-disapproved by the Department on November 17, 2005 pursuant to Section 1505(d) of the New York Insurance Law.
Under the terms of the agreement, the Company agrees to provide PAC with human resources, accounting and other administrative services. The costs and expenses for such services shall be allocated to PAC pursuant to a method which equitably reflects the actual cost to such party involved and consistent with the requirements of Department Regulation No. 30.

E. Abandoned Property Law

Section 1317 of the New York State Abandoned Property Law provides that any amount held or owing by a domestic or foreign title insurer or by an agent or representative of such insurer as a security deposit, relating to the transfer or refinancing of real property located in this state, made as an inducement to issue a title insurance policy shall be deemed to be abandoned property if unclaimed as of December thirty-first in any year for three years from the date of deposit, unless there has been written communication from the depositor or other person entitled thereto to the insurer to its agent or representative within said three-year period. Such abandoned property shall be paid and delivered to the comptroller within the first ten days of March in each year, together with a report of said property, including a listing of depositors and lien-holders. Such filing is required of all insurers regardless of whether or not they have any abandoned property to report.

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

F. Segregated Funds Held for Others

At December 31, 2005, the Company reported $405,272,303 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.

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 are 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 the Company is appropriately refunding balances after the title objections, for which the escrow was originally taken, were satisfied in a timely and efficient manner.
G. Significant Operating Ratios

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

<table>
<thead>
<tr>
<th>Amounts</th>
<th>Ratios</th>
</tr>
</thead>
<tbody>
<tr>
<td>Losses incurred and loss adjustment expenses incurred</td>
<td>$ 31,207,231</td>
</tr>
<tr>
<td>Operating expenses incurred</td>
<td>954,903,336</td>
</tr>
<tr>
<td>Net operating gain</td>
<td>4,962,066</td>
</tr>
<tr>
<td>Premiums and fees earned</td>
<td>$991,072,633</td>
</tr>
</tbody>
</table>

H. Accounts and Records

The examiners noted the following deficiencies in the Company’s system of account and records and annual statement reporting:

1. Title Insurance Premiums and Fees

During the period under examination, the examiners noted that the Company did not book premiums due from agents until the premiums were actually remitted by the agents. Pursuant to Section 6404(b) of the New York Insurance Law, premiums and fees due are required to be reported as follows:

“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.”

Although the agency agreements require remittances of premiums on a monthly basis, a review of the agents’ statements revealed that some premiums and fees were not remitted until several months after the transaction has closed. As a result, the Company was unable to provide the examiners with a listing of uncollected premiums due from agents pursuant to Section 6404(b) of the
New York Insurance Law. In addition, the Company did not maintain an aged listing of uncollected premiums pursuant to Section 6404(b) of the New York Insurance Law.

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

2. Agency Agreements

Agency agreements and audit reports of agents transacting title insurance business on behalf of the Company in New York State were reviewed to determine whether the Company ensured adherence to the provisions of the agency agreements. The following exceptions were noted:

(i) The audit reports revealed that some agents failed to maintain escrow accounts in accordance with the terms of the agency agreements.

(ii) In some instances, escrow deposits held by the agents on behalf of the Company were commingled.

(iii) Some agents regularly disregard a clause in the agreement requiring remittances of premiums on a monthly basis.

It is recommended that the Company adhere strictly to the provisions of the agreements with its agents, with regards to the maintenance of escrow accounts which are separate from the agents’ other operating accounts and other title insurers escrow accounts.

It is recommended that the Company seek to obtain timely remittances of escrow deposits and premiums from its agents.

3. Policy Number Control Log

The Company maintains a policy number control log, to keep a record of the policy numbers issued to their agents. Generally, policy numbers are issued in sequential order and distributed to the agents based upon past activity in pre-numbered policy jackets. An inspection of the policy number control log for the examination period revealed that in numerous instances there was no indication that policy numbers assigned to agents had been used. It was also noted that in many instances when additional policy numbers were assigned to agents, there were no policy number reconciliations performed to ensure that all previously issued policy numbers had been exhausted.
This situation was brought to the Company’s attention. However, no documentation was provided to indicate that the Company performed a reconciliation of the agents’ issued and unused policy numbers. The Company indicated that they could determine if the agent used all the issued policy numbers during the agents’ audit, and if any numbers were missing they could be detected at the time of audit. The examiner noted that during the review of the Company’s agents’ audit reports, there were no instances where the Company’s internal auditors performed a reconciliation of the agents’ issued and unused policy numbers.

It is recommended that the Company implement better internal controls in assigning policy numbers to their agents and their branch offices.

It is recommended that the Company perform a reconciliation of the agents’ issued and unused policy numbers prior to issuing new policy numbers, this will help to minimize the internal control deficiencies in accounting for missing policy numbers.

4. Contract with Certified Public Accountant (“CPA”)

The review of the contractual agreements between the Company and its independent auditor during the examination period, revealed that they did not contain certain provisions required by Section 89.2 of Department Regulation 118 as follows:

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

b) any determination by the CPA that the insurer has materially misstated its financial condition as reported to the superintendent or that the insurer does not meet minimum capital or surplus to policyholder requirements set forth in the Insurance Law shall be given by the CPA, in writing, to the superintendent within 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 at the offices of the insurer, at the Insurance Department or at any other reasonable place designated by the superintendent. The CPA must retain for review such workpapers and communications in accordance with the provisions of Part 243 of this Title (Regulation 152). More specifically, such workpapers and communications must be retained by the CPA for the period specified in sections 243.2 (b)(7) and (c) of this Title.
It is recommended that the Company comply with the provisions of Section 307 (b) of the New York Insurance Law and Department Regulation 118 with respect to its written engagement contracts with its CPA.
3. **FINANCIAL STATEMENTS**

A. **Balance Sheet**

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2005 as determined by this examination. This statement is the same as the balance sheet filed by the Company.

<table>
<thead>
<tr>
<th>Assets</th>
<th>Assets</th>
<th>Non-Admitted Assets</th>
<th>Net Admitted Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>$52,653,620</td>
<td>$52,653,620</td>
<td></td>
</tr>
<tr>
<td>Common stocks</td>
<td>18,357,629</td>
<td>$5,326,462</td>
<td>13,031,167</td>
</tr>
<tr>
<td>Mortgage loans on real estate first liens</td>
<td>344,863</td>
<td>344,863</td>
<td></td>
</tr>
<tr>
<td>Real estate</td>
<td>7,255,531</td>
<td>7,255,531</td>
<td>0</td>
</tr>
<tr>
<td>Cash and short-term investments</td>
<td>74,658,551</td>
<td></td>
<td>74,658,551</td>
</tr>
<tr>
<td>Other invested assets</td>
<td>1,596,270</td>
<td>1,596,270</td>
<td>0</td>
</tr>
<tr>
<td>Investment income due and accrued</td>
<td>616,006</td>
<td></td>
<td>616,006</td>
</tr>
<tr>
<td>Uncollected premiums and agents’ balances in course of collection</td>
<td>3,593,092</td>
<td>3,593,092</td>
<td></td>
</tr>
<tr>
<td>Net deferred tax asset</td>
<td>8,523,192</td>
<td>6,916,005</td>
<td>1,607,187</td>
</tr>
<tr>
<td>Electronic data processing equipment and software</td>
<td>567,792</td>
<td>567,792</td>
<td></td>
</tr>
<tr>
<td>Furniture and equipment, including health care delivery assets</td>
<td>2,448,906</td>
<td>2,448,906</td>
<td>0</td>
</tr>
<tr>
<td>Receivables from parent, subsidiaries and affiliates</td>
<td>8,553,562</td>
<td>6,206,628</td>
<td>2,346,934</td>
</tr>
<tr>
<td>Notes on premium</td>
<td>853,809</td>
<td>853,809</td>
<td></td>
</tr>
<tr>
<td>Deposits and prepaids</td>
<td>952,267</td>
<td>467,336</td>
<td>484,931</td>
</tr>
<tr>
<td>Total assets</td>
<td>$180,975,090</td>
<td>$30,217,138</td>
<td>$150,757,952</td>
</tr>
</tbody>
</table>
Liabilities

Losses $10,182,987
Statutory premium reserve 37,170,475
Other expenses 25,075,466
Taxes, licenses and fees 557,686
Current federal and foreign income taxes 2,101,364
Notes payable 4,119,016

Total liabilities $79,206,994

Surplus and Other Funds

Common capital stock $ 1,000,000
Gross paid-in and contributed surplus 77,619,615
Unassigned funds (surplus) (7,068,657)

Surplus as regards policyholders 71,550,958

Total liabilities, surplus and other funds $150,757,952

NOTE: The Internal Revenue Service has completed its audits of the consolidated federal income tax returns filed on behalf of the Company through tax year 2004. 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. The Internal Revenue Service has not yet begun to audit federal income tax returns covering tax year 2005. 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. Operations and Investment Exhibit

Surplus as regards policyholders increased $32,607,349 during the five-year examination period January 1, 2001, through December 31, 2005 detailed as follows:

<table>
<thead>
<tr>
<th>Statement of Income</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Income</strong></td>
</tr>
<tr>
<td>Premiums and fees earned</td>
</tr>
<tr>
<td>Deductions:</td>
</tr>
<tr>
<td>Losses and loss adjustment expenses incurred</td>
</tr>
<tr>
<td>Operating expenses incurred</td>
</tr>
<tr>
<td>Total operating deductions</td>
</tr>
<tr>
<td>Net operating gain or (loss)</td>
</tr>
<tr>
<td><strong>Investment Income</strong></td>
</tr>
<tr>
<td>Net investment income earned</td>
</tr>
<tr>
<td>Net realized capital gains or (losses)</td>
</tr>
<tr>
<td>Net investment gain or (loss)</td>
</tr>
<tr>
<td>Net income after capital gains tax and before all federal income taxes</td>
</tr>
<tr>
<td>Federal and foreign income taxes incurred</td>
</tr>
<tr>
<td>Net income</td>
</tr>
</tbody>
</table>
C. Capital and Surplus Account

Surplus as regards policyholders per report on examination as of December 31, 2000 $38,943,609

<table>
<thead>
<tr>
<th></th>
<th>Gains in Surplus</th>
<th>Losses in Surplus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income or (loss)</td>
<td>$19,893,288</td>
<td></td>
</tr>
<tr>
<td>Net unrealized capital gains or (losses)</td>
<td>$7,611,492</td>
<td></td>
</tr>
<tr>
<td>Change in deferred income tax</td>
<td>8,523,192</td>
<td></td>
</tr>
<tr>
<td>Change in non-admitted assets</td>
<td>$8,790,203</td>
<td></td>
</tr>
<tr>
<td>Paid in capital</td>
<td>29,349,467</td>
<td></td>
</tr>
<tr>
<td>Non-admitted real estate</td>
<td></td>
<td>7,766,409</td>
</tr>
<tr>
<td>Prior period adjustment</td>
<td></td>
<td>990,494</td>
</tr>
<tr>
<td>Total gains and losses</td>
<td>$57,765,947</td>
<td>$25,158,598</td>
</tr>
</tbody>
</table>

Net increase (decrease) in surplus $32,607,349

Surplus as regards policyholders per report on examination as of December 31, 2004 $71,550,958

4. KNOWN CLAIMS RESERVE

The examination liability of $10,182,987 is the same as the amount reported by the Company as of December 31, 2005. The examination analysis was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Company’s internal records and in its filed annual statement.

5. STATUTORY PREMIUM RESERVE

The examination reserve of $37,170,475 is the same as the amount reported by the Company as of December 31, 2005. The reserve was calculated based on a formula pursuant to Section 6405(a) of the New York Insurance Law, which includes a provision for the application of a dollar amount for each policy written and a percentage amount of the face amount of each policy.

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

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

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

A. Sales and advertising
B. Underwriting
C. Rating
D. Claims and complaint handling

No problems were encountered.
7. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained 10 recommendations as follows (item letters and page numbers refer to that of the prior report):

<table>
<thead>
<tr>
<th>ITEM</th>
<th>PAGE NO.</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.</td>
<td>8</td>
<td>It is recommended that the Company comply with their cost allocation agreement and Section 1505(a) (3) of the New York Insurance Law. The Company has complied with this recommendation. It should also be pointed out that the Company’s failure to settle its balances with its parent in fact constitutes an interest free loan to its parent. It is recommended that the Company collect any and all interest due it from its parent as a result of this loan. The Company has complied with this recommendation.</td>
</tr>
<tr>
<td>B.</td>
<td>8</td>
<td>Loans made by the Company to its parent relative to the acquisition of real estate appear to be a violation of Section 1505(c) of the New York Insurance Law. The Company has complied with this recommendation.</td>
</tr>
<tr>
<td>C.</td>
<td>9</td>
<td>The Company did not receive the approval required by Section 1404(a) (5) (B) (v) when acquiring its home office real estate. The Company has complied with this recommendation.</td>
</tr>
<tr>
<td>D.</td>
<td>9</td>
<td>It is recommended that FATICONY submit a completed lease agreement for the Superintendent’s approval in order to comply with Section 1505(d) of the New York Insurance Law. The Company has complied with this recommendation.</td>
</tr>
<tr>
<td>E.</td>
<td>10</td>
<td>It is recommended that the Company comply with Circular Letter 33 (1975) and Circular Letter 15 (1979). It is also recommended that the Company’s parent settle its federal income tax balances due to its affiliates in a timely manner. The Company has complied with this recommendation.</td>
</tr>
<tr>
<td>F.</td>
<td>12</td>
<td>It is again recommended that the Company implement the following concerning its title insurance premiums and fees, and other fees receivable, pursuant to the provisions of Section 6404(b) of the New York Insurance Law:</td>
</tr>
</tbody>
</table>
(i) Record premiums and fees when due.

(ii) Maintain an aged listing of uncollected premiums.

The Company has not complied with this recommendation. A similar comment is made in this report.

G. It is again recommended that the Company implement the following concerning its agency agreements:

(i) Adhere strictly to the standard provision of the agreements with its agents, with regards to the maintenance of escrow accounts which are separate from the agents other operating accounts and other title insurers’ escrow.

(ii) Seek to obtain timely remittances of escrow deposits and premiums from its agents.

The Company has not complied with this recommendation. A similar comment is made in this report.

H. It is again recommended that the Company implement the following concerning its issuance of policy numbers:

(i) Incorporate better internal control in assigning policy numbers to their agents and their branch offices.

(ii) Perform a reconciliation of the agents’ issued and unused policy numbers prior to issuing new policy numbers this will help minimize the internal control deficiencies in accounting for missing policy numbers.

The Company has not complied with this recommendation. A similar comment is made in this report.

I. The Company should immediately submit all documentation regarding its real estate acquisition to the Department for review.

The Company has complied with this recommendation.
### 8. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<table>
<thead>
<tr>
<th>ITEM</th>
<th>PAGE NO.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Management</strong></td>
<td></td>
</tr>
<tr>
<td>i. It is recommended that board members who are unable or unwilling to attend meetings consistently should resign or be replaced.</td>
<td>5</td>
</tr>
<tr>
<td>ii. It is recommended that the board of directors maintain complete minutes of its proceedings on such matters.</td>
<td>6</td>
</tr>
<tr>
<td>iii. It is recommended that the Company exercise due care in obtaining and maintaining signed conflict of interest questionnaires from its board of directors, officers and key employees.</td>
<td>6</td>
</tr>
<tr>
<td>iv. It is recommended that the Company establish procedures which would detail the actions that the board would take when a conflict has been disclosed.</td>
<td>6</td>
</tr>
<tr>
<td><strong>B. Account and Records</strong></td>
<td></td>
</tr>
<tr>
<td>i. It is recommended that the Company record premiums and fees when due and maintain an aged listing of uncollected premiums pursuant to the provisions of Section 6404(b) of the New York Insurance Law.</td>
<td>12</td>
</tr>
<tr>
<td>ii. It is recommended that the Company adhere strictly to the provisions of the agreements with its agents, with regards to the maintenance of escrow accounts which are separate from the agents’ other operating accounts and other title insurers escrow accounts.</td>
<td>12</td>
</tr>
<tr>
<td>iii. It is recommended that the Company seek to obtain timely remittances of escrow deposits and premiums from its agents.</td>
<td>12</td>
</tr>
<tr>
<td>iv. It is recommended that the Company implement better internal controls in assigning policy numbers to their agents and their branch offices.</td>
<td>13</td>
</tr>
<tr>
<td>v. It is recommended that the Company perform a reconciliation of the agents’ issued and unused policy numbers; this will help to minimize the internal control deficiencies in accounting for missing policy numbers.</td>
<td>13</td>
</tr>
<tr>
<td>vi. It is recommended that the Company comply with the provisions of Section 307 (b) of the New York Insurance Law and Department Regulation 118 with respect to its written engagement contracts with its CPA.</td>
<td>14</td>
</tr>
</tbody>
</table>
The following table sets forth subsidiaries of First American Financial Corporation with the jurisdiction of domicile of each and the percentage of voting securities owned as of December 31, 2005. Unless otherwise indicated, all of the persons included in the table are corporations, the voting securities of which are directly owned by First American Financial Corporation.

<table>
<thead>
<tr>
<th>Name of Subsidiary</th>
<th>Jurisdiction of Incorporation</th>
<th>Percentage of Voting Securities Owned</th>
</tr>
</thead>
<tbody>
<tr>
<td>First American Title Insurance Company</td>
<td>CA</td>
<td></td>
</tr>
<tr>
<td>Parent:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The First American Financial Corporation</td>
<td>CA</td>
<td></td>
</tr>
<tr>
<td>Subsidiaries and Affiliates of First American Title Insurance Company:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accurate Appraisal Group Inc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accurate Title Group LLC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Albany County Title</td>
<td>WY</td>
<td></td>
</tr>
<tr>
<td>All New York Title Agency Corporation</td>
<td>NY</td>
<td></td>
</tr>
<tr>
<td>Allegiance Title</td>
<td>TX</td>
<td></td>
</tr>
<tr>
<td>Allied Trustee Services Inc.</td>
<td>CA</td>
<td></td>
</tr>
<tr>
<td>American First Abstract LLC</td>
<td>TX</td>
<td></td>
</tr>
<tr>
<td>American Land Title Inc</td>
<td>TX</td>
<td></td>
</tr>
<tr>
<td>Androscoggin Associates Title LLC</td>
<td>ME</td>
<td></td>
</tr>
<tr>
<td>ATI Title Co</td>
<td>AZ</td>
<td></td>
</tr>
<tr>
<td>Atlantic Title Company Inc.</td>
<td>ME</td>
<td></td>
</tr>
<tr>
<td>Attorneys’ Abstract</td>
<td>NY</td>
<td></td>
</tr>
<tr>
<td>Attorneys Title Agency LLC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Backman Title Company of Utah Inc.</td>
<td>TX</td>
<td></td>
</tr>
<tr>
<td>Beaumont Title</td>
<td>LA</td>
<td></td>
</tr>
<tr>
<td>Bienville Properties Inc.</td>
<td>VA</td>
<td></td>
</tr>
<tr>
<td>Brokers Title</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Burton Abstract &amp; Title Company</td>
<td>CA</td>
<td></td>
</tr>
<tr>
<td>C.T.P Inc.</td>
<td>FL</td>
<td></td>
</tr>
<tr>
<td>Cahaba Title Inc.</td>
<td>AL</td>
<td></td>
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<tr>
<td>Caldwell County Abstract Co. Inc.</td>
<td>TX</td>
<td></td>
</tr>
<tr>
<td>California Title</td>
<td>CA</td>
<td></td>
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<tr>
<td>Campbell County Abstract Company</td>
<td>WY</td>
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</tr>
<tr>
<td>Capitol Title</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carriage Escrow</td>
<td>CA</td>
<td></td>
</tr>
<tr>
<td>Champions Title LLC</td>
<td></td>
<td></td>
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<tr>
<td>Classic Settlements LLC</td>
<td></td>
<td></td>
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<tr>
<td>Columbian National Title Insurance Company</td>
<td>KS</td>
<td></td>
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<tr>
<td>Columbian Title of Topeka Inc.</td>
<td>KS</td>
<td></td>
</tr>
<tr>
<td>Connecticut Title Services</td>
<td>CT</td>
<td></td>
</tr>
<tr>
<td>Consolidated Title &amp; Abstract</td>
<td>MN</td>
<td></td>
</tr>
<tr>
<td>Converse Land Title Company</td>
<td>WY</td>
<td></td>
</tr>
<tr>
<td>Cornerstone Title Company</td>
<td>CA</td>
<td></td>
</tr>
</tbody>
</table>
CT Closing Services LLC
Del Norte Title Company LLC TX
Dona Ana Title Company Inc.
Eagle Title and Abstract Corporation FL
East Coast Real Estate Services
Eastern Abstract Inc. PA
Elite Abstract
Emerging Market Technology Applications Inc
Equity Land Title LLC
Equity Title
Esquire Title Research of Pensacola LLC
Executive Title LLC
Executive Corner Title and Settlement Services LLC
F.A. Title Co of Waco d/b/a First Title Co. of Waco TX
F.A. Title Holding Co (formerly FA Title of Ketchum)
Fidelity Title and Guaranty FL
Fidelity Title NJ
First American Abstract Company (LA) LA
First American Abstract Company (MS) MS
First American Affiliates FL
First American Equity Loan Services OH
First American Exchange Company LLC
First American Homebuyers Protection Corporation CA
First American Homebuyers Protection of Delaware DE
First American Title & Abstract (OK) OK
First American Title & Trust Company OK
First American Title Co. (formerly FATCO of Los Angeles) CA
First American Title Company (Ketchum) ID
First American Title Company of Florida FL
First American Title Company of Hawaii HA
First American Title Company of Idaho ID
First American Title Company of Illinois IL
First American Title Company of Laramie County WY
First American Title Company of Marin CA
First American Title Company of Nevada NV
First American Title Company of Stockton CA
First American Title Guaranty Agency of Carbon County WY
First American Title Guaranty Agency of Crook County WY
First American Title Guaranty Agency of Hot Springs County WY
First American Title Guaranty Agency of Sublette County WY
First American Title Guaranty Holding Company CA
First American Title Insurance Agency Inc. (Navajo) AZ
First American Title Insurance Agency of Mohave Inc. AZ
First American Title Insurance Agency of Utah Inc. UT
First American Title Insurance Co. of Kansas KS
First American Title Insurance Company of Australia (Pty) Ltd. AU
First American Title Insurance Company of New York NY
First American Title Insurance Company of North Carolina NC
First American Title Insurance Company of Texas TX
First American Title Kansas Agency Inc. KS
First American Title Missouri Agency Inc MO
First American Title of Alaska LLC
First American Transportation Title Insurance Company LA
First Australian AU
First Florida Title LLC
First Hong Kong Title HK
First States Inc.  PA
First Title PLC dba 'F.A. Title Ins. Co. UK Ltd. (Adj Stk)  UK
Fremont County Title Company  WY
General Land Abstract Company  NJ
Goshen County Abstract & Title  WY
Greater Louisiana Title Ins. Co.  LA
Guaranty Abstract Title (MA)  MA
Guaranty Title Co. Inc. ME  ME
Guardian Title and Trust Inc  KS
Harder Abstracts LLC  
Hi-Tech Title Solutions Inc.  VA
Ileads.com LLC  
Integrated Title Services  
Investors Title Company  CA
Iowa State Escrow & Holdings LLC  
Island Title Corporation  HI
Johnson County Title Company Inc.  WY
Land Title Insurance Company of St. Louis  MO
Massachusetts Abstract Company Inc.  MA
Memphis Title Company  TN
Metropolitan Title  OH
Mid Valley Title and Escrow Company  CA
Midland Title Security Inc.  OH
Mooser & Freibert Land Title LLC  
National Land Title of Tarrant Inc.  TX
New York Abstract Company  NY
Northern Lakes Title Agency LLC  
Northwest Title LLC  
Ohio Bar Title Insurance Company  OH
Ohio Title Corporation  OH
Olympus Title LLC  
Optima Informations Services LLC  
Orange Coast Company LLC  
Orum Stair LLC  
Pacific Northwest Title Holding Company Inc.  WA
Penn Attorneys Title Insurance Company  PA
Performance Title Agency LLC  
Pilgrim Title  RI
Pioneer Agency  PA
Platinum Agency LLC  
Port Lawrence Title and Trust Company  OH
Priority Title  CA
Progressive Land Title LLC  
Quality LLC  
R&H Title LLC  
RELS Title Services  
Republic Title Agency LLC  
Republic Title of Texas  TX
Reunion Holdings LLC  TX
Security First Title Affiliates Inc.  FL
Security Land Title and Escrow  NE
Settlers Title Agency Inc.  NJ
Shoshone Title  WY
Signature Title  NH
Silvestri Title LLC  
Skagit County Title Company  WA
Success Agency LLC
Sweeney Closing Services LLC
TA Holdings Inc. PA
Teton Land Title Company WY
The Security Abstract & Title Company KS
The Title Security Group PR
TICORE Inc. OR
Title Experts Agency LLC
Title Partners of America FL
Title Search Services LLC
Title Services of New Mexico NM
Title Star Mortgage Services LLC
Town Center Title LLC
Trans State Title
TransAlaska Group LLC
Trans-Alaska Summit First American Title Insurance Agency LLC
Trans-County Title Agency LLC
Twin City Title Company Inc. TX
United General Title Insurance Company CO
Unity Title LLC
Universal Title Company MN
Universal Title LLC MD
US Title Insurance Agency LLC
Village Communities Title LLC
Virginia Title Examiners
Warranty Title OK
Washakie Abstract Company WY
West Michigan Title Agency LLC
Western National Title Insurance Company UT
Westerview Title Agency LLC
Wyoming Land Title Company WY

Subsidiaries of First American Title Guaranty Holding Co:
First American Title Guaranty Company CA
First Escrow Accounting Services CA
First Guaranty Exchange Company CA
Superior Trustee's Services Co. Inc. CA
First Guaranty Bancorp CA

Subsidiaries of Land Title Insurance Company of St. Louis:
Trust Company of St. Louis County MO
Property Data Inc. MO

Subsidiaries of First American Title Co. of Laramie County:
Wyoming First Exchange WY

Subsidiary of Massachusetts Abstract Company Inc.:
Massachusetts Title Insurance Company MA

Subsidiary of Mid Valley Title and Escrow Company:
Mount Shasta Title & Escrow Company CA

Subsidiaries and affiliates of Midland Title Security Inc.:
First American Midwest Exchange Services Inc. OH
R.E. Services Inc. OH
Commerce Title Agency OH
MTSI Ltd.

Subsidiary of First American Homebuyers Protection Corporation:
First American Homebuyers Protection of Delaware DE
Alliance Home Warranty UT

Subsidiaries and affiliates of First American Title Co (Ketchum):
First American Title Company of Montana MT
First American Title Company of Asotin County WA
First American Title Company of Ravalli County ID
First American Title Company (Mineral County) ID
First American Title Company (Great Falls) ID
First American Administrative Services ID
First Exchange of Idaho ID

Subsidiary of First American Title & Trust Co.:
Southwest Title Land Company OK

Subsidiaries and affiliates of First American Title Insurance Company of NY:
Preferred Land Title Services Inc. NY
Mortgage Guarantee & Title Company RI
L & H Abstract Corp. NY
Public Abstract Corp. NY
AKT Inc.
Judicial Title Insurance NY
Modern Abstract Corp NY

Subsidiaries of Republic Title of Texas Inc.:
American Escrow Co. TX
Texas Escrow Co. TX
Title Software Corp. TX
Financial American Title Co n/k/a RTT Financial Inc. TX

Subsidiaries of Ohio Bar Title Insurance Company:
ACS Title and Closing Services of KY Inc

Affiliate of Port Lawrence Title & Trust Company:
A.R.E.A. Title Agency OH

Subsidiaries of First American Title Ins Co (UK) Ltd.:
BrightRedd Limited
First Title Insurance plc
First Title Services Limited
Morgan Kennedy Limited
enact Holdings Limited
The Live Organization Limited

Subsidiary of F.A. Title Ins. Co. of Australia Pty LTD:
First Title New Zealand Limited NZ

Subsidiary of Pacific Northwest Title Holding Company:
Pacific Northwest Title Insurance Company Inc. WA
Title Optics Inc.
Pacific NW Title Company of Washington Inc.
Pacific NW Title Company of Snohomish County Inc.
Pacific Northwest Title of Oregon Inc.
Pacific NW Title of Alaska Inc.
Fairbanks Title Agency Inc.
Pacific NW Title Company of Kitsap County Inc.
Title Insurance Agency Inc.
Pacific NW Title Company of Spokane Inc.
Southcentral Title Agency
Pacific Northwest Title Building Inc.
American Property Exchange Inc.
Pacific Northwest Title of Lane County LLC

Subsidiaries of Security Land Title & Escrow Company:
SPL INC
Security Exchange Corp
Tower Title & Escrow Co.
Security Land Title Spenser IA
Security Land Title Onawa IA

Subsidiaries of TA Holdings Inc.:
T.A. Title Insurance Company PA
Title Abstract Company of Pennsylvania PA
T.A. Financial Services Inc. PA
Closing Network Ltd PA
Parking Intermediary Corp PA
Title Alliance Ltd PA
T.A. Title Agency Inc. PA
T.A. Title Agency of Ohio Inc.
Respectfully submitted,

/S/

Jimmie Newsome
Associate Insurance Examiner

STATE OF NEW YORK  )
                      ) SS.
                      )
COUNTY OF NEW YORK)

JIMMIE NEWSOME, being duly sworn, deposes and says that the foregoing report submitted by him is true to the best of his knowledge and belief.

/S/  

Jimmie Newsome

Subscribed and sworn to before me

this ______ day of _________ 2008.
I, HOWARD MILLS, 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

FIRST AMERICAN 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 13th day of September, 2006

HOWARD MILLS
Superintendent of Insurance