



**REPORT ON EXAMINATION  
OF  
STEWART TITLE INSURANCE COMPANY**

**AS OF DECEMBER 31, 2020**

**EXAMINER:  
DATE OF REPORT:**

**SABU CHERIAN  
APRIL 29, 2022**

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KATHY HOCHUL  
Governor



ADRIENNE A. HARRIS  
Superintendent

April 29, 2022

Honorable Adrienne A. Harris  
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 32162 dated November 24, 2020, attached hereto, I have made an examination into the condition and affairs of Stewart Title Insurance Company as of December 31, 2020, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate Stewart Title Insurance Company.

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

Due to the COVID-19 pandemic, the examination was conducted remotely.

## 1. SCOPE OF EXAMINATION

The Department has performed an examination of the Company, a single-state insurer. The previous examination was conducted as of December 31, 2015. This examination covered the five-year period from January 1, 2016 through December 31, 2020. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination was conducted in conjunction with Texas, which was the lead state of Stewart Title Group. The examination of the Company was performed concurrently with the examination of the Stewart Title Guaranty Company.

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 review and analysis
- Significant subsequent events
- Summary of 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

The Company was incorporated under the provisions of Article 64 of the New York Insurance Law on October 26, 1987. It became licensed on December 2, 1987 and commenced business on the same date.

On February 3, 2006, the Company acquired a 100% interest in Monroe Title Insurance Corporation (“Monroe Title”). On May 12, 2009, the Company merged with Monroe Title, with the Company as the surviving entity.

On May 31, 2018, the Company purchased the remaining interest in its 60%-owned direct subsidiary, Monroe-Gorman Title Agency, LLC, and merged it into the Company.

### 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 eleven members. The board meets four times during each calendar year. At December 31, 2020, the board of directors was comprised of the following seven members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
John A. Frates Patterson, New York	President, General Counsel, Stewart Title Insurance Company
Craig Goldenberg Glen Head, New York	Division President, Direct Operations, Northeast, Stewart Title Insurance Company
John L. Killea Houston, Texas	Chief Executive Officer, Stewart Title Insurance Company Chief Legal Officer and Chief Compliance Officer, Stewart Information Services Corporation
Matthew J. Leeds New York, New York	Partner, Ganfer Shore Leeds & Zauderer, LLP
Steven Lessack Vero Beach, Florida	Group President, International Operations and Commercial Services, Stewart Information Services Corporation
Richard A. Nardi Armonk, New York	Partner, Loeb & Loeb, LLP

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Tara Smith Houston, Texas	Group President, Agency Operations, Stewart Information Services Corporation

As of December 31, 2020, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
John L. Killea	Chief Executive Officer
John A. Frates	President, General Counsel
Jackie Denise Carraux	Secretary
Scott Gray	Treasurer
David Hisey	Chief Financial Officer
Brian K. Glaze	Controller
Craig H. Goldenberg	Senior Vice President
John M. Foley	Senior Vice President
Thomas J. Vinci	Senior Vice President
Norman J. Sloane	Senior Vice President
Richard J. King	Senior Vice President

B. Territory and Plan of Operation

As of December 31, 2020, the Company was licensed to write business solely in New York.

As of the examination date, the Company was authorized to transact title insurance as defined in Section 1113(a)(18) 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 \$1,100,000.

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

<u>Calendar Year</u>	<u>Direct Premiums</u>	<u>Assumed Premiums</u>	<u>Total Gross Premiums</u>
2016	\$211,029,729	\$37,593	\$211,067,322
2017	\$208,612,513	\$49,113	\$208,661,626
2018	\$207,525,347	\$21,396	\$207,546,743
2019	\$200,502,510	\$18,307	\$200,520,817
2020	\$172,724,157	\$ 8,133	\$172,732,290

Assumed reinsurance accounted for 0.005% of the Company's gross premium written at December 31, 2020. The Company's assumed reinsurance program consists mainly of title coverage assumed on a facultative basis from its direct parent, Stewart Title Guaranty Company ("STGC"), an accredited reinsurer in New York State. The Company utilizes reinsurance accounting as set forth in SSAP No. 62R.

C. Reinsurance Ceded

The Company has a facultative arrangement in place with STGC which allows the Company to cede on a treaty basis all or a part of its excess loss risk, on direct written policies or reinsurance assumed by the Company which involves excess loss risks. As of December 31, 2020, excess loss risk was defined as exposures over \$20 million. A minimal amount of reinsurance is ceded to unaffiliated companies on a facultative basis.

It should be noted that there have been no instances of the Company paying a loss that triggered making a claim on its ceded facultative contracts. Accordingly, the Company has not reported any reinsurance recoverable on paid losses or reflected any reinsurance recoverable in its known claim reserves.

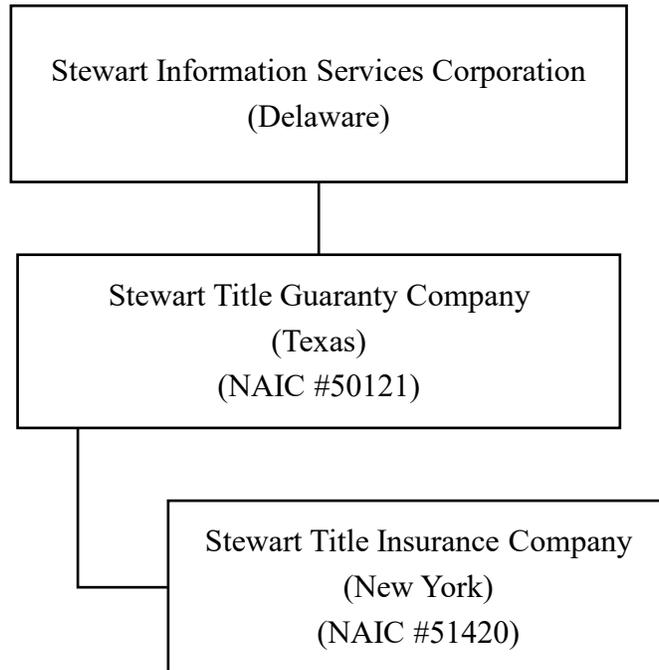
Examination review found that the Schedule F data reported by the Company in its filed annual statement accurately reflected its reinsurance transactions. Examination review indicated that the Company was not a party to any finite reinsurance agreements. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in SSAP No. 62R.

D. Holding Company System

The Company is a member of the Stewart Title Group. The Company is a wholly-owned subsidiary of Stewart Title Guaranty Company, a Texas-domiciled insurer, which is ultimately controlled by Stewart Information Services Corporation ("SISC"), a publicly-traded Delaware corporation. SISC was established in 1893 and is headquartered in Houston, Texas. It is a global real estate services company that primarily operates in the United States but has an international presence. SISC reports its business in two segments: 1) title insurance and related services (title), and 2) ancillary services and corporate. Stewart Title Guaranty Company is licensed or qualified in the District of Columbia and all states except Iowa and is an accredited reinsurer in New York. It also operates internationally. As noted previously, the Company is licensed solely in New York.

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, 2020:



### Holding Company Agreements

At December 31, 2020, the Company was party to the following agreements with other members of its holding company system:

#### Cost allocation agreement

Since July 1, 2012, the Company and its immediate parent, STGC, are parties to a cost allocation agreement. The agreement states that each party has employees experienced in the service areas of finance and accounting, policy services, information technology, human resources, procurement, marketing, legal services, underwriting, and claims management (together “services”). Each party may allocate some or all services to either party to the agreement and pays the direct costs for any services. Costs for any services rendered by either party shall be based on the proportionate time expenses for such service in relation to the compensation and any other direct costs of the employee(s) rendering the service or based on incremental costs actually incurred as shown by individual time study, depending on the services rendered. Monthly

invoices are submitted and due within 25 days after the end of the month of receipt of billing. The agreement was filed with and non-disapproved by this Department pursuant to Section 1505(d) of the New York Insurance Law.

Consolidated Federal Income Tax Return Settlement Agreement

Effective with the 2011 tax year, the Company and its affiliates entered into an eighth restated consolidated income tax return settlement agreement with SISC. Under the terms of the agreement, each participant is required to pay the amount that it would have paid had it filed a separate federal income tax return. Settlements between the parties are to be made within 30 days of the filing of the consolidated tax return, receipt of tax refund resulting from a filing other than the consolidated group's annual consolidated tax return, or payment of additional tax assessed. The holding company has had a consolidated federal income tax return agreement in place since January 1, 1974.

The agreement was filed with and non-disapproved by this Department pursuant to Section 1505(d) of the New York Insurance Law and Circular Letter No. 33 (1979).

E. Significant Ratios

Underwriting Ratios

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

	<u>Amount</u>	<u>Ratio</u>
Losses and loss adjustment expenses incurred	\$ 31,926,282	3.07%
Operating expenses incurred	948,261,635	91.10%
Net underwriting gain	<u>60,729,183</u>	<u>5.83%</u>
Premiums earned	<u>\$1,040,917,100</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, 2020, as reported by the Company:

<u>Assets</u>	<u>Assets</u>	Nonadmitted <u>Assets</u>	Net Admitted <u>Assets</u>
Bonds	\$ 80,743,948	\$ 0	\$ 80,743,948
Properties occupied by the company	437,653	0	437,653
Properties held for sale	37,000	0	37,000
Cash, cash equivalents and short-term investments	43,937,311	0	43,937,311
Investment income due and accrued	866,089	0	866,089
Uncollected premiums and agents' balances in the course of collection	6,778,675	562,015	6,216,660
Net deferred tax asset	2,967,653	1,625,052	1,342,601
Electronic data processing equipment and software	887	0	887
Furniture and equipment, including health care delivery assets	768,952	768,952	0
Receivables from parent, subsidiaries and affiliates	68,107	0	68,107
Prepays	370,684	370,684	0
Leasehold Improvements	356,398	356,398	0
Deposits	140,616		140,616
Goodwill	<u>100,000</u>	<u>100,000</u>	<u>0</u>
Total assets	<u>\$137,573,973</u>	<u>\$3,783,101</u>	<u>\$133,790,872</u>

Liabilities, Surplus, and Other FundsLiabilities

Known claims reserve	\$ 6,070,657
Statutory premium reserve	55,732,779
Other expenses (excluding taxes, licenses, and fees)	3,261,823
Taxes, licenses, and fees (excluding federal and foreign income taxes)	423,952
Current federal and foreign income taxes	1,734,174
Payable to parent, subsidiaries, and affiliates	853,691
Deferred rents	<u>817,048</u>
 Total liabilities	 \$ 68,894,124

Surplus and Other Funds

Common capital stock	\$ 1,100,000
Gross paid in and contributed surplus	25,941,458
Unassigned funds (surplus)	<u>37,855,290</u>
Surplus as regards policyholders	<u>64,896,748</u>
 Total liabilities, surplus, and other funds	 <u>\$133,790,872</u>

Note: The Internal Revenue Service has completed its audits of the Company's consolidated federal income tax returns for the year 2015 without any adjustments impacting the Company. The consolidated federal income tax returns open to audit are for calendar years 2016, 2017, and 2018. 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 \$53,030,165, as detailed below:

Operating Income

Title insurance and related income		\$1,040,917,100
Deductions:		
Losses and loss adjustment expenses incurred	\$ 31,926,282	
Operating expenses incurred	<u>948,261,635</u>	
Total operating deductions		<u>980,187,917</u>
Net operating gain or (loss)		\$ 60,729,183

Investment Income

Net investment income earned	\$ 14,356,049	
Net realized capital gain	<u>458,918</u>	
Net investment gain or (loss)		14,814,967

Other Income

Miscellaneous income	\$ <u>4,914</u>	
Total other income		<u>4,914</u>
Net income after capital gains tax and before all other federal income taxes		\$ 75,549,064
Federal and foreign income taxes incurred		<u>22,518,899</u>
Net income		<u>\$ 53,030,165</u>

C. Capital and Surplus

Surplus as regards policyholders increased \$31,370,127 during the five-year examination period January 1, 2016, through December 31, 2020, as reported by the Company, detailed as follows:

Surplus as regards policyholders as report by the Company as of December 31, 2015			\$33,526,621
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$53,030,165		
Change in net unrealized capital gains or (losses)		\$ 541,395	
Change in net deferred income tax		2,635,833	
Change in nonadmitted assets	1,379,975		
Capital changes paid in	2,115,982		
Dividends to stockholders	<u>0</u>	<u>21,978,767</u>	
Total gains and losses	\$56,526,122	\$25,155,995	
Net increase in surplus			<u>31,370,127</u>
Surplus as regards policyholders as reported by the Company as of December 31, 2020			<u>\$64,896,748</u>

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

Capital paid in is \$1,100,000 consisting of 100,000 shares of \$2 par value per share and 90,000 shares of Class B common stock with a par value of \$10 per share. Gross paid in and contributed surplus is \$25,941,458. Gross paid in and contributed surplus increased by \$2,115,982 during the examination period, as follows:

<u>Year</u>	<u>Description</u>		<u>Amount</u>
2016	Beginning gross paid in and contributed surplus		\$23,825,476
2016	Non-cash capital contribution	\$1,988,563	
2017	Non-cash capital contribution	32,343	
2018	Non-cash capital adjustment	(1,298)	
2019	Non-cash capital contribution	4,369	
2020	Non-cash capital contribution	<u>92,005</u>	
	Total contributions		<u>2,115,982</u>
2020	Ending gross paid in and contributed surplus		<u>\$25,941,458</u>

#### **4. KNOWN CLAIMS RESERVE AND STATUTORY PREMIUM RESERVE**

##### **A. Known Claims Reserve**

The examination liability for the captioned items of \$6,070,657 is the same as reported by the Company as of December 31, 2020. The examination analysis of the loss and loss adjustment expense reserves was conducted in accordance with generally accepted actuarial standards of practice and statutory accounting principles, including SSAP No. 55.

##### **B. Statutory Premium Reserve**

The examination reserve of \$55,732,779 is the same as the amount reported by the Company as of December 31, 2020. 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.

#### **5. SUBSEQUENT EVENTS**

On March 11, 2020, the World Health Organization declared an outbreak of a novel coronavirus (“COVID-19”) pandemic. The COVID-19 pandemic has continued to develop throughout 2021, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. At the time of releasing this report, the examination’s review noted that there has not been a significant impact to the Company. The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Department continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

## 6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Holding Company</u> i. It was recommended that the Company's executed agreement include all provisions contained in the version that was non-disapproved by the Department.	8

As noted in the prior report on examination, the Company has complied with this recommendation on October 4, 2018.

## 7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

This report on examination does not contain any comments or recommendations.

Respectfully submitted,

\_\_\_\_\_/S/\_\_\_\_\_  
Sabu Cherian  
Senior Insurance Examiner

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

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

\_\_\_\_\_/S/\_\_\_\_\_  
SABU CHERIAN

Subscribed and sworn to before me

this \_\_\_\_\_ day of \_\_\_\_\_, 2022.

*APPOINTMENT NO. 32162*

*NEW YORK STATE*

***DEPARTMENT OF FINANCIAL SERVICES***

*I, Linda A. Lacewell, 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:*

***Sabu Cherian***

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

***Stewart Title Insurance Company***

*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 24th day of November, 2020*

*LINDA A. LACEWELL  
Superintendent of Financial Services*

*By:*

*Joan Riddell*

*Joan Riddell  
Deputy Bureau Chief*

