



REPORT ON EXAMINATION
OF THE
TITLE INSURANCE RATE SERVICE ASSOCIATION, INC.
AS OF
June 30, 2017

DATE OF REPORT: December 14, 2022

EXAMINER: Risk & Regulatory Consulting, LLC

TABLE OF CONTENTS

<u>ITEM</u>	<u>PAGE</u>
Contents	
1. SCOPE OF EXAMINATION	4
2. SUMMARY OF RECOMMENDATIONS	5
3. ORGANIZATION AND MANAGEMENT	14
A. History	14
B. Articles of Association and By-laws	15
C. Organizations That Provide Services to TIRSA	22
4. STATISTICS	22
5. RATES AND RATING PROCEDURES.....	23
6. DATA MANAGEMENT	24
7. FILINGS	26
8. FINANCIAL STATEMENTS.....	27
9. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION	27
10. SUMMARY OF COMMENTS AND RECOMMENDATIONS	34

KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

December 14, 2022

Honorable Adrienne A. Harris
Superintendent
One State Street
New York, NY 10004

Madam:

Pursuant to instructions contained in Appointment No. 31760, dated April 18, 2018, I have made an examination into the conditions and affairs of the Title Insurance Rate Service Association, Inc., as of June 30, 2017, and the following report thereon is respectfully submitted.

Whenever the designations "TIRSA" or "The Association" appear herein without qualification, they should be understood to indicate the Title Insurance Rate Service Association, Inc.

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

Whenever the term "Examiners or RRC" appears herein without qualification, it should be understood to mean Risk & Regulatory Consulting, LLC.

Whenever the term "Handbook" appears herein without qualification, it should be understood to mean the National Association of Insurance Commissioners ("NAIC") Market Regulation Handbook.

Whenever the term "IT" appears herein without qualification, it should be understood to mean Information Technology.

Whenever the term "DR/BCP" or the "Plan" appears herein without qualification, it should be understood to mean the Disaster Recovery/Business Continuity Plan.

1. **SCOPE OF EXAMINATION**

The Department's previous examination of TIRSA was conducted as of June 30, 2012. The current examination covers the period from July 1, 2012, through June 30, 2017. The examination included a review of standards in the Handbook (inclusive of Appendix F), including but not limited to, a review of income (assessments), disbursements and those records deemed necessary to accomplish an analysis of TIRSA's operations; an in-depth review of TIRSA's role as the statistical agent for the Department; TIRSA's function as a rate service organization; TIRSA's responsibility to file rates and forms with the Department on behalf of its members and subscribers and to determine if TIRSA has appropriate controls, safeguards, and procedures for protecting the integrity of computer information. The Examiners relied on records and information maintained by TIRSA and its vendors.

The examination included a review of the following market conduct, actuarial and IT areas:

- Operations/Management/Governance
- Statistical Plans
- Report Systems and Data Requests
- Ratemaking
- Data Collection and Handling
- Form Development and Review
- Management and Organization Controls
- Physical Security
- Logical Security - System/Environment Access
- Logical Security - Application Access
- Security - Monitoring and Management
- Application Management
- Disaster Recovery/Continuity Planning
- Operations and Processing Control
- Cybersecurity

The Report on Examination is a report by exception. However, not all unacceptable or non-complying practices may have been identified during the examination. As such, the failure to identify such specific practices does not constitute acceptance of these practices.

2. SUMMARY OF RECOMMENDATIONS

Recommendation #1 - Antitrust Procedures and Guidelines

The Examiners reviewed documentation provided by TIRSA to determine if the Association had written antitrust procedures. The Examiners also requested samples of written communications containing antitrust statements. The Examiners noted the following:

- As described in TIRSA's antitrust policy, members have been granted a limited exemption from anti-trust laws regarding the establishment of rate standards that all members can use. There are restrictions on what members can discuss in meetings, and policies and guidance have been established. The subcommittees' minutes of TIRSA do not reflect those consistent reminders of the policy are understood. In addition, there is no formal requirement for members to review the policy periodically. The Examiners identified a total of 5 instances in Committee minutes (2 Laws and Forms Committees, 1 Rate Committee and 2 Board of Directors) where the antitrust policy was not read and acknowledged.
- The "TIRSA Antitrust Compliance Policy and Guidelines" summarizes and focuses on two categories of violations: 1) per se violations, such as price fixing, dividing markets, boycotts, and bid rigging; and 2) monopolization. No specific statutory citations of state and federal antitrust laws were included. Various exemptions and defenses are also summarized in the TIRSA Antitrust Compliance Policy and Guidelines.
- TIRSA has no formal ongoing review of the Antitrust Compliance Policy and Guidelines. The guidelines were previously provided to the TIRSA Board members when they were adopted and are provided to new Board members when they are appointed.

- TIRSA provided the following additional information regarding the antitrust statements: “Outside counsel verbally reminds all members of: (1) the existence of the TIRSA Antitrust Compliance Policy, (2) that discussions at the meeting must follow the pre-approved agenda, and (3) that members must not address topics that are not permitted by the Policy or are otherwise outside TIRSA’s scope. TIRSA’s outside counsel then also reminds all members to clearly object if they believe discussions are not in compliance with the Policy, and reminds all members that outside counsel will be monitoring the discussion and will raise objections as deemed appropriate.”
- TIRSA’s Board subcommittees, such as the Rate Committee and the Laws and Forms Committee, are not consistently provided a similar antitrust statement prior to their respective meetings.

The Department recommends that TIRSA review on a regular basis and update, as needed, the Antitrust Compliance Policy and Guidelines and provide ongoing validation that all members conducting TIRSA’s insurance business review and acknowledge the Antitrust Compliance Policy and its requirements.

Recommendation #2 - No Internal Audit Program

The Examiners reviewed documentation provided by TIRSA to determine if it has an up-to-date, valid internal or external audit program. The Examiners noted the following:

- Financial statement audits were not conducted for 2012 and 2013.
- TIRSA contracted with an independent CPA firm to conduct audits of its financial statements from 2014 - 2017.
 - This audit does not include any review of the statistical compilation and reporting to the Department.
 - TIRSA does not have a formal internal audit function and does not perform regular internal audits of its operations.
 - TIRSA does not perform external audits of third parties that conduct operations and

maintain records of TIRSA's insurance business.

The Report on Examination resulting from the previous two examinations of TIRSA conducted by the New York Department of Financial Services stated the following:

"It is imperative that every organization engage in constant review of its ongoing operations in order to assess the effectiveness of its operations. One mechanism frequently used by other organizations is an internal audit."

The Department recommends that TIRSA comply with the Department's recommendation from the previous Reports on Examination to appoint a committee to be responsible for hiring and overseeing an auditor to conduct a periodic internal audit of TIRSA's operations and to make appropriate recommendations to address any shortcomings noted in the internal auditor's report(s).

The Department further recommends that TIRSA perform periodic audits of its vendors at reasonable intervals and develop procedures for the use of internal and external audit reports.

Recommendation #3 - Record Retention

The Examiners requested that TIRSA provide documentation of its record retention procedures and demonstrate how those procedures meet the stated record retention requirements in New York. The Examiners noted the following:

- TIRSA provided a record retention policy dated May 2014 that requires TIRSA to maintain, for an indefinite period of time, copies of financial, organizational and Department documents since TIRSA's formation. During the examination period, TIRSA authorized Milliman to act on its behalf to perform substantially all work associated with rating. However, the Milliman engagement letter was not modified until November 2016 to state that Milliman should comply with all record retention requirements per the May 2014 TIRSA record retention policy. The provisions of Regulation 152 (Title 11 CRR-NY § 243.2, 8.d.), state the following:

"An insurer shall require, by contract or other means, that a person authorized to act on its behalf in connection with the doing of an insurance business, including a managing general agent, an administrator, or other person or entity, shall comply with the provisions of this Part in maintaining records that the insurer would otherwise be required to maintain. Notwithstanding the above, the insurer shall be responsible if the person or entity fails to maintain the records in the required manner."

- There has been no evidence that testing has been done or that other procedures are in place to ensure TIRSA has retained all records in accordance with these policies.

The Department recommends that TIRSA perform periodic testing to ensure third parties acting on its behalf maintain records that TIRSA would otherwise be required to maintain.

Recommendation #4 - Inadequate Policies for Proprietary Information

The Examiners reviewed documentation provided by TIRSA to determine if the Association had implemented policies, standards, and procedures for the management of confidential or proprietary information, including procedures for the collection, use and dissemination of such information to determine compliance with the provisions of Title 11 CRR- NY 421.2., which states:

"Information security program: Each licensee shall implement a comprehensive written information security program that includes administrative, technical and physical safeguards for the protection of customer information. The administrative, technical, and physical safeguards included in the information security program shall be appropriate to the size and complexity of the licensee and the nature and scope of its activities."

The Examiners noted the following:

- TIRSA provided a 2018 Information Security Policy with procedures for handling, disclosing, storing, and disposing of confidential or proprietary information received from title insurers.
- While TIRSA indicated they had approved the Information Security Policy in 2014, there was

no evidence that it was reviewed and/or updated between 2014 and 2018. The "updated" Information Security Policy which was provided was still dated March 2018. In order to verify if the security policy had been reviewed or updated since 2014, the Examiners reviewed the Board minutes for several of the interim years and did not see any reference to reviewing this policy.

- The Board had not formally approved the Information Security Policy.
- TIRSA management indicated that TIRSA does not directly receive confidential or proprietary information from licensed title insurers but that such information is typically requested by and sent directly to Milliman, TIRSA's outside statistical compilation agent. Milliman stated that the data they receive from the title insurers does not include personally identifiable information or information in the protected category.
- TIRSA's contract (in place since 2016) with Milliman contains provisions that address the management of TIRSA members' confidential or proprietary information that may be received directly by Milliman on behalf of TIRSA during the course of professional services performed for TIRSA.

The Department recommends that TIRSA formally approve the Information Security Policy and validate that insurance records are adequately protected in compliance with those policies and New York laws.

Recommendation #5 - Inadequate Monitoring of Vendor Activities

The Examiners reviewed documentation provided by TIRSA to determine if it has a monitoring process in place regarding the activities of vendors assuming an insurance business function. The Examiners requested a listing of all assessments conducted by TIRSA to determine the level of monitoring TIRSA has over its vendors' activities. TIRSA's response did not include a formal vendor review plan or a list of any monitoring efforts of its vendors', thereby indicating TIRSA does not conduct formal assessments of its vendors' activities.

The Examiners also requested the service agreement between TIRSA and its vendor, Milliman, to determine the policies, procedures and other contractual obligations TIRSA requires of Milliman in carrying out the actuarial and statistical agent consulting services for which it was contracted. TIRSA provided four engagement letters authored by Milliman for the 2012, 2013, 2016 and 2017 engagements, which were dated December 19, 2012, December 3, 2013, November 10, 2016, and January 8, 2018, respectively. The engagement letters, which also served as contracts, outlined the scope of services, billing rates and the terms and conditions of the engagement. The contracts, however, did not include terms that would permit adequate oversight, assessment, and monitoring of the process by TIRSA. Absent from the contract were provisions such as:

1. Performance metrics
2. Provisions allowing TIRSA to review Milliman's processes and workpapers
3. Provisions requiring Milliman to conduct periodic audits to test statistical data, information systems and operational processes used to conduct work on behalf of TIRSA

The contracts were modified beginning with 2016 to include requirements for Milliman to comply with TIRSA's information security policies and record retention requirements consistent with New York statutes and regulations.

The Department recommends that TIRSA comply with the previous examination recommendation to revise its vendors' service agreements to include terms that would permit TIRSA's oversight, assessment and monitoring of the vendors function, and process related to TIRSA's business.

The Department further recommends that TIRSA also comply with the previous examination recommendation to establish a formal written review process to monitor the activities of its actuarial vendor related to TIRSA's business.

Recommendation # 6 – Inadequate Support of Zone Differentials, Discounts, and Incremental Rates of Insurance

The previous market conduct Report on Examination included the recommendation that TIRSA ensure its rate filing provide adequate support for its zone differentials, discounts, and incremental rates of insurance. That recommendation was due to TIRSA's failure to adhere to a prior Report on Examination's recommendation that TIRSA maintain statistical and actuarial data to support these rating factors. TIRSA submitted a rate filing to the New York Department of Financial Services in 2012 for an increase of +22.2%. This filing was eventually withdrawn. TIRSA also conducted a rate review in 2016, but the results of this review were not submitted as a rate filing. Neither of these documents included the necessary information to supply adequate support for TIRSA's zone differentials, discounts, and incremental rates of insurance.

The Department recommends that going forward in its next rate filing submission TIRSA include adequate support for rating factors for its zone differentials, discounts, and incremental rates of insurance. As required by Regulation 208, "At least once every four years, a rate service organization or a title insurance corporation that has submitted a rate filing that is in use shall submit a filing to the superintendent, supported by data and actuarial analysis, which demonstrates that the current rates continue to meet the standards set forth in New York Insurance Law section 2303."

Recommendation #7 – Inadequate Control of Submitted Statistical Data

TIRSA has contracted with Milliman to conduct the annual statistical data call. Milliman receives and reviews the data from the various Underwriters. Milliman maintains a log for each of the Underwriter's data submissions. These logs include information about issues that were found with the data, communications with the Underwriters about these issues, and the results of those communications. The Examiners noted several instances where the log included open data questions, but the status of the data call for that Underwriter was marked as complete. Milliman explained that these were instances pertaining to issues with agents and therefore took a longer time to resolve. However, the log did not identify these issues as agent issues, and the data appeared to be considered complete even though there were outstanding data issues. As such, it does not appear that TIRSA adequately monitors or reviews the log for completeness

and accuracy.

In addition, TIRSA has limited internal mechanisms in place to demonstrate that the statistical data provided by Milliman as its statistical agent is reasonable. TIRSA argues that the current Executive Director takes a very active role in the process and does question Milliman during its review of the aggregate data for reasonableness. It continues to be unclear whether TIRSA is in a position to identify whether there were any errors, and if so, to identify measures to correct them.

The Department recommends that TIRSA monitor data logs for completion and accuracy prior to filing the annual statistical compilation of Title Insurance data calls and that TIRSA comply with the previous examination recommendation to establish independent controls and internal mechanisms to evaluate the rate service process to demonstrate that the resulting aggregate statistical data and recommendations provided by contracted vendors are reasonable.

Recommendation #8 – Compliance with NYIL §2303

A rate service organization or a title insurance corporation that has submitted a rate filing that is in use shall review its rates and submit a filing to the superintendent, supported by data and actuarial analysis, which demonstrates that the current rates continue to meet the standards set forth in Insurance Law §2303. The rate study completed by Milliman dated May 6, 2016, showed that the rates were reviewed by TIRSA as evidenced by Board meetings in 2016 however the study specifically states that, “this report is not intended to be filed with the State of New York Department of Financial Services.” Therefore, it appears TIRSA did not comply with the prior recommendation that TIRSA file rates no less frequently than every four years in order to ensure compliance with statutory standards.

The Department recommends that TIRSA submit rate filings as required by Regulation 208, section 228.6 which states: “At least once every four years, a rate service organization or a title insurance corporation that has submitted a rate filing that is in use shall submit a filing to the superintendent, supported by data and actuarial analysis, which demonstrates that the current rates continue to meet the standards set forth in Insurance Law §2303.” Such requirement will be in effect in the subsequent

examination period.

Recommendation #9 – Disaster Recovery Plan

The Disaster Recovery/Business Continuity Plan is current and was developed to address statistical agent and ratemaking functions; however, there is no evidence that the Plan is based on a business impact analysis or tested periodically. The IT Examiners further noted that:

- The DR/BCP does not clearly describe senior management's roles and responsibilities associated with the declaration of an emergency and implementation of the DR/BCP.
- The DR/BCP does not clearly identify the general process by which the threat will be assessed and the specific individuals who are authorized to declare an emergency.
- The DR/BCP does not address communication of the disaster event or provide for alternative points of contact (if necessary) to customers, vendors, and state and other regulatory officials.
- The DR/BCP does not contain a list of critical statistical agent and ratemaking computer application programs, operating systems, and data files.
- The DR/BCP does not indicate that a restoration priority has been assigned to all significant statistical agent and ratemaking activities.

The Department recommends that TIRSA comply with New York Insurance Circular Letter No. 5 (2019) dated April 17, 2019, and its predecessor rulings.

Recommendation #10 – Review of SOC 1 Report

TIRSA management does not formally evidence its review of the SOC 1 report for Milliman's computer environment. TIRSA's management does not perform a formal review of the systems used for the data reporting provided by Milliman. As a result, they cannot confirm the system controls at Milliman are in fact appropriate and operating effectively.

The Department recommends TIRSA review the SOC 1 report at least annually to confirm controls are effective.

Recommendation #11 – Data Call Templates

Milliman uses a spreadsheet to track changes made to the data call Excel workbooks used to collect data from TIRSA's member/subscribers. Changes to the worksheet templates are informally discussed by Milliman with TIRSA throughout the year. However, there is no formal review and approval process by TIRSA for these changes. The list of changes is delivered to TIRSA from Milliman along with the completed data call.

TIRSA's failure to demonstrate that the changes to the Data Call workbooks are reviewed and approved prior to implementation appears not complying with standard 13 of Chapter 25 of the Market Regulation Handbook applicable to Advisory Organization exams.

The Department recommends that TIRSA implement a review and approval process for all changes to the data call worksheets.

Recommendation #12 – Non-Secure Communications

TIRSA's statistical data submissions require the agent, Milliman, to request financial data from various member companies and their agents. This information is proprietary to each member company and their agents but is exchanged over non-secure email. The possibility of the information being intercepted via a data breach is a high inherent risk and should be considered.

The Department recommends that TIRSA require by contract or other means that Milliman use secure email in communications with the title company members transmitting confidential data.

3. ORGANIZATION AND MANAGEMENT

A. History

TIRSA is a Not-For-Profit Corporation (as of December 22, 1993); prior to that date, it had been a non-profit unincorporated association of title insurers. From August 1, 1991, through November 18, 1991, the Association was "in formation." The Association was formed on November 19, 1991, upon licensing as a rate service association. TIRSA is licensed pursuant to Section 2313(d) of the New York Insurance Law as a rate service organization for title insurers licensed in New York. The territory and area of authority is the State of New York. TIRSA has no shareholders or ownership, and its purpose is to carry out the activities permitted to rate service organizations pursuant to Article 23 of the Insurance Law of the State of New York.

TIRSA files rates on behalf of its member and subscriber companies. Individual companies have the right to file, with the Department, deviations to the rates and forms filed by TIRSA. Any changes to the TIRSA rate manual are recommended by either the Law and Forms Committee or the Rate Committee, which sends its recommendations to the full TIRSA membership for a vote. Any revisions to the TIRSA filed rates must be approved by the Rate Committee and then by the full TIRSA membership.

TIRSA was designated as the statistical agent by the Department on November 19, 1991, for the collection and compilation of statistical data for the title insurance industry. TIRSA gathers statistical information in accordance with a statistical plan on file with the Department. All title insurance companies licensed to do business in New York must report their data to TIRSA's agent, Milliman. TIRSA hired Milliman on January 6, 2012, to compile and analyze this data on its behalf and to act as TIRSA's agent in regard to TIRSA's role as statistical agent for the Department. TIRSA had decided to shield all members and employees from the exposure to individual company data as a part of its antitrust compliance program. Milliman is under direction not to reveal or discuss any individual member company's data with TIRSA members or the Executive Director to meet this goal.

B. Articles of Association and By-Laws

TIRSA supplied the Examiners with its amended and revised By-Laws, which were adopted on September 23, 2012, and were further amended in 2016. The purposes for which the Association was formed are to: (a) carry out the activities permitted to or required of rate service organizations by Article 23

of the NY Insurance Law and to do so under the supervision of the Department and any successor department or agency of the State of New York having regulatory authority over title insurers and the Association; and (b) to act as the Department's statistical agent for title insurance in New York State.

i) Objectives of TIRSA

TIRSA is a voluntary non-profit organization, with no shareholders or ownership, whose purpose is to carry out the activities permitted to rate service organizations pursuant to Article 23 of the Insurance Law of the State of New York and to do so under the supervision of the Department. TIRSA files rates on behalf of its member and subscriber companies. TIRSA was designated as the statistical agent by the Department for the collection and compilation of statistical data for the title insurance industry. TIRSA gathers statistical information in accordance with a statistical plan on file with the Department.

ii) Membership and Subscribers

During the examination scope period TIRSA's membership included the following number of member companies:

Year	TIRSA Membership
2012	16
2013	16
2014	16
2015	16
2016	16
2017	17
2018	17

According to TIRSA, members and subscribers may include any title insurance corporation licensed by the State of New York. Such title insurance corporations may apply to become a subscriber to the rating services of the Association, provided that each eligible member meets the requirements of the Association.

iii) Internal Organization

a) Officers

According to TIRSA's By-Laws, the Association shall have the following officers: a President, Vice President, Alternate Vice President, Secretary, Treasurer and Executive Director. Only officers or employees of member companies shall be eligible to serve as officers of the Association, except that the Executive Director and Secretary need not be an employee of a member company. The Executive Director may be elected to serve as Secretary. The duties of the officers are as follows:

President: The President shall be the chief executive officer of the Association. He or she shall have authority, subject to review by the Board, to direct the work of the Association and the Executive Director, to supervise the activities of all other officers and employees, and to represent the Association in any matter. The President may appoint such special committees as may be necessary in connection with the work of the Association, and shall ex-officio be entitled to attend meetings of such committees and to take part in discussion, but he or she shall not vote as a member of any committees except as otherwise provided in these By-Laws.

Vice President: The Vice President, during the absence of the President, pro tempore shall exercise the powers and perform the duties of the President.

Alternate Vice President: The Alternate Vice President, during the absence of the President and Vice President, pro tempore shall exercise the powers and perform the duties of the President.

Treasurer: The Treasurer shall be custodian of all moneys and funds belonging to the Association, and all disbursements of such moneys and funds shall be regulated and controlled by the duly elected officers. The Treasurer shall render a report on the financial status of the Association at the Annual Meeting of the members and each regular meeting of the Board. The Treasurer shall cause an annual audit of the Association's finances to be conducted by an

independent Certified Public Accountant and furnish a report of said audit to the members.

Secretary: The Secretary shall keep a record of all proceedings of the Association and of all its Committees. The Secretary shall notify the member companies and the Board of all meetings, shall transmit to each member company a copy of the minutes of every meeting of the members and transmit to each director a copy of the minutes of every meeting of the Board, and shall perform such other duties as may be assigned to him or her by the President of the Association.

Executive Director: The Executive Director shall be the chief administrative officer of the Association and shall be responsible for the day-to-day business of the Association.

The remaining officers of the Association as of the final date of the Examination period were as follows:

President – Mr. Ring, Chicago Title

Vice President – Mr. Martinico, Security Title

Alternate Vice President – Ms. Pereyo, Westcor

Treasurer – Mr. Bagwell, Old Republic

Secretary – Ms. Nagy – TIRSA

b) Employees of TIRSA

TIRSA has two employees presently on staff: The Executive Director and an administrative assistant. The position of Executive Director is a full-time position, and at present, the administrative assistant is a part-time position. The present Executive Director is S. Madeleine Nagy, PhD. Ms. Nagy took over the position from Ms. Felice Shapiro in 2015. Prior to her employment by TIRSA, she worked for American Land Title Association (ALTA) working with state governments on title issues.

The Executive Director of TIRSA is responsible for all management functions of TIRSA

as its Chief Administrative Officer. Responsibilities include the following: direction of all activities of TIRSA in accordance with its By-Laws and regulations; the hiring and termination of all TIRSA support staff; executing of contracts, agreements and commitments for and on behalf of TIRSA, with express approval of the President of TIRSA; working with the TIRSA membership and keeping them informed on the conditions and operations of TIRSA and executing all of their decisions such as rate and form filings with the Department; working with all TIRSA committees, providing proper liaison and support staff, and assisting such committee work; performing the duties of Secretary of TIRSA if so elected; maintaining sufficient records and books of account for TIRSA to provide an accurate reflection of the financial status and condition of TIRSA; acting as a liaison between members of the Department and TIRSA; and working as a liaison between outside counsel, actuary and TIRSA members.

c) Executive Board

Each member company, upon becoming a member of the Association, and annually thereafter, files with the Association the name of the principal representative who will represent the member at the meeting of the members and two alternate representatives who can only act in the absence of the principal representative. The member representatives should be an officer or another employee of a member company. The member representative will have full power and authority to act for and bind the member company which he or she represents at all meetings.

d) Association Meetings

TIRSA holds regular meetings of the Executive Board, for the transaction of such business as may be set forth in the notice of the meetings, which will be held at least quarterly at a time and place determined by the President and specified in the notices of meeting. Special meetings of the Board may be called at any time by the President, or, in the absence

or disability of the President, by a Vice President, and must be called by such officer on written request of not less than one-fifth of the entire Board, which request must state the purpose or purposes for which the meeting is to be called. Each special meeting of the Board will be held at a time and place determined by the person calling the meeting and specified in the notice of meeting. The annual meeting of the Board will be the first meeting held immediately after the annual meeting of the member companies.

Notice of each regular or special meeting of the Board stating the time and place of the meeting will be given by the President, a Vice President or the Secretary to each director and his/her alternate not less than three days before the meeting by mailing the notice, postage prepaid, addressed to each director and his/her alternate, at his or her usual place of business, or not less than two days before the meeting, by delivering the notice to each director of the Board and his/her alternate personally, by fax, by electronic mail or by telephone. Any one or more members of the Board or any committee of the Board may participate in a meeting by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time.

e) Committees

According to the Amended & Restated By-Laws, TIRSA shall have a Rate Committee and a Law and Forms Committee. The members of each committee shall be appointed by the President. In addition to the Rate Committee and the Law and Forms Committee, the President of the Association may appoint such other committees of the Association as may be deemed necessary to carry on the work of the Association. Each member company shall be entitled to appoint an officer or employee to each committee. In the event that the appointed officer or employee of a member cannot attend the committee meeting, the member may be represented by any other officer or employee of the member, who shall have

the authority to vote on behalf of the member.

During the examination scope period, the Examiners identified the following committees:

Budget Committee: The TIRSA Budget Committee is a committee that meets near the end of the TIRSA fiscal year. The President appoints members to the yearly committee, typically composed of the Executive Director, President, Treasurer, and one or two additional TIRSA Board members. Prior to the first meeting of the Budget Committee, the Executive Director prepares a budget for the upcoming fiscal year, July 1 through June 30. This proposed budget is distributed to the Budget Committee members, who then meet to discuss the proposed budget. The Budget Committee votes to approve the proposed budget and to recommend approval of the proposed budget by the full TIRSA membership. At the annual meeting of TIRSA's Board, the President presents the proposed budget for full Board approval. All TIRSA members have an opportunity to question and review the annual budget. A proposed yearly TIRSA member assessment is also voted on by the full TIRSA membership. The assessment is prepared based upon the terms as set forth in the TIRSA By-Laws. To help ensure efficient operations relative to costs, the Budget Committee reviews the proposed budget for the upcoming fiscal year and makes recommendations for any changes.

Law and Forms Committee: The Law and Forms Committee reviews changes to New York law in conjunction with the currently approved form in question on an as needed basis. The Law and Forms Committee determines if any change should be made to the form, and if so, the committee would then make such recommendation to the TIRSA membership at an executive Board meeting. The Law and Forms Committee is responsible for reviewing all approved policies and forms in the TIRSA rate manual and for making any recommendations for changes or additions.

Rate Committee: The Rate Committee is a standing committee as set forth in the By-Laws of TIRSA. Each member company is entitled to appoint a member to the

Rate Committee. The appointments to the Rate Committee are done on a yearly basis at the beginning of each fiscal year. The Rate Committee meets on an as needed basis, and it is the Rate Committee's charge to review proposed changes to existing rates, propose new rates for new forms and types of coverages and review proposed rate filings. The Chairman of the Rate Committee, who is chosen on a yearly basis by the President, will then report back to the full TIRSA Board any recommendations as to these rate changes. There are some years that the Rate Committee will meet numerous times and other years when it will not meet at all. The Rate Committee met two times during the examination period. The last meeting during the examination period was January 25, 2017.

Rate Manual Revision Committee: The Rate Manual Revision Committee was involved in the total revision to the existing TIRSA rate manual. The work of this committee culminated with the submission of a revised rate manual to the Department.

C. Organizations that Provide Services to TIRSA

During the examination period, TIRSA contracted with numerous organizations as follows:

- Milliman was contracted as the sole actuarial and statistical agent.
- Hodgson Russ LLP was contracted to represent TIRSA in connection with antitrust, regulatory, and related matters.
- Kevin J. Mullins was contracted as a Certified Public Accountant beginning with the fiscal year ended June 30, 2014.
- Iron Mountain Information Management was contracted to provide records management services effective October 17, 2016.

4. STATISTICS

TIRSA does not have a written policy in place regarding a review and update of existing statistical plans. According to TIRSA, the Executive Director works in conjunction with Milliman the statistical agent/actuary regarding the review, drafting changes, advising on change feasibility, etc. Once the yearly

statistical plan has been completed and filed with the Department, the Milliman team begins its internal review to determine what changes and/or updates they believe should be incorporated in the following year's plan. Milliman communicates with the Executive Director any changes they believe should be incorporated. The Executive Director will discuss with the President and possibly outside counsel if the changes are substantial, will require a large cost to TIRSA, or will have antitrust implications. Minor changes to the instructions or minor clean up issues will be approved without getting full Board approval. Changes may be suggested by Executive Board members.

Once Milliman has completed their internal review and made any changes, they will prepare the upcoming year's statistical plan. Milliman will also conduct a test of the plan to determine that the changes have been successfully integrated in the forms. They will send to the Executive Director a copy of the proposed plan along with a description or explanation of any changes from the previous year's submission. The Executive Director of TIRSA submits the proposed statistical plan to the Department via email, requesting the Department's approval and/or acknowledgement. Once the Executive Director receives a communication from the Department, Milliman and the Executive Board are advised. Milliman is responsible for communicating the changes to TIRSA's member companies and includes a summary of any changes within the instructions.

TIRSA submitted the following statistical plans to the Department during the examination period:

Year	Date Submitted
2012	May 14, 2013
2013	July 15, 2014
2014	May 18, 2015
2015	May 30, 2016
2016	May 30, 2017

5. RATES AND RATING PROCEDURES

TIRSA does not have written policies and procedures for the preparation and submission of policy

forms and filings or written procedures to effect compliance with state filing laws and protocols. In response to the Examiners' request, TIRSA explained that the process in place for the review of submissions, forms or rates begins with the Law and Forms Committee and/or Rate Committee. These two committees meet prior to submitting a proposal to the full TIRSA membership. The two committees will make recommendations to full TIRSA membership, and then the Executive Board will take an official vote. The Executive Director will, at numerous points in the process, work with the committees and with TIRSA's outside consultants in the drafting process, determining compliance with antitrust issues, and obtaining necessary statistical back-up. Once the committees have approved a proposed submission, the President will schedule an Executive Board meeting with this as an agenda item.

Beginning after the examination period, Insurance Regulation 208, Section 228.6; requires that TIRSA "At least once every four years, a rate service organization or a title insurance corporation that has submitted a rate filing that is in use shall submit a filing to the superintendent, supported by data and actuarial analysis, which demonstrates that the current rates continue to meet the standards set forth in Insurance Law section 2303."

Monitoring of the rate level adequacy should provide the necessary information as to when it would be necessary to file for a rate level revision. Due to the aforementioned regulatory provision, after the examination period TIRSA will be required to submit a rate filing at least once every four years. However, it is recommended that TIRSA submit a rate filing more frequently, if warranted based on its monitoring of the rate level adequacy.

6. DATA MANAGEMENT

With respect to data quality, Milliman states that, "If a company's explanation of an apparent internal discrepancy makes sense and/or the amount is very small, we generally accept the explanation." While these instances may be few in number and the amounts may be small, it would be preferable not to have to rely on judgment but rather to have specific written rules in place to determine if the data is acceptable

in all cases.

TIRSA does not receive data directly from the insurers. Rather TIRSA uses a third party to collect and edit the insurers' statistical data. The Examiners expressed a concern that the system TIRSA uses to collect and analyze insurer data could result in inadequate controls of the submitted data. TIRSA did not agree, stating that it has always employed a third-party subcontractor for its "actuarial" functions.

TIRSA has outsourced the gathering of member company data to Milliman. Milliman developed a Microsoft Excel spreadsheet (Data Call) to obtain title insurance data from member companies. The Data Call includes a series of edits in order to ensure the data submitted is as accurate as possible. Upon receipt of the Data Call submission from the member company, Milliman reviews the file and the various checks and balances within the spreadsheet. Applicable tabs within the Data Call have a "Difference Check" section that tests that data entered passes the appropriate criteria. The criteria are translated into a formula within the Data Call. The Examiners confirmed through testing that the formulas coded on the Data Call seemed appropriate and were operating effectively.

Additionally, data from each member company's published Form 9 (financial statement) is entered by the member company on one of the Data Call tabs. Other data input tabs compare the data entered on that tab to what was entered on the Form 9 tab. The Examiners tested the formulas within the cells that compare the value input to the Form 9 tab and confirmed the edit was working properly.

After all the Data Calls are submitted and reviewed, the data is aggregated into what is referred to as the Composite Data Call. To ensure the data maintains integrity and accuracy through the aggregation process, another Microsoft Excel spreadsheet (Composite Check) is utilized. The Composite Check spreadsheet contains a formula that compares the aggregated values entered on the Composite Check spreadsheet to the sum of the values from each of the individual member company's submitted data calls. The Examiners obtained the Composite Check spreadsheet for 2017 and confirmed that the data balanced.

As noted above, Milliman's processes for data receipt and preparation occur within Microsoft Excel spreadsheets. The spreadsheets are stored within data folders that reside on the Milliman network and

server hardware at Milliman's New York location.

7. **FILINGS**

During the examination period, TIRSA submitted the following filings:

US Policy Form

Submitted to the Department thru SERFF on February 23, 2015

Updated US Policy Form on March 11, 2015, with revised approved policy, Updated Table of Contents w/ revisions on March 26, 2015, Updated Part III approved forms, Section I with revised policy date; Inserted new Part X with 1991 US policy March 26, 2015

Rate Manual date is August 1, 2015, and Effective Date

Section 14

Submitted to the department thru SERFF on March 25, 2015

Updated approved revised Section 14, 14A, 14B and examples; Fifth Revision

Approved by the Department on August 1, 2015

Policy of Authentication Endorsement

Submitted to the Department thru SERFF on May 10, 2016

Added approved Policy of Authentication Endorsement

Approved by the Department on June 24, 2016

Revised TIRSA Remittance Codes

Submitted to the Department thru SERFF on November 10, 2016

For Informational Purpose

Approved by the Department on November 29, 2016

Revised TIRSA Rate Manual

Submitted to the Department thru SERFF on December 12, 2016

Approved by the Department on January 9, 2018

8. FINANCIAL STATEMENTS

TIRSA's CPA reviews quarterly payroll tax filings, prepares and files yearly tax returns, performs an annual review of TIRSA's QuickBooks files including proper allocations for all expense and income items, and prepares yearly financial statements. The Examiners received an audited financial statement for 2014, 2015 and 2016. The CPA also prepares and files annual form 5500 for the TIRSA 401(k) Plan and prepares the three-year Audit of Statement of Assets/Liabilities/Net Cash Basis of TIRSA.

9. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior Report on Examination contained the following recommendations (italicized). The Examiners' comments regarding TIRSA's compliance is below each recommendation. The Examiners identified several areas for which corrective action had not yet been taken. Those areas pertain to internal controls and oversight, which is an element of good corporate governance.

A. Operations, Management and Governance

Recommendation 1:

TIRSA should perform annual independent audits of its financial statements, perform periodic audits of its vendors at reasonable intervals, and develop procedures for the use of internal and external audit reports.

- TIRSA has partially complied with this recommendation by contracting for independent audits of its financial statements. They have not conducted periodic audits of their vendors nor

completed any internal audits of TIRSA operations. Please see Summary of Recommendations section, Recommendation #2.

Recommendation 2:

TIRSA should establish and maintain a formal written records retention policy, to include but not be limited to: a description of the types of records being retained, the method of retention, the safeguards established to prevent alteration of the records, and organizational protocols to ensure that all regulatory data and documents be made readily available upon request by the Department.

- TIRSA has complied with this recommendation by establishing a records retention policy.

Recommendation 3:

TIRSA should require by contract or other means that a person authorized to act on its behalf in connection with performing insurance business maintain records that TIRSA would otherwise be required to maintain.

- TIRSA has partially complied with this recommendation by establishing a records retention policy that is included in the 2016 Milliman contract, but it was not complied with timely. TIRSA did not conduct any testing of vendor record retention during the examination period. Please see Summary of Recommendations section, Recommendation #3.

Recommendation 4:

TIRSA should review on a regular basis and update, as needed their Antitrust Compliance Policy and Guidelines.

- TIRSA has not complied with this recommendation. No periodic review of the policy and guidelines has occurred since the last examination. Please see Summary of Recommendations section, Recommendation #1.

Recommendation 5:

TIRSA should establish a comprehensive written information security program as required as well as formal documented policies, standards, and procedures for the management of insurance confidential or proprietary information.

- TIRSA has only recently complied with this recommendation with a policy dated May 2018 that is still subject to Board of Director approval. TIRSA stated the policy has been in effect since 2016. However, TIRSA could not provide evidence of a formal written policy and procedure until 2018. Please see Summary of Recommendations section, Recommendation #4.

Recommendation 6:

TIRSA should require by contract or other means that a person authorized to act on its behalf in connection with performing insurance business comply with TIRSA's comprehensive written information security program.

- Although TIRSA complied with this recommendation by including this content in its November 2016 Milliman contract, it was not complied with timely. Please see Summary of Recommendations section, Recommendation #4.

Recommendation 7:

TIRSA should revise its vendors' service agreements to include TIRSA's oversight, assessment and monitoring of the vendors' function and process related to TIRSA's business.

- TIRSA has not complied with this recommendation. None of the agreements have been modified to include oversight and assessment of vendors. Please see Summary of Recommendations section, Recommendation #5.

Recommendation 8:

TIRSA should establish a formal written audit process of its vendors to monitor the activities and perform routine audits of its vendors related to TIRSA's business.

- TIRSA has not complied with this recommendation. Milliman provides a SOC 1 report of information technology controls that is prepared by independent auditors, but there is no evidence the report is reviewed by TIRSA. In addition, the Data Call statistical report process completed by Milliman is not audited. Please see Summary of Comments and Recommendations section, Recommendations #5 and #10.

Recommendation 9:

TIRSA should establish controls and formalize its filing procedures for the preparation, submission, tracking, distribution and archiving of individual filings and related quality assurance to ensure that filing identification numbers are consistently used and the final versions of filings and endorsements are filed with the Department prior to distribution to members for use.

- TIRSA has complied with this recommendation.

B. Statistics:

Recommendation 10:

TIRSA should establish a written policy, including but not limited to, timelines, deliverables and due dates for the review and update of statistical plans.

- TIRSA has complied with this recommendation.

C. Title Insurance Rates and Data:

Recommendation 11:

TIRSA should establish independent controls and internal mechanisms to evaluate the rate service process to demonstrate that the resulting aggregate statistical data and recommendations provided by contracted vendors are reasonable.

- TIRSA has not complied with this recommendation. There are no independent controls for evaluating the reasonableness of statistical data accumulated by Milliman. Please see

Summary of Recommendations section, Recommendation #7.

Recommendation 12:

TIRSA should implement a rate monitoring process on behalf of its member companies to ensure that rate level adequacy is reviewed on a regularly scheduled basis by a qualified actuary as well as to determine when to file for a rate level revision but no less frequently than every four years in order to ensure compliance with statutory standards.

- TIRSA has partially complied with this Recommendation. Please see Summary of Recommendations section, Recommendation #8.

Recommendation 13:

TIRSA should establish specific procedures, guidelines, and definitions to ensure that decisions and minimal discrepancies related to data reconciliations are acceptable.

- TIRSA has not complied with this recommendation. Please see Summary of Recommendations section, Recommendation #11.

Recommendation 14:

TIRSA should require by contract or other means that a person authorized to act on its behalf comply with TIRSA's procedures, guidelines and definitions regarding minimal discrepancies related to data reconciliations.

- TIRSA has not complied with this recommendation. Please see Summary of Recommendations section, Recommendation #2 and #11.

D. Data and Data Management:

Recommendation 15:

TIRSA should formalize the change management process. The process should include requirements for project initiation and approval, testing, separation of duties and production approval. Testing

requirements should be developed and documented for each change and signoff from the stakeholders in the impacted departments should be maintained. Evidence of the change approvals required should also be maintained.

- TIRSA has not complied with this recommendation. Milliman has instituted a process for approving changes, but there is no formal agreement with TIRSA. Please see Summary of Recommendations section, Recommendation #11.

Recommendation 16:

TIRSA should require by contract or other means that a person authorized to act on its behalf in connection with TIRSA business provide access to TIRSA data to only the employees who have specific job responsibilities related to TIRSA.

- TIRSA has complied with this recommendation. Milliman has instituted a process for to limit access to approved individuals, but there is no formal agreement with TIRSA.

Recommendation 17:

TIRSA should establish audit and oversight controls and procedures to ensure that a person authorized to act on its behalf in connection with housing TIRSA's member companies' data maintain adequate environmental controls.

- TIRSA has not complied this recommendation. Please see Summary of Comments and Recommendations section, Recommendation #10.

E. General

Recommendation 18:

TIRSA should comply with the Department's recommendations from the previous examination report to appoint a committee to be responsible for conducting a periodic internal audit of TIRSA's operations and to make appropriate recommendations to address any shortcomings noted in the internal auditor's

report.

- TIRSA has not complied with this recommendation as no internal audits have been conducted since the last examination. Please see Summary of Recommendations section, Recommendation #2.

Recommendation 19:

TIRSA should comply with the recommendations from the previous Report on Examination to ensure that rate filings provide adequate support for its zone differentials, discounts, and incremental rates of insurance.

- TIRSA has not complied with the recommendations from the previous two examination reports as the rate filings do not indicate that reports have been generated to support the current rating structures based upon the changing search environment and fails to provide support for zone differentials, discounts, and incremental rates of insurance. Please see Summary of Recommendations section, Recommendation #6.

Recommendation 20:

TIRSA should establish oversight controls and a corporate governance structure to ensure that the Association has complied with all recommendations from the current and previous Reports on Examinations.

- TIRSA has not complied with this recommendation from the previous two examination reports as many recommendations from the previous report have not been adequately addressed. Please see Section 10, Summary of Comments and Recommendations below, Recommendation #13.

Recommendation 21:

TIRSA should submit a written acknowledgment to the Department within 90 days after the issuance of the final examination report acknowledging that all recommendations have been implemented or

provide the timeframe if more than 90 days is needed.

- TIRSA has not complied with this recommendation. TIRSA stated they met and verbally discussed the status of recommendations with the Department on August 1, 2017. However, they did not submit a written acknowledgment within 90 days of the issuance of the final examination report of their completed implementation of the recommendations or provide a timeframe for such implementation. Please see Section 10, Summary of Comments and Recommendations below , Recommendation #14.

10. SUMMARY OF COMMENTS AND RECOMMENDATIONS

Operations, Management and Governance

Recommendation #1:

The Department recommends that TIRSA comply with the Department's recommendation from the previous Reports on Examination to review on a regular basis and update, as needed, the Antitrust Compliance Policy and Guidelines; and to provide ongoing validation that all members conducting TIRSA's insurance business are aware of the Policy and its requirements.

Recommendation #2:

The Department recommends that TIRSA comply with the Department's recommendation from the previous Reports on Examination to appoint a committee to be responsible for hiring and overseeing an auditor to conducting a periodic internal audit of TIRSA's operations and to make appropriate recommendations to address any shortcomings noted in the internal auditor's report(s).

The Department further recommends that TIRSA perform periodic audits of its vendors at reasonable intervals and develop procedures for the use of internal and external

audit reports.

Recommendation #3:

The Department recommends that TIRSA comply with the Department's recommendation from the previous Reports on Examination to perform testing to ensure third parties acting on its behalf maintain records that TIRSA would otherwise be required to maintain.

Recommendation #4:

The Department recommends that TIRSA comply with the previous Report on Examination to formally approve the information security policy and validate that insurance records are adequately protected in compliance with those policies and New York laws.

Recommendation #5:

The Department recommends that TIRSA comply with the previous Report on Examination to revise its vendors' service agreements to include terms that would permit TIRSA's oversight, assessment and monitoring of the vendors function, and process related to TIRSA's business.

The Department further recommends that TIRSA also comply with the previous Report on Examination to establish a formal written review process to monitor the activities of its actuarial vendor related to TIRSA's business.

Statistics:

Recommendation # 6:

The Department recommends that TIRSA comply with the recommendations from the previous Reports on Examination to ensure that rate filings provide adequate support for its

zone differentials, discounts, and incremental rates of insurance.

Data and Data Management:

Recommendation #7:

The Department recommends that TIRSA monitor data logs for completion and accuracy prior to filing the annual statistical compilation of Title Insurance data calls and that TIRSA comply with the previous Report on Examination to establish independent controls and internal mechanisms to evaluate the rate service process to demonstrate that the resulting aggregate statistical data and recommendations provided by contracted vendors are reasonable.

Title Insurance Rates and Data:

Recommendation #8:

The Department recommends that TIRSA comply with the previous Report on Examination to submit rate filings as required by the New York Insurance Law and Regulations.

Recommendation #9:

The Department recommends that TIRSA comply with New York Insurance Circular Letter No. 5 (2019) dated April 17, 2019, and its predecessor rulings.

Recommendation #10:

The Department recommends that TIRSA comply with the previous Report on Examination to review the SOC 1 report at least annually to confirm controls are effective.

Recommendation #11:

The Department recommends that TIRSA comply with the previous Report on Examination to review and approve all changes to data call worksheets.

Recommendation #12:

The Department recommends that TIRSA require Milliman to use secure email in communications with the title company members transmitting confidential data.

Corporate Governance

Recommendation 13:

The Department recommends that TIRSA comply with the previous Reports on Examination to establish oversight controls and a corporate governance structure.

General

Recommendation 14:

The Department recommends that TIRSA should submit a written acknowledgment to the Department within 90 days after the issuance of the final Report on Examination acknowledging that all recommendations have been implemented or provide the timeframe with the anticipated implementation of any and all recommendations if more than 90 days is needed.

APPOINTMENT NO. 31760

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:

Samuel D. Binnun

as a proper person to examine the affairs of the

Title Insurance Rate Service Association, Inc.

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

RATE SERVICE ORGANIZATION

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 18th day of April 2018

*MARIA T. VULLO
Superintendent of Financial Services*



By:

Larry Wertel

*Larry Wertel
Assistant Chief Examiner*