

REPORT ON ORGANIZATION

OF THE

TITLEDGE INSURANCE COMPANY OF NEW YORK, INC.

AS OF

FEBRUARY 6, 2007

DATE OF REPORT

FEBRUARY 7, 2007

EXAMINER

FE ROSALES, CFE

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

February 7, 2007

Mr. Eric Dinallo  
Acting 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 22585 dated January 3, 2007 attached hereto, I have made an examination on organization of Titledge Insurance Company of New York, Inc. as of February 6, 2007, and submit the following report thereon.

Wherever the designations “the Company” or “Titledge” appear herein without qualification, they should be understood to indicate Titledge Insurance Company of New York, Inc.

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

The examination was conducted at the office of the Company’s attorney located at 70 Pine Street, New York, NY 10270.

## 1. SCOPE OF EXAMINATION

The examination comprised a complete verification of the issuance of the Company's capital stock, the receipt of capital and surplus funds, and the determination of the Company's assets and liabilities. The records examined were the declaration of intention and charter, the by-laws, the certificate of incorporation, the corporate minutes, the stock register and the inter-company and custodial agreements entered into by the Company as of the examination date. In addition, an affidavit, appended hereto, was obtained from two officers of the Company indicating that the transactions noted in this report were lawful and bona fide.

## 2. INCORPORATION

Titledge Insurance Company of New York, Inc. was incorporated under the laws of the State of New York on August 22, 2006. The Department approved the Company's declaration of intention and charter on the same date. The Company's office is intended to be located at 654 Sharrots Road, Staten Island, New York 10309.

As of the examination date, the Company's board of directors was comprised of the following nine members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Agape Boxman Freehold, NJ	Vice President, Titledge Insurance Company of New York, Inc.; Vice President, Integrity Title Agency, Inc.
Jonathan Boxman Freehold, NJ	Chief Executive Officer, Titledge Insurance Company of New York, Inc.; Chief Executive Officer, Integrity Title Agency, Inc.

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Stephen Giasi Old Bridge, NJ	Chief Financial Officer and Treasurer, Titledge Insurance Company of New York, Inc. Chief Financial Officer, Integrity Title Agency, Inc.
Frank Giorgio Massapequa, NY	Senior Vice President Titledge Insurance Company of New York, Inc. President, Columbia Abstract Corp.
Lawrence I. Korman Merrick, NY	Vice President – Underwriting, Titledge Insurance Company of New York, Inc Attorney-at-Law, Integrity Title Agency, Inc.
Mark L. Newfeld Lynbrook, NY	Secretary and Vice President – Claims, Titledge Insurance Company of New York, Inc Vice President and Secretary, Integrity Title Agency, Inc.
Gregory R. Schmidt Flushing, NY	President, Titledge Insurance Company of New York, Inc. President, Integrity Title Agency, Inc.
Jason L. Schmidt Fredonia, NY	Attorney-at-Law, Solo Practice
Dov M. Shimanowitz Lakewood, NJ	Vice President – Sales Titledge Insurance Company of New York, Inc. Chief Operating Officer, Integrity Title Agency, Inc.

As of February 6, 2007, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Jonathan Boxman	Chief Executive Officer
Gregory Schmidt	President
Frank Giorgio	Senior Vice President
Agape Boxman	Vice President
Dov Shimanowitz	Vice President – Sales
Joseph Murphy	Vice President – Controller

<u>Name</u>	<u>Title</u>
Lawrence Korman	Vice President - Underwriting
Stephen Giasi	Chief Financial Officer and Treasurer
Mark Newfeld	Secretary and Vice President – Claims

### 3. **CAPITALIZATION AND SUBSCRIPTION**

Titledge Insurance Company of New York, Inc. is a stock company owned by Mr. Jonathan Boxman, the Company's Chief Executive Officer and Mr. Gregory Schmidt, the Company's President, with 88% and 12% ownership, respectively.

Titledge has authorized capital of \$750,000, consisting of 200 shares of common stock at \$3,750 par value per share. On January 30, 2007, the Company issued 176 shares to Mr. Boxman for a consideration of \$660,000 and 24 shares to Mr. Schmidt for a consideration of \$90,000 for a total consideration of \$750,000, of which \$500,000 represents common stock and \$250,000 represents paid in and contributed surplus.

In accordance with the provisions of Article 64 of the New York Insurance Law, a statutory deposit for title insurance companies is not required.

#### 4. BALANCE SHEET

The following shows the assets, liabilities and surplus as regards policyholders as determined by this examination as of February 6, 2007 and as reported by the Company:

##### Assets

Short-term investments		<u>\$755,439</u>
Total admitted assets		<u>\$755,439</u>

##### Liabilities

Total liabilities		\$0
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##### Capital and Surplus

Common capital stock	\$500,000	
Gross paid in and contributed surplus	250,000	
Unassigned funds (surplus)	<u>5,439</u>	
Total surplus as regards policyholders		<u>755,439</u>
Total liabilities and surplus as regards policyholders		<u>\$755,439</u>

Pursuant to the provisions of Section 1102(e)(1)(A) of the New York Insurance Law, in order for the superintendent to issue a license to the Company, the amount of the minimum capital and surplus required by law must be possessed by the Company:

“in cash or in investments permitted by this chapter as minimum capital or minimum surplus to policyholder investments under section 1402 of the chapter.”

Pursuant to Section 6402 of the New York Insurance Law, the Company’s minimum initial surplus requirement is \$750,000. Therefore, in order for the Department to issue a license to the Company, it must have a minimum of \$750,000 on deposit in either cash or investments qualifying as minimum capital or surplus investments pursuant to Section 1402 of the New York Insurance Law; such investments consist of:

- “1. Obligations of the United States or of any agency thereof provided such agency obligations are guaranteed as to principal and interest by the United States.
2. Direct obligations of this state or of any county, district or municipality thereof.
3. Direct obligations of any state of the United States.
4. Obligations secured by first mortgage loans which meet the standards specified in paragraph four of subsection (a) of section one thousand four hundred four of this article on property located in this state.”

On February 6, 2007, the Company reported on its balance sheet an investment in the amount of \$750,088 in “Valiant U.S. Treasury Money Market Portfolio Class E Shares”, which was held in Commerce Bank. The Company reported this investment under the caption “Cash” on its balance sheet.

The Company was advised that the subject investment is not considered cash, nor does it qualify as a minimum capital or surplus investment pursuant to Section 1402 of the New York Insurance Law. Therefore, the ineligible investment must be replaced before the Department can issue a license to the Company.

Subsequent to the examination date, on March 5, 2007, the Company has replaced the ineligible investments to be in compliance with the requirements of Section 1402.

**5. AUTHORIZATION POWERS AND MINIMUM CAPITAL REQUIRED**

The Company is authorized to transact the kind of insurance as defined in the following numbered paragraph of Section 1113(a) of the New York Insurance Law:

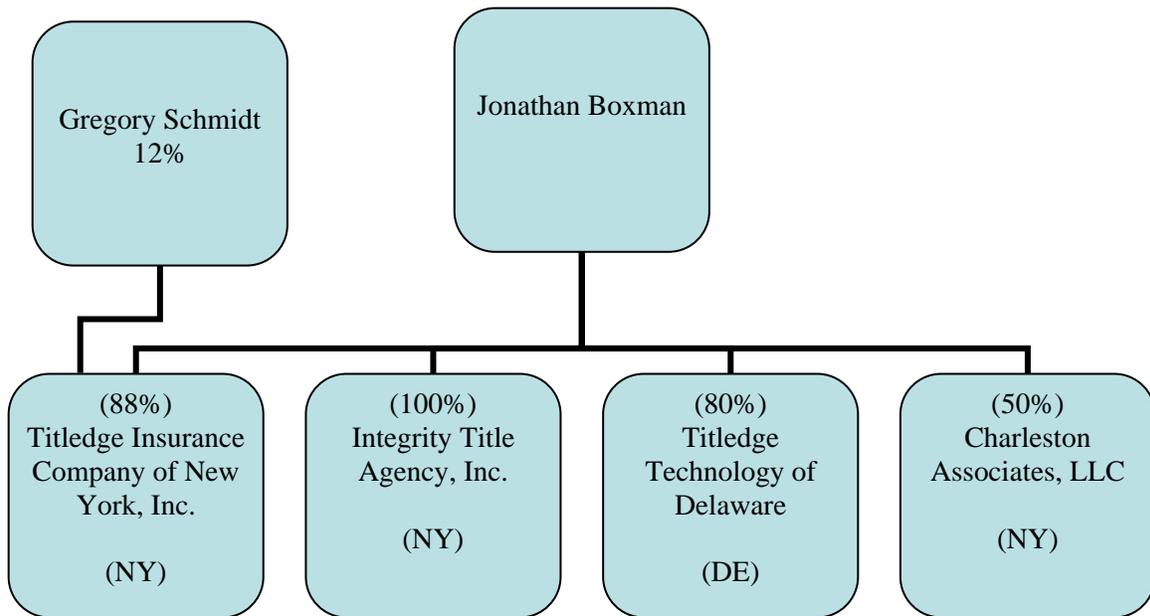
<u>Paragraph</u>	<u>Line of Business</u>
18	Title

Based on the line of business for which the Company is licensed and the Company's current capital structure, and pursuant to the requirements of Articles 13 and 64 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$750,000.

**6. AFFILIATED GROUP**

The majority shareholder of Titledge Insurance Company of New York, Inc. is Jonathan Boxman, the Company's Chief Executive Officer. As of the examination date, Mr. Boxman owned eighty-eight percent (88%) of the Company. The remaining 12% is owned by Gregory Schmidt, the Company's President. An affiliated entity named Integrity Title Agency, Inc. ("ITA") is wholly-owned by Mr. Boxman. The Company and ITA have the same set of officers. In addition, ITA provides services to the Company as noted in the inter-company agreement below.

The following is a chart of the affiliated group at February 6, 2007:



The Company filed with the Department the agreement below in accordance with Circular Letter Number 17 (2001):

Inter-company Cost Allocation Agreement

This agreement is between the Company and Integrity Title Agency, Inc., Charleston Associates, LLC (“Charleston”) and Titledge Technology of Delaware, Inc. (“Titledge Tech”) (the three entities being collectively referred to as the “Parties”) whereby one or more of the Parties shall provide the Company with services on a cost-basis.

The agreement states that ITA shall provide the Company executive management, legal, financial and accounting services for an annual charge of \$210,500.

The agreement further states that Charleston shall charge the Company an annual fee of \$15,000 for cost of electricity, use of photocopiers, scanners, telephones and working space for allocated headcount.

In addition, Titledge Tech shall provide the Company information systems services including the use of computers and computer supplies for an annual charge of \$12,000.

## **7. CONCLUSION**

Based on the foregoing examination, it is concluded that the Company sold 200 shares of common stock with a par value of \$3,750 per share. These shares represented the total authorized and issued stock for which the Company received a consideration of \$750,000, of which \$500,000 represents capital paid in and \$250,000 represents gross paid in and contributed surplus.

## **8. SUMMARY OF COMMENTS AND RECOMMENDATIONS**

<u>ITEM</u>	<u>PAGE NO.</u>
<p>A. <u>Minimum Capital Investments</u></p> <p>The Company was advised that its investment in “Valiant U.S. Treasury Money Market Portfolio Class E Shares” is not considered cash, nor does it qualify as a minimum capital or surplus investment pursuant to Section 1402 of the New York Insurance Law. Therefore, the ineligible investment must be replaced before the Department can issue a license to the Company.</p> <p>Subsequent to the examination date, the Company replaced the ineligible investments to be in compliance the requirements of Section 1402.</p>	<p>6 - 7</p>

Respectfully submitted,

\_\_\_\_\_/S/  
Fe Rosales, CFE  
Senior Insurance Examiner

STATE OF NEW YORK     )  
                                  )SS:  
COUNTY OF NEW YORK )

FE ROSALES, being duly sworn, deposes and says that the foregoing report, subscribed to by her, is true to the best of her knowledge and belief.

\_\_\_\_\_/S/  
Fe Rosales

Subscribed and sworn to before me

this \_\_\_\_\_ day of \_\_\_\_\_, 2007.

*Appointment No. 22585*

**STATE OF NEW YORK  
INSURANCE DEPARTMENT**

*I, Louis W. Pietroluongo, Acting Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:*

**Fe Rosales**

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

**TITLEDGE INSURANCE COMPANY OF NEW YORK, INC.**

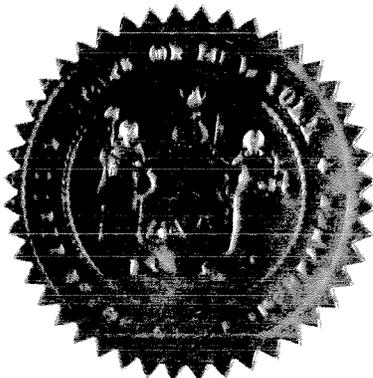
*and to make a report to me in writing of the condition of the said*

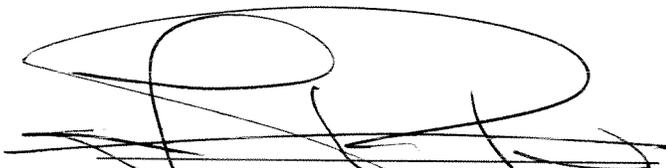
**Company**

*with such other information as she 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 3rd day of January, 2007*



  
**LOUIS W. PIETROLUONGO**  
*Acting Superintendent of Insurance*