

New York Urged to Tighten Regulations on Title Insurance

By CHARLES DUHIGG
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An assistant New York attorney general urged the state to step up regulation of the title insurance industry yesterday, arguing that insurance agents were receiving what amount to illegal kickbacks and that New York home buyers were overpaying.

The attorney, Hannah K. Flamenbaum told insurance executives, agents and state regulators at a New York Insurance Department hearing that New Yorkers pay some of the nation's highest title insurance rates, but that insurance companies and agents provide little in return.

In many cases, only 3 cents of the average dollar paid for title insurance is ever returned to policy holders in claims, Ms. Flamenbaum said, while an estimated 75 cents are kept by agents who serve as intermediaries between home buyers and underwriters.

"Insurance agents are supposed to represent the home buyer's interests," Ms. Flamenbaum said. "But when insurance companies let them keep 75 percent of the premium, they are essentially paying agents a referral fee that is in violation of New York's anti-kickback law."

Insurance commissioners said they would not change title insurance rates as a result of yesterday's hearing.

"We have no doubt there are bad agents, but we cannot be too broad in characterizing an important, vital industry that has many honorable and reputable agents," Howard Mills, the New York insurance superintendent, said in a statement. "The acts of some should not be a reflection on the industry as a whole."

Title insurance, which assures that a property is free from liens, debts and claims by other owners, is usually required for home buyers to get a mortgage. Title insurers collected premiums worth an estimated \$1.2 billion last year in New York state, where the premium on a \$250,000 home would cost about \$1,800.

Earlier this year, the New York attorney general, [Eliot Spitzer](#), said a two-year investigation of the nation's largest title insurance companies had revealed illegal payments to agents, favored customers and real estate developers.

[Fidelity National Financial](#) of Florida, and the [First American Corporation](#) of California each paid a \$2 million fine and agreed to a temporary 15 percent reduction on policies for homes worth \$1 million or less. The two companies, along with the [LandAmerica Financial Group](#) of Virginia, paid \$37.8 million in 2005 to settle kickback claims raised by California regulators.

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